

THE NEW I.R.S. REPORTING FORM 990-N FOR SMALL CHARTIES

By Cliff Ennico

“I run a small charity that operates a food bank for homeless people in our town. We’ve been around for about 10 years now, and while people do occasionally give us money, we’ve never had more than \$25,000 in donations in any given year. I recently read that we now have to file an Annual Report with the Internal Revenue Service, and that the deadline has already passed. Yikes! Nobody told us about this. Are we in really hot water here?”

The short answer is “no,” but you probably will have to file the form.

A bit of background. Nonprofit organizations that apply for tax exemption under Section 501(c)(3) of the U.S. Internal Revenue Code get two very, very big tax breaks:

* they do not have to pay federal taxes (or state taxes either if they notify their state tax authority that they have a federal exemption); and

(the people who donate money to the organization can deduct the donation on their tax returns.

If a 501(c)(3) nonprofit organization takes in more than \$25,000 in donations in a given year, they are required to file an Annual Report form on IRS Form 990 or Form 990-EZ. The vast majority of nonprofits never reach this threshold amount, though. Also, since many small nonprofits operate informally using volunteer staff, and no accountant or bookkeeper is keeping track of their income and expenses, even some nonprofits that take in more than \$25,000 in annual donations don’t file the IRS form.

Those days of blissful ignorance are now over.

Beginning May 15, 2010, the IRS requires small tax-exempt organizations with annual gross receipts of \$25,000 or less may be required to electronically submit Form 990-N, also known as the “e-Postcard”, unless they choose to file a complete Form 990 or Form 990-EZ.

There are some exceptions. The following nonprofits need not file Form 990-N each year:

- organizations that are included in a group return (for example, many college alumni/ae organizations are folded under the college’s tax exemption and do not have an exemption of their own);
- churches, their integrated auxiliaries, and conventions or associations of churches; and
- organizations that are required to file a different return (such as private foundations, which file Form 990-PF).

The e-Postcard is due every year by the 15th day of the 5th month after the close of the organization’s tax year. So, for example, if an organization’s tax year ends on December 31, the e-Postcard is due by May 15 of the following year. The e-Postcard cannot be filed until after the organization’s tax year ends (so, in the above example, filing on December 15 will have no effect).

Because the IRS did not publish this new requirement until a couple of days before May 15, 2010, a lot of small calendar year nonprofits did not have enough time to file the e-Postcard. The good news is that the IRS is allowing nonprofits to file their e-Postcards late without penalty.

If an organization does not file its e-Postcard on time, the IRS will send a reminder notice but the organization will not be assessed a penalty for filing the e-

Postcard late. However, an organization that fails to file the required e-Postcards (or other annual report forms) for three (3) consecutive years will automatically lose its tax-exempt status effective the filing due date of the third year. Not a good thing.

There is no paper form: Form 990-N must be filed electronically at the following Web page: <http://epostcard.form990.org>. Note that this is not part of the IRS website; the electronic filing of e-Postcards is being handled by the IRS' "trusted partner," the Urban Institute.

When filling out the e-Postcard, an organization must provide the following information:

1. The organization's Employer Identification Number (EIN), also known as a Taxpayer Identification Number (TIN);
2. The organization's tax year;
3. The organization's legal name and mailing address;
4. Any other names the organization uses;
5. Name and address of a principal officer;
6. Web site address if the organization has one;
7. Confirmation that the organization's annual gross receipts are normally \$25,000 or less); and
8. If applicable, a statement that the organization has terminated or is terminating (going out of business).

So, no big deal, right? Just go online, answer the questions, and you're done? Well, wait a minute.

Before going online to fill out the e-Postcard, an organization should check with an accountant, CPA or tax advisor to make 100% sure its annual gross receipts are \$25,000 or less. The e-Postcard is a tax return after all, and any statement on it is made under penalty of perjury.

More importantly, small nonprofits need to make 100% sure they continue to qualify for tax exemption. The e-Postcard requirement suggests that the IRS will be taking a closer look at small nonprofits to make sure they deserve exemption from federal taxes. If the IRS determines an organization has not been living up to its charitable purpose (or, more seriously, has income from for-profit activities that it hasn't reported to the IRS), its tax exemption may be lost, and the people in charge will be in a heap of trouble.

For more information about Form 990-N, go to the Internal Revenue Service website at www.irs.gov and type "Form 990-N" into the website search box.

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