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Thousands of Non-profits Risk Losing Tax-free Status as Deadline Looms

October 15 is the deadline for non-profits in the country with revenues of less than \$25,000 a year to file Form 990-N to the IRS to keep their tax exemption status. The consequences of losing tax exempt status are clear. All forms of income including donations and gifts to the organization will be subject to tax and all contributors of such donations and gifts will not be able to deduct their contributions from their taxable income. All non-profit organizations that have not filed Form 990-N for the last 3 consecutive years will have their tax-free status revoked come October 15.

Once tax exempt status is revoked, an organization would have to re-apply to reinstate the exemption. But this process would take time and incur expenses which many non-profits may not be able to bear. In the meantime, the organizations would have to pay taxes for the period between the time of revocation of exemption to the time of its reinstatement.

The original deadline was in July but this was extended by the IRS to give the hundreds of thousands of non-profit organizations more time to comply.

The main problem is not a reluctance to comply with the IRS ruling, it is the ignorance of the ruling in the first place. Many non-profit organizations simply are not aware that the IRS has a list of the organizations that have not submitted Form 990-N and thus they do not know they have to file. The problem is compounded by the difficulty in contacting some of these organizations, especially smaller ones. Over the 3 year period in question when they had to file Form 990-N, the IRS has been actively trying to

contact every non-profit in the country but many have moved or they have at least changed treasurers, making it difficult to get the message through to the majority of smaller non-profits.

This ruling came about when Congress passed a law in 2007 stating the requirement for all small non-profits with less than \$25,000 annual revenue to submit the annual Form 990-N or risk losing tax-free privileges. This does not apply to churches and some other religious organizations.

Form 990-N, which can be downloaded online, requires 8 pieces of information, including details of the principal officer, employer identification number, its website address and any other name the organization uses. It also asks if the organization is going out of business.