



Tax Exempt in 14 Days:  
A Case Study on IRS Form 1023-EZ

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August 20, 2015

## Background

On July 1, 2014, the IRS released Form 1023-EZ, a reformed, streamlined method of applying for federal tax exemption for eligible organizations.<sup>1</sup>

The release of the form caused a great deal of uncertainty throughout the nonprofit industry. How would the IRS handle the influx of new applications? Would this new form truly reduce the IRS's backlog of applications, and make the application process easier? How would using this form affect your nonprofit? After several weeks, we have some clarity: the IRS is processing Form 1023-EZ in significantly less time than before, leading to the quick approval of many applications.

Harbor Compliance is an early adopter of Form 1023-EZ. We believe our clients should have access to the most effective, expedient filing methods. "When a new filing procedure is released, we immediately review it to understand its complexities, and determine if it is a viable option for our clients," says Mike Montali, CEO of Harbor Compliance. "In this case, we determined that using Form 1023-EZ would be advantageous to some of our clients that meet the eligibility requirements. The clients that ultimately decided to use 1023-EZ have been satisfied with the results, having received their determination letters in a matter of weeks."

## Client: Reform It Now

Among our first clients to file Form 1023-EZ is Reform It Now, the Legal Support Center for Autism.



Reform It Now is a nonprofit organization, based in Wall, NJ, which focuses on advocacy for autistic citizens with legal issues. Their mission is simple: help autistic persons locate qualified, certified lawyers trained specifically in their needs, and to protect their rights, and civil liberties.

While autistic individuals are just as likely to face legal challenges as anyone, they require special accommodation, especially as they proceed through the legal system. "Most attorneys are unfamiliar with the needs of this community, and all too often fail to provide compassionate care. Some, unfortunately, take advantage of these individuals by dismissing the disorder as if it doesn't exist."<sup>2</sup>

Reform It Now's website serves as both a platform to assist the autistic, and a center for educating attorneys and judges about the difficulties autistic individuals face in the court system.

## "We Couldn't Afford to Wait"

Reform It Now's board initially hired a competitor's service to incorporate, set up records, and to apply for tax exemption. To complete only the incorporation step, the other service took nearly four weeks (excluding state processing times). When Bob tried calling to speed up the process, he was unable to speak to a real person, let alone a personal account representative.

Bob realized he simply couldn't afford to wait another few months to begin applying for 501(c)(3) tax exemption. Working with a service company that "provided very little on time and absolutely nothing as promised" was no longer an option, said Angelone. Reform It Now needed to provide those legal referrals faster, to conduct business as a charity legally, and to add credibility to its mission.

<sup>1</sup> <https://www.harborcompliance.com/blog/2014/07/17/update-new-irs-form-1023-ez/>. Accessed 8/15/14.

<sup>2</sup> <http://www.reformitnow.org/about/>. Accessed 8/15/14.

## An “EZ” Solution

It started with a simple phone call to Harbor Compliance. Dr. Angelone told his story to a Harbor Compliance account representative, relating his bad experience with a competitor, and simply asked: can you do it better?

Just two days after that initial call, Bob scheduled a nonprofit consultation. In the consultation, Bob and his nonprofit consultant reviewed Reform It Now’s mission, activities, and financial projections. Not only is reporting this key information necessary to apply for tax exemption, but understanding it also helps an organization with operational and financial planning.

Part of the consultation explored Reform It Now’s eligibility for, and whether it should file Form 1023-EZ. “In addition to having basic eligibility requirements, Form 1023-EZ isn’t always a clear choice,” stresses Montali, “there are reasons why an organization might still choose to file the original Form 1023.”

Reform It Now proved to be eligible, and Bob elected to file Form 1023-EZ. The next day, Bob’s consultant submitted Reform It Now’s 1023-EZ application to the Internal Revenue Service. The IRS processed his application in one week.

**Two weeks after contacting Harbor Compliance, Bob had his IRS determination letter in hand.**

That same afternoon, Bob’s account representative received a joyful phone call. It was Bob, in disbelief. He exclaimed, “Harbor Compliance had our 501(c)(3) determination letter in our hands 8 calendar days before your competitor had scheduled our initial consultation!”

With the determination letter, an organization is exempt from paying federal income tax, can apply for state tax exemption, more easily raise funds, and obtain a number of government and private benefits reserved exclusively for 501(c)(3) nonprofits.

For Reform It Now, this translates to increased awareness of the legal challenges faced by autistic individuals, more credibility when dealing with donors and strategic partners, and better access to funds necessary for executing their mission.

## Limitless Possibilities

An organization applying for tax exemption should have a complete understanding of state and federal requirements, as well as clear internal activities and finances. In communicating with Bob, Harbor Compliance helped Reform It Now review its activities, and file for tax exemption using the most appropriate method. Ecstatic at the outcome, Bob thanked his account representative for being “up-front, honest, forthright and an absolute pleasure to work with at every step.”

By choosing Harbor Compliance, and by filing 1023-EZ, Reform It Now saved nearly twelve months of waiting for its determination letter. Bob is confident that, “ONLY Harbor Compliance could have achieved that.” Reform It Now is twelve months ahead of schedule, which could mean limitless opportunities. For Dr. Bob Angelone, his partnership with Harbor Compliance isn’t over. “Reform It Now will be doing business with Harbor for a very long time. Count on it!,” he said.

Learn how Harbor Compliance can help your organization with its tax exemption and compliance needs. Visit our website to get started.<sup>3</sup>

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<sup>3</sup> <https://www.harborcompliance.com/nonprofit.php>