

How to fix a Nonprofit's Lost Tax-exempt Status (requires filing of information)

Nonprofit's tax-exempt status requires filing of information

The following is a reprint of an article that appeared in the Manchester Union Leader on Monday, July 25, 2011. It was written by Beth Fowler of the McLane Law Firm in response to a question and she has given me permission to use it. It reads as follows:

Q.: I work for a nonprofit organization. We just received notice that the organization has lost tax-exempt status. Why did this happen? How can we fix it?

A.: Most likely, the organization lost its tax-exempt status because it failed to file required annual federal informational returns in 2007, 2008, and 2009. Before 2007, charitable organizations with gross receipts under \$50,000 were not required to file any return. As of 2007, those small organizations are required to file an annual electronic notice using Form 990-N, the e-Postcard. Failure to file the notice for three consecutive years causes an automatic revocation of an organizations tax-exempt status. Organizations that fail to meet the new requirements lost their tax-exempt status on May 17, 2010, the due date of their 2009 returns. The IRS website contains a list of those organizations. Donors do not receive a tax deduction for their donations if the organization is not tax-exempt. To regain tax-exempt status, your organization must apply for reinstatement. If it has a 501 (c) (3) tax-exempt entity, it does so by filing Form 1023. Other types of charitable organizations apply by filing Form 1024. Your organization may qualify for special relief if it was not required to file a return before 2007 and qualified to file the e-Postcard in 2007, 2008 and 2009. In that case, if the organization files for reinstatement by Dec. 31, 2012, the IRS will restore the organization's tax-exempt status as of the date it was revoked. The organization will also qualify for a reduced \$100 filing fee. To request the special relief, write notice 2011-43 at the top of Form 1023 or Form 1024. The application must also include a statement regarding the organization's eligibility for special relief. The required language is in notice 2011-43 at the IRS Website www.irs.gov. Upon reinstatement of its tax-exempt status, the organization needs to file its annual e-Postcard. The e-Postcard is a short internet form providing basic contact information about the organization. Filing is quick, and easy.

REMEMBER TO FILE YOUR TAXES EARLY!!!!!!

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