

## Section 501(c)(4) Organizations Subject to IRS Notice Requirement

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Nonprofit entities that intend to operate as tax-exempt organizations described in section 501(c)(4) of the Internal Revenue Code (Code) are subject to new reporting requirements with the IRS. Specifically, newly-enacted section 506 of the Code requires that each section 501(c)(4) organization notify the IRS that it is operating as such no later than **60 days** after the organization is established.

On July 12, 2016, the IRS released temporary regulations under section 506 of the Code as well as Revenue Procedure 2016-41. This revenue procedure provides the procedure for an organization to notify the IRS of its intent to operate under section 501(c)(4) of the Code. Rev. Proc. 2016-41 describes the new Form 8976 “Notice of Intent to Operate Under Section 501(c)(4)” and the related rules regarding the filing of this form.

### Transitional deadline

The deadline for submitting Form 8976 is **September 6, 2016** for organizations (i) that were formed on or before July 8, 2016 and (ii) that had not yet filed a Form 1024 by that date. (Form 1024 is the application for recognition of tax-exempt status under section 501(c)(4) of the Code.)

Organizations that filed a Form 1024 before July 8, 2016 are not required to file Form 8976. In addition, section 501(c)(4) organizations that have filed at least one Form 990, Form 990-EZ or Form 990-N on or before July 8, 2016 are also not required to file Form 8976.

### Form 8976

Form 8976 is an online filing ([accessible here](#)). Organizations will need to create an account with the IRS in order to file the form. The form requests basic information about the organization, including the full legal name of the organization, its employer identification number, its full mailing address, the date of its formation, the state and country in which it was formed, the month in which its annual accounting period ends, and an organizational statement of purpose.

The form must be submitted with a user fee of \$50, payable online.

### Penalties

If an organization fails to file Form 8976 within the required 60 day period, it may be subject to a penalty of \$20 per day, up to a maximum of \$5,000. In addition, individual officers and directors who are responsible for the organization’s tax and regulatory filings also may be required to pay a penalty of \$20 per day, up to a maximum of \$5,000.

### Acknowledgment from the IRS

Once the IRS receives Form 8976, it will validate the organization’s information and confirm receipt of the \$50 filing fee. The organization will then receive an acknowledgment notice from the IRS within 60 days. This acknowledgment does not formally recognize the organization as exempt from federal income tax under section 501(c)(4) of the Code.

If a section 501(c)(4) organization wishes to receive a formal determination letter from the IRS, it must also submit Form 1024. In addition, all section 501(c)(4) organizations continue to be required to file Form 990, Form 990-EZ or Form 990-N, as applicable, on an annual

basis.

#### RELATED PRACTICES

- [Nonprofit and Tax-Exempt Organizations](#)
  - [Taxation](#)
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