



August 13, 2010

## New Tax Law Gives Nonprofits More Paperwork

The 2006 Pension Protection Act has made it mandatory for all nonprofit organizations to file annual returns to the IRS to keep their tax-free status. Failure to do so for 3 consecutive years will result in the revocation of their status as nonprofit organizations with tax-free privileges, which in turn means that all donations made to them would not qualify for tax deduction. In addition, federal grants would also diminish as these grants are usually only given to nonprofit organizations. For most nonprofits, this is like a death sentence.

But there is still hope for those nonprofit organizations that have not complied with the Act for one reason or another. The IRS has recently announced a three month extension from the previous deadline (which was May 15 to file for the years 2007, 2008 and 2009). In addition, the IRS will also introduce a Voluntary Compliance program (VCP) which will allow charities who have missed all the previous deadlines to get right with the IRS for just \$100 if the charity operates with \$100,000 or less.

The primary purpose of this requirement is to eliminate the nonprofits that are defunct or have ceased operations; it is not to burden genuine nonprofits with more paperwork, even those that do not know about the new Act. Unfortunately, there are numerous nonprofit organizations that are ignorant of the new requirements under the Act.

As such, according to David Tucker, an IRS spokesman in Washington State, the IRS has been actively trying to reach out to these nonprofit organizations to inform them of the new regulations. In line with that, in 2007, the IRS sent more than 650,000 educational letters to the nonprofits to try and let them know of the changes.

Despite these efforts, there are still nonprofit organizations that fall through the cracks and claim they have not been notified of these regulations. One such nonprofit is the Seattle Veteran's Museum, started by Todd Crooks, a former Iraq war Navy reservist who spent 5 months deployed in Iraq. Crooks started the museum with old military memorabilia he collected over the years and he says, "We haven't received any notification from (the IRS) whatsoever that we're in threat of losing our tax deductible status. That's kind of a surprise. You would think they would have sent letters too".

For further information, check out the IRS website at [www.irs.gov](http://www.irs.gov).

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.