

TAX ALERT: IRS Offers Small Organizations One Last Chance to Keep Exempt Status

July 26, 2010---The Internal Revenue Service has thrown a lifeline to small exempt organizations in danger of losing their tax-exempt status through [failure to file 990-EZ or 990-N for three consecutive years](#) (2007, 2008 and 2009). Under a [one-time relief program announced July 26th](#), small exempts can preserve their tax exempt status if they file either form 990-N or Form 990-EZ by October 15, 2010. This relief program applies only to Form 990-N or 990-EZ-eligible filers. Organizations that must file Form 990 or 990-PF are not eligible and are [subject to revocation](#) if they have failed to file for 3 consecutive years.

In addition, IRS has released a list, generated on June 30, 2010, of all organizations on its potential revocation list. [The List of Organizations At Risk of Automatic Revocation](#) is provided in state-by-state format, and includes the last-known address of each organization. (Tate & Tryon has created [one large searchable listing in PDF format on the Tate & Tryon website](#). The file is 19 megabytes, so please allow for sufficient download time.)

IRS has provided complete instructions for meeting the October 15th relief deadline:

- Small organizations eligible to file the Form 990-N electronic notice (the "e-postcard") simply have to file the notice by October 15th, 2010. (Click [here](#) for the e-postcard [filing system](#).) In lieu of filing 990-N, organizations may file a paper Form 990-EZ, as long as the form is both complete and postmarked by October 15th. (Click [here](#) for more information on the 990-N relief program.)
- Organizations required to file Form 990-EZ may do so under a Voluntary Compliance Program (VCP). To file under the VCP, the organization must: (a) be eligible to file a Form 990-EZ; (b) file, by October 15th, complete and accurate Forms 990-EZ (or 990, if desired) for the current and two prior tax periods; (c) submit a signed [checklist](#) agreeing to the VCP terms, and (d) submit a check for the VCP filing fee (\$100 to \$500). (Click [here](#) for more information on the VCP.)

Several important considerations:

- The IRS list may be incomplete, as some at-risk organizations do not appear on the list: (a) subordinates in group rulings for which no group return has been filed; (b) very small section 501(c)(3) organizations [not required to file an exemption application](#); and (c) other section 501(c) organizations not required to file an exemption application. Organizations not required to file applications [should contact IRS in order to be "rostered" into the IRS exempt organization database](#), so that they may file Form 990-N or EZ, as required.
- The IRS list may contain typographical errors preventing effective name searching. Accordingly, organizations should search not only by name and/or EIN, but also by street address (both current and prior addresses).
- All small organizations should search the list to ensure that neither they nor their affiliates are listed. National organizations with small chapters especially should conduct a thorough search, as chapters could be on the list in error. IRS has provided a [page with information on procedures to follow](#), for organizations erroneously listed.
- IRS will keep the at-risk list on its web site through October 15th, 2010. Organizations that have failed to file by that date will have their exempt status revoked. IRS will publish a listing, in early

2011, of the revoked organizations. Donors contributing to at-risk organizations will be protected until the final revocation list is published.

- Organizations suffering revocation of exempt status will need to [reapply for exemption](#), and may be subject to tax for the period between revocation and reapplication.

Further useful links:

[Filing Relief Program FAQ - Overview, Program Eligibility, Requirements, and Consequences](#)

[Exempt Organization Annual Filing Requirements](#)

[Form 990-EZ Filing Thresholds](#)

[Internal IRS Directive - Filing Relief Program](#)

[IRS Press Release - Relief Program](#)

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