

New Rules in Place for Domestic 501(c) Organizations that Restructure

The Internal Revenue Service (“IRS”) recently issued Revenue Procedure 2018-15, stating that it will no longer require a new exemption application from a domestic 501(c) organization that changes its corporate formation or place of organization, an action that historically required the filing of a new and properly executed Form 1023. The IRS determined that requiring a new application was often unnecessary and duplicative.

Revenue [Procedure 2018-15](#) provides that, in most circumstances, tax-exempt organizations no longer need to file new exemption applications if they change their organizational forms or states of incorporation. This Revenue Procedure makes obsolete Revenue Rulings 67-390 and 77-469, which previously required new tax-exemption applications in similar circumstances. The Internal Revenue Service (IRS) published Revenue Procedure 2018-15 in Internal Revenue Bulletin 2018-9 on February 26, 2018.

Under the revenue procedure, surviving organization of a corporate restructuring is no longer required to file a new exemption application if such surviving organization is:

- a U.S. corporation or unincorporated association classified as a corporation; and
- in good standing in the jurisdiction (e.g. State) in which it was organized.

The surviving organization must:

- be a U.S. corporation or an unincorporated association classified as a corporation;
- carry out the same purposes as the restructured organization;
- use the same tax identification number as the restructured organization; and
- have articles of incorporation that meet the 501(c)(3) organizational test if the restructured organization was a Section 501(c)(3) organization.

The restructuring transaction between or among the above entities must be one of

- incorporation;
- reincorporation to a different state;
- domestication to a different state; or
- statutory merger

Additionally, entities organized under Section 501(c)(3), the articles of organization of the surviving entity must continue to meet the test regarding dedication of assets to exempt purposes.

Finally, the surviving corporation will have reporting obligations that require the submission of information regarding the restructuring that will need to be filed with its Form 990.

For transactions that don't qualify as a corporate reorganization, tax-exempt organizations will need to follow other procedures to apply for a determination letter if they want to continue to be recognized as tax-exempt.

To learn more about how this change may affect your organization or activities we recommend you contact your local CPA or an attorney that specializes in working with charitable nonprofit organizations.

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