

**Supporting Statement
Internal Revenue Service**

Form 1024 Application for Recognition of Exemption Under Section 501(a)
And Form 1024-A Application for Recognition of Exemption Under Section 501(c)(4) of
the Internal Revenue Code
OMB # **1545-0057**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

IRC Section 501(a) provides exemption from Federal income tax for certain organizations described in Section 501(c). Regulations section 1.501(a)-1(a)(3) requires these organizations to first apply to IRS for exemption. Most organizations other than Section 501(c)(3) organizations must use Form 1024 to apply for exemption.

In 2017 the IRS revised the way taxpayers comply with information for form 1024 (Sch. B), as a result, Schedule B has been replaced by new form 1024-A. As described in the Technical Explanation of the Protecting Americans from Tax Hikes Act of 2015, JCX-144-15 (December 17, 2015), it was intended that organizations seeking exemption under section 501(c)(4) may file a request for a determination and “that such a request for a determination be submitted on a new form (separate from Form 1024, which may continue to be used by certain other organizations) that clearly states that filing such a request is optional.”

Even though 501(c)(4) organizations aren't required to file Form 1024-A to be tax-exempt, they may wish to file Form 1024-A to receive a determination letter of IRS recognition of their section 501(c)(4) status in order to obtain certain incidental benefits such as:

- Public recognition of tax-exempt status;
- Possible exemption from certain state taxes;
- Advance assurance to donors of deductibility of contributions (in certain cases); and
- Nonprofit mailing privileges, etc.

2. USE OF DATA

IRS uses the information to determine an organization's qualification for tax-exempt status.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 1024 and 1024-A is not currently available due to the low number of filers. IRS has determined that the relatively low volume does not justify the cost of electronic enabling.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

5. **METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

6. **CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

If the IRS did not collect this information, the IRS would not be able to determine an organization's qualification for tax-exempt status and therefore hinder the IRS from meeting its mission.

7. **SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

8. **CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

In response to the Federal Register notice dated August 24, 2017 (82 FR 40228), we received a comment during the comment period regarding Form 1024-A.

The comment was submitted from the Public Policy Legal Institute as one submission of a compilation of comments from the Public Policy Legal Institute. IRS response to the comments can be viewed as a supplementary document to the Public Policy Legal Institute.

- suggested that the IRS cease work on the Form 1024-A until the IRS determined whether additional information was necessary on the Form 990 as a result of section 506 of the Code.
- recommended that the IRS expand and continue public education efforts about the notice requirement under section 506.
- Make the Form 1024-A “self-declaring”

IRS response is addressed more fully in the supplementary documents to the collection. However, the IRS will continue to monitor the notification process to determine whether additional information becomes necessary on the Form 990 or Form 990-EZ. In addition, the IRS has taken efforts to educate organizations regarding the notice requirement under Code section 506.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Business Master File (BMF)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.046-Customer Account Data Engine Business Master File. The Department of Treasury PIAs can be found at <https://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
Treasury Regulation						
1.501(a)-1(a)(3)	Form 1024	4718	1	4718	58.63	276,617
1.501(a)-1(a)(3)	Part IV	282	1	282	3.33	940
1.501(a)-1(a)(3)	Schedule A	94	1	94	3.53	332
1.501(a)-1(a)(3)	Schedule C	944	1	944	1.38	1303
1.501(a)-1(a)(3)	Schedule D	1415	1	1415	4.74	6708
1.501(a)-1(a)(3)	Schedule E	236	1	236	2.31	546
1.501(a)-1(a)(3)	Schedule F	236	1	236	2.63	621
1.501(a)-1(a)(3)	Schedule G	23	1	23	2.15	50
1.501(a)-1(a)(3)	Schedule H	47	1	47	1.90	90
1.501(a)-1(a)(3)	Schedule I	23	1	23	6.61	153
1.501(a)-1(a)(3)	Schedule J	23	1	23	2.63	61
1.501(a)-1(a)(3)	Schedule K	236	1	236	3.61	852
	Information Collection total			8277		288,273
IRC 506	Form 1024-A	2500	.511	1278	19.58	25,028*
	Information Collection Total			1278		25,028
Total of all ICs				9,555		313,301

*small discrepancy due to rounding.

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0057 to these regulations.

- 1.120-3(b)
- 1.501(a)-1(a)(3)
- 1.501-1(b)

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution, and overhead for Form 1024 is \$91,629.

15. REASONS FOR CHANGE IN BURDEN

The Schedule B has been removed from Form 1024. Previously, those wanting to apply under section 501(c)(4) would have completed Form 1024 along with Schedule B. Now those applying for exemption under 501(c)(4) will need to file Form 1024-A.

Form 1024	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses for this IC	8277	-1415	0	0	0	9692
Annual IC Time Burden (Hours)	288,273	-3269	0	0	0	291,542

This is a new form developed by Exempt Organizations to comply with P.L. 114-113, Div. Q, Sec. 405 (the PATH Act). The PATH Act added new IRC section 506 that requires new and certain existing section 501(c)(4) organizations to notify the IRS that it is operating as a section 501(c)(4) organization no later than 60 days after the organization is established.

Form 1024-A	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses for this IC	1278	1278	0	0	0	0
Annual IC Time Burden (Hours)	25028	25028	0	0	0	0

As a result, there is a change in burden due to the removal of Schedule B and the addition of Form 1024-A.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form sunsets as of

the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTION TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement for this collection.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.