

The 501(c)(4) Change No One's Talking About

Attention all you 501(c)(4)er's. The IRS announced that those who intend to operate as a 501(c)(4) have to notify them of its intention via an electronic Form 8976.

It fundamentally shifts what, up until now, has been a culture of loose regulation in this space. Not to mention, the regulation has some toothy requirements. Along with stiff penalties for not complying.

So what does the form do? Officially, the IRS says it allows you to notify them of your intent to run as a 501(c)(4), keep your information current and receive communications from them. Personally, I think it's a way to keep tabs. Lest we forget the survey sent out to 501(c)(4) organizations last year snooping around about decisions to self-declare and operations and such. 501(c)(4)'s have been fairly ignored up until now, but communications from the IRS over the last year or two indicate those days may be over.

What Does This Mean For 501(c)(4)'s?

The positives? The notice is a one-time process and you don't have to fill out the form if you filed: 1) some type of Form 990; or 2) a Form 1024, after December 15th, 2015 but before July 8, 2016. Also, once you submit the form all you get back is an acknowledgment of receipt. Now, there is a user fee but it's only \$50.00. So that's not too bad.

The negatives? The notice doesn't excuse you from filing yearly 990 tax returns. And even if you self-declare 501(c)(4) status (which means you've chosen not to submit a Form 1024 to go through the examination process), you still HAVE to fill out the Form 8976. A little deeper in the announcement there's mention that organizations may have to submit, with their first annual return after giving notice, information to support they're actually operating like a 501(c)(4). Kind of important.

What Happens if I Don't Submit the Form?

The form ("notice") is due no later than 60 days after establishing the organization. Keep in mind, when the organization is "established" is a little tricky. Pay attention on that part.



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If you don't submit the form within the 60 day period, there's a penalty of \$20 per day, up to \$5,000 smackeroos. WHAT IS KEY IS THIS CAN APPLY TO "MANAGERS" TOO. That means directors, trustees, employees, members, etc. could be personally responsible for a failure to file. Granted, you can always file for relief even if you are hit with penalties but why go through the trouble?

Takeaways:

- The Form 8976 has to be filled out whether or not you submit a Form 1024.
- You only have to give notice one time.
- The notice is due no later than 60 days after establishing the organization. Note, "establishing the organization" is tricky.
- You'll need to know your EIN, organization data and mission to file the form.
- The requirement dates all the way back to organizations formed after December 18th, 2015 and even some organizations existing around that time.

[Here's a link to the announcement.](#)

Other Recent Developments From the IRS:

While we're talking about our friends, here's a few other recent developments coming from the IRS to be aware of:

- The IRS made 990 data available. Note, this only extends to reports filed electronically. And won't include donor information or 990 postcards. But will include Form 990's, 990-EZ and 990-PF. The announcement is [here](#).
- Now this is something I hear a lot of complaints around, the user fee for exemption applications. The IRS has decided to reduce the fee to file the 1023 EZ applications from \$400 to \$275. One can only wonder what the reason behind the move was. To be fair, filing a standard Form 1023, if you don't expect fees to exceed gross receipts of 10K over a four-year period, is \$400 so. So perhaps makes sense to align the price with the work involved. Or it could be a move to gently encourage people to go in this direction. Either way, a brief announcement on the new is [here](#).



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