

SEO DETAILS:

Page Title: IRS Eases Rules for Restructuring Tax-Exempt Organizations | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] explains what tax-exempt organizations need to know if they plan to restructure their organization.

Headline: IRS Eases Rules for Restructuring Tax-Exempt Organizations

BODY COPY:

Are you planning to restructure your tax-exempt organization? It may be due to a merger with another organization, a modification of the legal entity or some other event or occurrence. Fortunately, you probably do not have to jump through as many hoops as you did before.

A new ruling issued by the IRS, *Revenue Procedure 2018-15*, makes it easier for many organizations to restructure. Notably, an organization can retain the same employer identification number (EIN) it used in the past without jeopardizing its tax-exempt status. The tax exemption is preserved for organizations in the following situations:

- A change in legal structure from an unincorporated association to a corporation;
- A reincorporation from one state to another;
- Domestication in a new state; and
- The merger of one corporation with or into another.

Previously, as established under the long-standing precedent in Revenue Ruling 67-390, a tax-exempt organization generally could not retain its EIN if it was being restructured. Instead, a 501(c)(3) organization had to follow a convoluted four-step process.

1. The organization was required to file a final Form 990 using the old EIN
2. Next, it had to obtain a new EIN
3. Then the organization had to file a new application for tax-exempt status under the new EIN
4. Finally, the organization was required to file new returns with the new EIN

To add to the complexity, the organization was required to change its EIN on all of its accounts, causing even more hassles for organizations with significant investments.

Over time, the IRS eased up on the rules to allow retention of the original EIN in numerous cases, but it required restructuring organizations to submit new applications for obtaining tax-exempt status. So organizations still faced obstacles during the restructuring phase.

Now the path has been cleared. Under Revenue Procedure 2018-15, the IRS merely requires qualified organizations to report the changes on its annual Form 990. This guidance enables the IRS to adhere to the “near-term burden reduction” goal that was stated as part of its 2017-2018 Priority Guidance Plan.

Yet the new rules do come with some strings attached. For instance, the restructured organization must continue to fulfill the same tax-exempt function as the prior entity.

Furthermore, for a 501(c)(3) organization, the entity's new articles of incorporation must continue to meet the organizational test, including the dedication of assets for charitable purposes.

The new guidance also applies to 501(c)(4) organizations that are reorganizing by establishing that they do not have to provide an additional notice of intent to operate on Form 8976.

Other restructurings that involve non-corporate entities will face additional hurdles concerning their tax-exempt status. The new guidance does not apply if the organization is a disregarded entity, limited liability company (LLC), partnership or foreign business entity. Similarly, it does not apply to tax-exempt trusts that are incorporating or to organizations that merge into LLCs or disregarded entities.

Finally, be aware of one last provision: If the reorganized organization does obtain a new EIN, it will be required to submit a new exemption application on Form 1023 or Form 1024, even if would not have otherwise been required to do so. Consult with your advisors concerning your situation.

CLOSE:

If you have questions on restructuring your organization, please contact [NAME] in our [DEPARTMENT] at [NUMBER/EMAIL].

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