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IRS fees rise in 2006

The cost of launching a nonprofit is now a little bit higher, thanks to increased fees for items that exempt-organization applications and other services organizations may need. According to the IRS announcement, the new pricing was instituted to “more accurately reflect the costs of processing various applications, ruling requests and opinion letters.”

New fees will be in effect July 1 for exempt-status applications. These fees will apply whether a nonprofit is making its first filing for exemption under Section 501(c) or applying to reclassify under a different paragraph of 501(c).

These new IRS fees follow on the heels of increases for letter rulings for exempt organizations that took effect in February. These services now range from \$275 to \$8,700, vs. the previous level of \$155 to \$2,750.

Be sure to discuss with your tax professional how these fee changes may affect your budgets.

IRS service	New fee as of July 1, 2006	Previous fee
Application for exempt status Organizations with actual or anticipated annual gross receipts averaging not more than \$10,000 in the preceding or coming four years*	\$300	\$150
Application for exempt status Organizations with actual or anticipated annual gross receipts exceeding \$10,000 in the preceding or coming four years	\$750	\$500
Group exemption letters A determination letter from the IRS that includes any subsidiary organizations in a central organization's exempt status	\$900	\$500

* The IRS requires nonprofits that request the lower fee to sign a certification attesting that their receipts don't exceed the \$10,000 threshold. This certification must be included in their application.