



## How Quickly Can You Receive Tax-Exempt Status?

**How long does it take to obtain tax-exempt status from the IRS? Is there a way to speed up the process?**

**Q:** I have started a nonprofit organization and would like to file an application with the IRS for 501(c)(3) tax-exempt status. I need to have this status within the shortest possible time. Please let me know how long it might take.

The IRS is understaffed in this department.

to, it may take six months to be assigned to an examiner and eight to ten months to get reviewed. The IRS has a procedure for requesting expedited consideration, but the requirements are rather stringent, and it doesn't always speed up the process. ■

**A:** The current time period varies. The IRS is understaffed in this department. If your application raises no questions, it could be approved in as little as a month. If it raises questions, as most seem

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## Valuing In-Kind Gifts

**When you leverage your resources by using in-kind gifts, how do you assign them a value?**

**Q:** I have a doozie of a question for you. We're in the middle of applying for a grant. The grant administrator told us that it's important to demonstrate that we're leveraging resources. We were shown examples of other applications concerning how they used leveraging in daily operations. Some of the examples included in-kind gifts that appeared to have been assigned a certain value. My question is this: Is there some type of industry standard for assigning an amount to in-kind gifts? Any information you can provide will be greatly appreciated.

**A:** The best source of information on this matter is the Internal Revenue Service. The IRS, after all, is the one that makes the rules. In short, the IRS requires that the value of in-kind gifts be placed at fair market.

Since fair market can sometimes be tricky, I went to CPA Sherry Reed of the Lancaster Company in Key Biscayne, Florida, to get some real examples to share with you. Something that has an established price – say printing or furniture – is valued at the price for which it would normally sell. The same would hold for consulting services, as long as the services are provided by professionals acting in their professional capacity *and* the organization would otherwise have had to purchase such services. For instance, a lawyer providing pro-bono advice would be considered to be giving an in-kind gift of an amount equal to what a client would be billed for similar services.

Donations of food are often handled differently. Food banks tend to put a single price per pound on all food, regardless of what different items might sell for in a grocery store or restaurant. I suggest speaking to your CPA if you feel in your case you should be able to ascribe a different amount.

One thing you can't put a value on is volunteer hours, other than the professional services noted above. While we all recognize that the time volunteers give can mean substantial savings for an organization, the IRS doesn't consider their hours to be in-kind gifts. Despite this legal restriction, you might want to make note of these hours as an addendum to your grant proposal to give the funder a more thorough picture of the support your organization receives. Independent Sector currently values volunteer work at an average of \$18.77/hr.

Since the funder is most interested in seeing that you leverage your resources, you need to be able to show that you're getting the greatest bang for your buck at every turn. I suggest going back to the funder to ask for additional examples of in-kind gifts that they've seen over the years. You may find that you have more to report than you thought you did. ■

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