

New Electronic Form 8976 to Alert IRS About Section 501(c)(4) Status; 1023-EZ Application Reduced to \$275

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The ***Protecting Americans from Tax Hikes (“PATH”) Act of 2015***, enacted in December 2015, requires organizations to notify the **IRS** if they desire to operate under Section 501(c)(4) of the ***Internal Revenue Code*** (“Code”). (Only organizations described in Section 501(c)(3) of the Code are required to apply for and receive recognition of their tax-exempt status; other organizations, such as social welfare organizations described in Section 501(c)(4), may apply to the IRS for recognition of exempt status but are not required to do so in order to be exempt.) The PATH Act added a new Section 506 to the Code. Section 506 requires Section 501(c)(4) organizations to notify the IRS, within 60 days of organizing, that they are operating as Section 501(c)(4) organizations. Because of concern about IRS screening of Section 501(c)(4) organizations that may be conducting political activities, the IRS is currently prohibited from issuing guidance concerning qualifications for Section 501(c)(4) organizations. However, the notice required under Section 506 will provide the IRS more timely information about the formation of organizations claiming Section 501(c)(4) status than would be the case if the organizations’ first IRS contact was the filing of Form 990 as long as nearly two years after organization.

In early July, 2016, the IRS implemented Section 506 by (i) publishing temporary and proposed regulations concerning the required [filing](#), (ii) releasing Revenue Procedure 2016-41, 2016-30 I.R.B., setting forth details of the filing [requirements](#), and (iii) releasing a new form, Form 8976, for [this filing](#). The rule requires that new organizations electronically file the newly released Form 8976 with the IRS within 60 days of organization. Absent an applicable reasonable cause exception or an extended due date, organizations and individuals who do not submit Form 8976 on time are subject to fines. The IRS will acknowledge the receipt of the notification within 60 days of receiving it. This acknowledgement does not constitute recognition of tax exemption, but simply that the notification has been received. The filing is not subject to public inspection. A \$50 filing fee is imposed for the Form 8976.

Organizations which were organized on or before July 8, 2016 who previously filed specified forms with the IRS on or before that date do not need to submit Form 8976. The filings satisfying these exception include an application for a written determination of recognition as a 501(c)(4) organization (Form 1024), and an annual information or annual electronic notification (the Form 990 series). (This exception exists because the IRS already knows of the filing organization’s existence without the need for it to file a Form 8976.) Organizations organized on or before July 8, 2016 that had not made

either of these filings before July 8, 2016 must file Form 8976 by September 6, 2016.

In a separate action ([Revenue Procedure 2016-32](#)), the IRS reduced the filing fee for organizations submitting Form 1023-EZ from \$400.00 to \$275.00, effective July 1, 2016. The Form 1023-EZ is a short-form, online-only application to be recognized as a 501(c)(3) organization for small organizations. (Further explanation on [Form 1023-EZ](#))

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