

Top Ten Reasons for Delays in Processing Exempt Organization Applications

(Article dated September 19, 2007)

The following excerpts were downloaded from the IRS' website. The information documented below is subject to change by the IRS. Therefore, for the most up-to-date version of this information, please go to

www.irs.gov/charities.

Number 10. Is there enough financial data?

See the instructions to Form 1023 or Form 1024 to determine how much information you need to provide, based on how long your organization has existed.

Number 9. In what month does the annual accounting period end?

Applications should indicate the end of their fiscal year. It is a good idea to check for consistency. Does the fiscal year ending date stated on the application agree with the fiscal year ending date stated in the by-laws, on the financial statements, and on any prior returns filed?

Number 8. Did you provide the required information on the principal officers and board of directors?

Applications should list the following information concerning the governing officials:

- a. names,
- b. mailing addresses,
- c. titles and positions,
- d. annual compensation.

Number 7. Did you provide enough information on the activities to show us how your exempt purpose will be achieved?

Please don't restate your purpose, but explain the specific activities you will carry on to achieve that purpose. You should consider a "who, what, when, where and why" approach. You should explain past, present, and planned activities. If you haven't started an activity yet, develop your plans well enough that we can have a clear understanding of how it will operate. You are not required to describe activities that are merely speculative at this time.

Number 6. Did you complete all required schedules?

You should check the line items on the financial statements. Some lines require supporting schedules.

Number 5. Did you complete all required pages?

To make a determination, the information contained on the pages and schedules of Form 1023 and Form 1024 is necessary. On Form 1023, there are various schedules and pages that must be filled out for churches, schools, hospitals, scholarships, supporting organizations, and certain other organizations.

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Number 4. Did a director, trustee, principal officer, or other authorized individual in a similar capacity sign the Form 1023 or Form 1024?

Generally, a principal officer is the president, vice president, secretary, or treasurer. The person signing the application must indicate his or her title or other authority to sign. A taxpayer's representative may not sign the application. Neither a stamped signature nor a faxed signature is permitted.

Number 3. If you have adopted by-laws, did you submit a copy? You need to provide a copy of your by-laws, code of regulations, or any other document that sets out the organization's rules of operation, but only if adopted.

Number 2. Did you attach a complete copy of your organizing document and all amendments?

If the applicant is a corporation, this would be a copy of the articles of incorporation that shows it has been filed with and approved by the state. If the applicant is not incorporated, it should have a similar organizing document. This could be a constitution, articles of association, or by-laws. Whatever the document is called, it must at the minimum state: the legal name, the purposes, and the date of adoption. The document should be signed by at least two members of the organization. A trust document must be signed by the trustees and show the date of formation. For section 501(c)(3) applicants, the organizing document must comply with the organizational test for exemption

The Number 1 reason for delays in processing exempt organization applications is . . .

INCORRECT OR NO USER FEE!

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Now that you know the ten most common pitfalls in the EO application process, we hope you can avoid them. If your application is completed correctly initially, and sent with all required documents and schedules, there is a good chance your organization could be recognized as exempt with no further contact. If there is contact, the agent can address the technical issues that need to be resolved without taking up your time trying to just get a complete application.