

Will Your Non-Profit Organization Lose its Exempt Status?

The IRS [announced](#) on July 26, 2010 that there are thousands of small tax exempt organizations at risk of losing their exempt status. The IRS released [lists](#) separated by state with thousands of entities still on the IRS books who have not filed tax returns for the past 3 years. The IRS notice states that organizations that do nothing will lose their exempt status, meaning donations to them would **not** be tax-deductible (the death of many charities). In many cases, the entities are defunct and no longer exist. However, some organizations may be on the list because they did not realize that they had to file.



Is your non-profit in danger of losing its exempt status?

The rules used to be that non-profits only had to file if they had gross receipts greater than \$25,000. Many non-profits started small and didn't have to file; as they grew, no one thought to research if they had to begin filing. Beginning in 2007, **all** non-profits have to file an annual tax return of some kind. Even those with receipts less than \$25,000 have to file a simple 990-N [online](#) to confirm they still exist. Though there is no penalty for not filing the 990-N, an entity that doesn't file for 3 consecutive years will lose their exempt status.



It is possible that your school's PTA, the neighborhood association, your child's soccer team, your alumni association, or a social club where you are a member may be on the list. You can scan the [list](#) quickly by state to see if an organization is on the list.

The good news is that small charities that have to file 990-N or 990-EZ can file for 2007, 2008, 2009 by 10/15/10 with no penalty to maintain their status. Filers of 990 or 990-PF (private foundation) do not qualify for automatic relief.

If you are not sure how to proceed, please call Dan Burzynski from our tax department for additional guidance. You can also get more information about relief for non-profits at the IRS [website](#).