



## **Small Tax-exempts Have a Last Chance Opportunity to Save Their Exemption**

**If you serve on a nonprofit's board, you should be aware of a couple of law changes from back in 2007 that could put the organization's tax exempt status at risk starting this year.**

1. Since 2007, most tax-exempt organizations, **other than churches**, have had some sort of annual filing requirement. Even the smallest organizations-those whose average gross receipts are no more than \$25,000 annually-who previously were exempt from filing, since 2007 have had to electronically file a notice with the IRS called Form 990-N [Electronic Notification (e- Postcard)].
2. The IRS will automatically **revoke** the **tax-exempt status** of any organization (large or small) that **fails** to meet its annual **filing requirement for three consecutive years** effective as of the filing due date of the third year's return. Organizations that lose their exemption must reapply (including paying the appropriate user fee) to regain their tax exempt status. Further, between the revocation and renewed exemption dates, any income received may be taxable and any contributions made by donors aren't eligible for a tax deduction.

**Bottom Line:** Since 2007, most tax-exempt organizations (even very small ones) have had some sort of filing requirement, which if they fail to meet for three consecutive years will automatically cause them to lose their tax-exempt status. Thus, any exempt organization that failed to meet its filing obligations for 2007, 2008 and 2009 will automatically lose its federal tax-exempt status as of the due date of its 2009 return. Fortunately, the IRS has recently offered a way out for small tax-exempt organizations-those eligible to file Form 990-N or 990-EZ for 2007-2009 whose due date for their third consecutive return is between 5/17/10 and 10/15/10.

**If you are not sure if your organization's filing requirements have been met, go to [www.irs.gov](http://www.irs.gov)** where the IRS has posted the names and last-known addresses of organizations with return due dates between 5/17/10 and 10/15/10 for which it has no record that the required returns have been filed for any of the past three years. (The IRS refers to these organizations as *at-risk organizations*.) Just search for "Lists of Organizations at Risk of Automatic Revocation of Tax-exempt Status," and it'll take you to a page where you'll find state-by-state alphabetical listings of the at risk organizations.

Essentially, to maintain its exempt status, organizations **eligible to file Form 990-N** (average gross receipts are no more than \$25,000 annually) for 2009 simply need to complete and **file their 2009 return by 10/15/10**. Organizations **eligible to file Form 990-EZ** (but not Form 990-N) (gross receipts are less than \$500,000 and total assets are less than \$1.25 million) for 2009 can use a one-time voluntary compliance program (VCP) to come back into compliance. Under VCP, the organization will need to **file all required Forms 990-EZ for 2007-2009 by 10/15/10** and **pay a compliance fee of \$100 to \$500** depending on the entity's gross receipts on its 2009 return.

**If you have any questions regarding your specific situation or you would like to discuss these rules in more detail, please call Lisa Pinegar, CPA, an AccuPay CPA/advisor, at 885-7600.**

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