

# IRS Updates, May 2007

Note: The following discussion is provided for informational purposes only and is not intended to serve as legal or tax advice. For specific information about Form 990-N and provisions of the Pension Protection Act of 2006 mandating the revocation of exempt status, consult your attorney or tax advisor.

The IRS has announced the next round of changes required by the Pension Protection Act of 2006:

- Smaller nonprofits will be required to file Form 990-N starting in 2008.
- Organizations that fail to file Form 990, 990-EZ, 990-PF, or 990-N for three consecutive years will lose their tax exemptions.

## Smaller Organizations and Form 990-N

Starting next year, an organization that does not file IRS Form 990 or 990-EZ because its income is \$25,000 or less will have to file Form 990-N, the "Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ." Churches, their integrated auxiliaries, and conventions or associations of churches; nonprofits included in a group return; private foundations required to file Form 990-PF; and section 509(a)(3) supporting organizations required to file Form 990 or 990-EZ will not be required to file Form 990-N.

The Forms 990-N will cover tax periods beginning after December 31, 2006, and will be due on the 15th day of the 5th month after a nonprofit's fiscal year ends. No extensions will be granted. Although there will be no financial penalty for filing late or failure to file, the ultimate penalty for not filing will be severe: nonprofits that do not file for three consecutive years will lose their tax exemptions. (See the next section of this article for more information on the revoking of exempt status.)

Organizations that file Form 990-N will be required to provide the following information:

- Organization name
- Any other names the organization uses
- Mailing address
- Web site address (if applicable)
- Employer Identification Number (EIN)
- Name and address of a principal officer for the organization
- Annual tax period
- A statement that the organization's gross receipts are normally \$25,000 or less
- Indication that the organization is going out of business (if applicable)

A nonprofit can opt to file Form 990 or 990-EZ instead of Form 990-N. Any organization that chooses to do so, however, must complete the full return; partially completing the return will not fulfill the filing requirement.

Form 990-N will be filed electronically through the Internet; no paper returns will be filed. The IRS anticipates that Form 990-N filers will not need to purchase additional software, and that organizations that do not have computer or Internet access will be able to complete the e-Postcard at places such as their local libraries.

What should future Form 990-N filers do before 2008? Watch the mail this summer for an educational letter from the IRS providing more information. The IRS will begin sending out the letters in July. The service will also release information on filing procedures when the e-postcard filing system is ready for use.

And, of course, update your information on GuideStar. Updating is free and is an immediate way to let people know about your organization's good works. For more information on updating, [click here](#).

## **Death to Organizations That Fail to File**

The Pension Protection Act of 2006 requires the IRS to revoke the tax exemption of any nonprofit that fails to file a return for three years in a row for tax years beginning January 1, 2007. Thus, in May 2010, nonprofits that have failed to file Form 990, 990-EZ, 990-PF, or 990-N for three consecutive years will begin losing their tax-exempt status. To regain their exemptions, such organizations will have to apply using Form 1023, "Application for Recognition of Exemption," or Form 1024, "Application for Exemption under Section 501(a)."

## **More Information on Form 990-N**

- "New Electronic Filing Requirement for Small Tax-Exempt Organizations—Annual Electronic Notice—e-Postcard (Form 990-N)," [www.irs.gov/charities/article/0,,id=169250,00.html](http://www.irs.gov/charities/article/0,,id=169250,00.html)
- "Frequently Asked Questions: New Annual Electronic Notice—e-Postcard (Form 990-N)," [www.irs.gov/pub/irs-tege/epostcard\\_faqs\\_final.pdf](http://www.irs.gov/pub/irs-tege/epostcard_faqs_final.pdf)

## **More Information on the Pension Protection Act of 2006**

- "[August 2006 Charity Reform Update: House Approves Charitable Giving Incentives and Reforms](#)"
- "[A Brief Overview of Supporting Organizations](#)"
- "[New Requirements for Some Form 990 Filers](#)"
- "[New Rules Affecting Donor-Advised Funds: December 2006 Question of the Month Results](#)"
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Suzanne E. Coffman, May 2007  
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