

What Is One Thing Always At Risk? Your Tax-Exempt Status

I was absolutely astonished by a few of the things discussed in the National Taxpayer Advocate's Annual Report. Most surprising was the fact that there is no statute of limitations for the revocation of a non-profit's exempt status.

A statute of limitations is a certain amount of time by which a claim must be filed. For example, if someone breaches a contract the individual who has suffered damage must file suit within a certain time. Failing to file suit before this time elapses means that the claim is forever barred.

With taxes, generally the time by which the IRS must bring an action for an audit is within three years of the date the tax return in question was due or filed. Depending on the circumstances, a statute of limitations may also be six years, ten years or in some cases indefinite. I'm not going to get too much into all of that, but if this is something that interests you this [website](#) is a great resource. The IRS also has a good publication [here](#).

What is important to understand is that once the time allowed to audit has passed, and the IRS can no longer bring an action, that return is technically considered closed. However, the way the law is currently written, though a return is considered closed a non-profit could still have its tax-exemption status revoked. Even worse, the return in question can not be disputed by the organization at risk. Remember, once the statute of limitations has passed, and that audit is closed, an action may no longer be brought. Am I the only one that thinks this is crazy?!

Apparently the National Taxpayer Advocate doesn't think this makes much sense either. She has recommended that the IRS enact a statute of limitations similar to that currently in place for audits. Under her recommendations, this time-bar would not only apply as of the effective date, but to past acts as well. If you would like to read The Annual Report it can be found [here](#). In the meanwhile, non-profits should take extra care when filing those taxes this year as their exemption status is clearly something always up for grabs.