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## **IRS Form 1023EZ**

In 2014, the IRS radically streamlined its application and approval process for certain organizations seeking tax-exempt status under Section 501(c)(3) of the Internal Revenue Code by introducing the Form 1023-EZ.

In doing so, it ignored strong opposition and warnings expressed by its own Advisory Committee on Tax Exempt and Government Entities, the National Association of State Charity Officials (state regulators of nonprofit entities), and the National Council of Nonprofits, among others.

### **Why It Matters**

The IRS made the change for management reasons of reducing a large backlog of applications for tax-exempt status as 501(c)(3) charitable nonprofits. As a result of the adoption of the Form 1023-EZ, virtually every entity that applies using the Form 1023-EZ receives tax exempt status – thanks in part to erroneous approvals at rates of 37%, 26%, and 42% during 2015, 2016, and 2017, respectively. And the IRS' primary obligation of preventing ineligible organizations and perhaps bad actors from receiving and exploiting tax-exempt status for personal gain is being shirked with every application processed. IRS Form 1023-EZ should be withdrawn immediately.

By using the new Form 1023-EZ, organizations applying under the streamlined procedures are not required to submit information proving that they qualify for tax-exemption. The damage caused by the usage and administration of the Form 1023-EZ fits into three overlapping categories:

1. *Public trust.* Nonprofits must earn the public's trust daily to receive donations, recruit volunteers, and advance their missions. The Form 1023-EZ causes distrust as sham operators secure tax-exempt status.
2. *Responsibility.* When the IRS abdicates its assigned duty as gatekeeper for tax-exempt status, it improperly shifts burdens onto state charity regulators to catch bad actors and onto others to provide the basic education about how to appropriately operate a nonprofit from the front-end, which is something the long Form 1023 provides.
3. *Concern for taxpayers.* The IRS' intentional shift from preventive front-end enforcement to screen out improper applicants and leave it to others to perform back-end enforcement is like a Motor Vehicle Department handing out drivers licenses to anyone submitting an online form, letting all other drivers to fend for themselves against unqualified drivers, forcing police and insurance companies to deal with foreseeable wrecks involving unscreened, unqualified drivers after they occur.

## **Where We Stand**

Federal law has long required each charitable nonprofit to make its organization's application for tax-exemption, including all supporting documents and related correspondence, freely available for public inspection. Reducing the Form 1023-EZ to a simply check off form renders the mandate of transparency to public scrutiny a rather empty and meaningless exercise.

[Comments to the Office of Management and Budget](#), National Council of Nonprofits, April 30, 2014.

## **Background**

The National Council of Nonprofits and National Association of State Charities Officers submitted comments to the House Ways and Means Subcommittee on Oversight recommending it include a provision in the bipartisan Taxpayers First Act

revoking the existing IRS Form 1023-EZ and instructing the IRS to replace it, after consultation with charitable organizations, foundations, and state charities officers, with a streamlined form that continues to collect essential information that will better protect the public from scam artists and ensure that the IRS grant tax-exempt status only to eligible organizations. The full House Ways and Means Committee Subcommittee voted unanimously to pass a revised version of the Taxpayers First Act on April 11, 2018.

## More About Form 1023-EZ

- [Recommendations for the 2021-2022 Priority Guidance Plan](#), National Council of Nonprofits, May 28, 2021.
- [Comments to the IRS on Exempt Organization IRS Forms](#), National Council of Nonprofits, Jan. 11, 2021.
- [Comments to Subcommittee on Oversight](#), National Council of Nonprofits, Oct. 4, 2019.
- [Comments on the Discussion Draft: The Taxpayer First Act](#), National Council of Nonprofits, Apr. 6, 2018.
- [Comments to the Office of Management and Budget](#), National Council of Nonprofits, April 30, 2014.

## Additional Resources

- [76 Fake Charities Shared a Mailbox. The I.R.S. Approved Them All.](#), *The New York Times*, July 3, 2022.
- [Express lane to more trouble for the IRS?](#), *The Hill*, Tim Delaney, June 2, 2014.
- [Letter to the Internal Revenue Service](#), National Association of State Charity Officials, May 23, 2014.