

ADVANCE RULING REPORT

Many initial IRS determinations are an “advance ruling.” This means that the IRS will review the organization’s “public support” status at the end of the advance ruling period which is generally determined to be five years from the date of the organization’s incorporation.

Within 90 days after the end of the advance ruling period an organization must file a Form 8734 Support Schedule For Advance Ruling Period. The IRS will analyze the organization’s financial data and determine if has met the requirements of the public support test during the advance ruling period. The two most common tests the IRS can employ for this determination are found in Section 509(a)(1) and Section 509(a)(2) of the Internal Revenue Code. If an organization can establish that it operated with public support, the IRS will then award the organization a written “final determination” affirming that it is a publicly supported organization.

If an organization does not meet the public support test the IRS will re-classify the organization as a private foundation. This is generally viewed as an extremely undesirable outcome for most nonprofit organizations since private foundations are subject to a much more complex set of IRS regulations, increased restrictions, potential taxes, increased costs, and decreased funding opportunities.

Please let us know if you would like to retain the services of Nonprofit Support Services to prepare Form 8734. We will efficiently and accurately prepare the Support Schedule for Advance Ruling Period (IRS Form 8734) and defend your non-private foundation classification to the IRS.

We will apply the same analysis and tests that the IRS will use to make certain that your organization has the best possible chance of retaining its public charity status and we will also review your documentation for other potential red flags. After we review and prepare the Form 8734, we will submit it to the IRS along with a letter supporting your public charity status and we will respond on your behalf to any IRS inquiries or requests for supplemental information.

We charge a flat fee for the preparation and analysis of the schedule for an organization that meets the Internal Revenue Service’s standard One-Third Public Support Test. If the organization fails to meet this test then a written argument must be prepared to justify retention of the organization’s status as a publicly supported organization under the “facts and circumstances” test. This response is much more complicated and time consuming and we will charge a standard hourly rate for the additional work.