

HERB SOCIETY OF AMERICA, INC.
NON-PROFIT / TAX EXEMPT FREQUENTLY ASKED QUESTIONS
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What is the difference between nonprofit and tax-exempt status?

Nonprofit status is a state law concept. Nonprofit status may make an organization eligible for certain benefits, such as state sales, property and income tax exemptions. Although most federal tax-exempt organizations are nonprofit organizations, organizing as a nonprofit organization at the state level does not automatically grant the organization exemption from federal income tax. To qualify as exempt from federal income tax, an organization must meet requirements set forth in the Internal Revenue Code. See Types of Tax-Exempt Organizations or Publication 557 for more information.

Do I need a tax-exempt number for my organization?

No. Unlike some states that issue numbers to organizations to indicate that these organizations are exempt from state sales taxes, the IRS does not issue numbers specifically for exempt organizations. While the Internal Revenue Service does issue Employer Identification Numbers (EINs), these are merely a unique identifier, similar to a Social Security number for an individual. Applying for and receiving an EIN says nothing about the organization's tax status; however, your organization needs an EIN to apply for tax exemption.

How does an organization become tax-exempt?

To be recognized as exempt from federal income taxation, most organizations are required to apply for recognition of exemption. For section 501(c)(3) organizations, the law provides only limited exceptions to this requirement. Applying for recognition of exemption results in formal IRS recognition of an organization's status, and may be preferable for that reason.

How do I obtain an application for tax-exempt status?

Most organizations applying for exemption must use specific application forms. Two forms currently prescribed by the Service are Form 1023, Application for Recognition of Exemption (and instructions) (for charitable organizations); and Package 1024, Application for Recognition of Exemption (for other tax-exempt organizations). The application your organization is required to submit is specified in Publication 557. See Tax-Exempt Organizations Tax Kit for a list of forms and publications of interest to tax-exempt organizations. You may also request these forms by calling 1-800-TAX-FORM (1-800-829-3676).

For more FAQ <http://www.irs.gov/charities/article/0,,id=96590,00.html>