

1023 EZ Eligibility Checklist

There are a number of qualifying factors for Form 1023-EZ. 26 conditions and/or types of nonprofit organizations are ineligible to use the Form 1023-EZ, and applicants must indicate that they have completed an eligibility worksheet provided in the instructions.

The following types of organizations may not use the Form 1023-EZ and must apply using the Form 1023 instead. Print this document and write a "Y" or "N" to the left of each item.

If you identify any "Y" responses, you must file the long-form 1023:

- (1) Organizations with projected annual gross receipts of more than \$50,000 in either the current taxable year or the following 2 years.
- (2) Organizations with annual gross receipts in excess of \$50,000 in any of the past 3 years.
- (3) Organizations with total assets in excess of \$250,000. For purposes of this eligibility requirement, a good faith estimate of the fair market value of assets is sufficient.
- (4) Organizations formed under the laws of a foreign country.
- (5) Organizations that do not have a mailing address in the United States.
- (6) Organizations that are successors to, or controlled by, an entity suspended under Code section 501(p) (revocation of tax-exempt status of terrorist organizations).
- (7) Organizations originally filed as an LLC (or are not corporations, unincorporated associations, or trusts).
- (8) Organizations that are successors to a for-profit entity.
- (9) Organizations previously revoked or that are successors to a previously revoked organization (other than an organization the tax-exempt status of which was automatically revoked for failure to file a Form 990 series return or notice for three consecutive years).
- (10) Churches or conventions or associations of churches (as opposed to ministries, which most often can use Form 1023-EZ)
- (11) Schools, colleges, or universities
- (12) Hospitals or medical research organizations
- (13) Cooperative hospital service organizations described in Code section 501(e)

- (14) Cooperative service organizations of operating educational organizations described in Code section 501(f)
- (15) Qualified charitable risk pools described in Code section 501(n), which typically operate in a similar manner to insurance companies
- (16) Supporting organizations described in Code section 509(a)(3), which are formed to support another specific 501(c)3
- (17) Organizations that have as a substantial purpose providing assistance to individuals through credit counseling activities such as budgeting, personal finance, financial literacy, mortgage foreclosure assistance, or other consumer credit areas.
- (18) Organizations that invest, or intend to invest, 5 percent or more of their total assets in securities or funds that are not publicly traded.
- (19) Organizations that participate (or intend to), in partnerships (including those entities treated as partnerships for tax purposes) in which they share profits and losses with partners other than 501(c)(3) organizations.
- (20) Organizations that sell, or intend to sell, carbon credits or carbon offsets.
- (21) Health Maintenance Organizations (HMOs).
- (22) Accountable Care Organizations (ACOs), or organizations that engage in, or intend to engage in, ACO activities
- (23) Organizations that maintain, or intend to maintain, one or more donor advised funds.
- (24) Organizations that are organized and operated exclusively for testing for public safety and that are requesting a foundation classification under Code section 509(a)(4).
- (25) Private operating foundations.
- (26) Organizations that were automatically revoked for failure to file Form 990, 990-EZ, or 990-N for three consecutive years (in other words, organizations applying for reinstatement within 15 months of the revocation notification date that did not qualify to submit the Form 990-EZ or 990-N for each of the three years, or organizations applying for reinstatement more than 15 months after the revocation notification date), and are applying for retroactive reinstatement of exemption under sections 5 or 6 of Revenue Procedure 2014-11.

Additional Factors

The Form 1023-EZ also includes the following “yes or no” questions, where a “yes” response will not necessarily result in an IRS rejection, but may trigger an “additional information request” by the IRS, which can be just as detailed and tedious as a large segment of the long-form 1023 application:

Do you or will you attempt to influence legislation?

Do you or will you pay compensation to any of your officers, directors, or trustees?

Do you or will you donate funds to or pay expenses for individual(s)? Do you or will you conduct activities or provide grants or other assistance to individual(s) or organization(s) outside the United States?

Do you or will you engage in financial transactions (for example, loans, payments, rents, etc.) with any of your officers, directors, or trustees, or any entities they own or control?

These activities are permitted for 501(c)(3) organizations if conducted properly, but only if in accordance with applicable rules and limits. Any affirmative responses may result in the IRS determining that the long-form 1023 is required, or an IRS request for Information, which would invoke a large portion of the disclosures and details normally considered part of the long-form 1023 process.

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