

MSU College of Law Small Business & Nonprofit Clinic



Fact Sheet

NON-PROFIT TAX-EXEMPT YEARLY IRS FILING REQUIREMENTS

Part 1

Business owners should be aware of the filing requirements for tax-exempt nonprofits. Even after incorporation of a nonprofit is completed and tax exemption is obtained, there are continuing obligations to the IRS. These obligations are in the form of Annual Information Returns.

These filings are dually important to both the IRS and to the nonprofit. To the IRS, the importance of these filings is two-fold; (1) they enforce a standard of accountability for those that wish to sustain their privilege of tax exemption, and (2) allow the IRS to stay updated on the status of the organization. For nonprofit owners, the filings are important because they allow the nonprofit to maintain its tax exemption, and they allow it to avoid penalties.

New Requirements

Beginning in 2011, nonprofits that were exempted by having gross receipts less than \$50,000 are now required to file a form 990-N. Form 990-N is not available in paper form but can be filed electronically at <http://epostcard.form990.org>. This form is very simple to complete and takes only a few minutes and requires the following information:

- Employer Identification Number (EIN), also known as a Taxpayer Identification Number (TIN).
- Tax year
- Legal name and mailing address
- Any other names the organization uses
- Name and address of a principal officer
- Web site address if the organization has one
- Confirmation that the organization's annual gross receipts are normally \$50,000 or less
- If applicable, a statement that the organization has terminated or is terminating (going out of business)

Exemptions generally

Some tax-exempt nonprofits are exempted from filing the annual returns. For a full list of these exempt organizations consult IRS Publication 557 available at <http://www.irs.gov/pub/irs-pdf/p557.pdf>. However, here is an abbreviated list of common exemptions:

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- A church, religious activity, and some church affiliated organizations
- Some State or Government affiliated organizations and institutions
- Organizations that file as part of a group ruling
- A trust such as a black lung benefit trust, or some stock bonus, pension, or profit sharing trusts
- Some farmers cooperatives

Filing Requirements

While the form 990 is the most common form, different forms are designated to different types of organizations, and sometimes shorter or simpler forms. Private foundations are required to file form 990-PF. Private foundations are those nonprofits tax exempt under 501(c)(3) and not classifying as a public foundation.

As mentioned, nonprofits that earn less than \$50,000 in gross receipts may file the shorter 990-N form. Furthermore, if a nonprofit has gross receipts during the year of less than \$200,000 and has total assets at the end of the year less than \$500,000, then it may be qualified to file a form 990-EZ, a shortened version of form 990 designed for use by smaller organizations.

All nonprofits, even those exempted from filing other 990 forms, should remember that if they have \$1000 or more in gross receipts from unrelated business income they must file a form 990-T in addition to their other required 990 forms. If the organization expects its taxes from unrelated business income to be greater than \$500, then it must file the form 990-W

All annual informational returns must be submitted by the 15th day of the 5th month after the end of the accounting year.

Penalties of Not Filing

An organization will be penalized for late filing or filing an incomplete or incorrect return. The penalty is \$20 a day for a maximum of \$10,000 or 5% of the organization's gross receipts for the year. If the organization has gross receipts of more than \$1 million for the year then the penalty is \$100 a day up to \$50,000. Failure to file for three consecutive years will result in loss of tax exempt status.

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Part 2

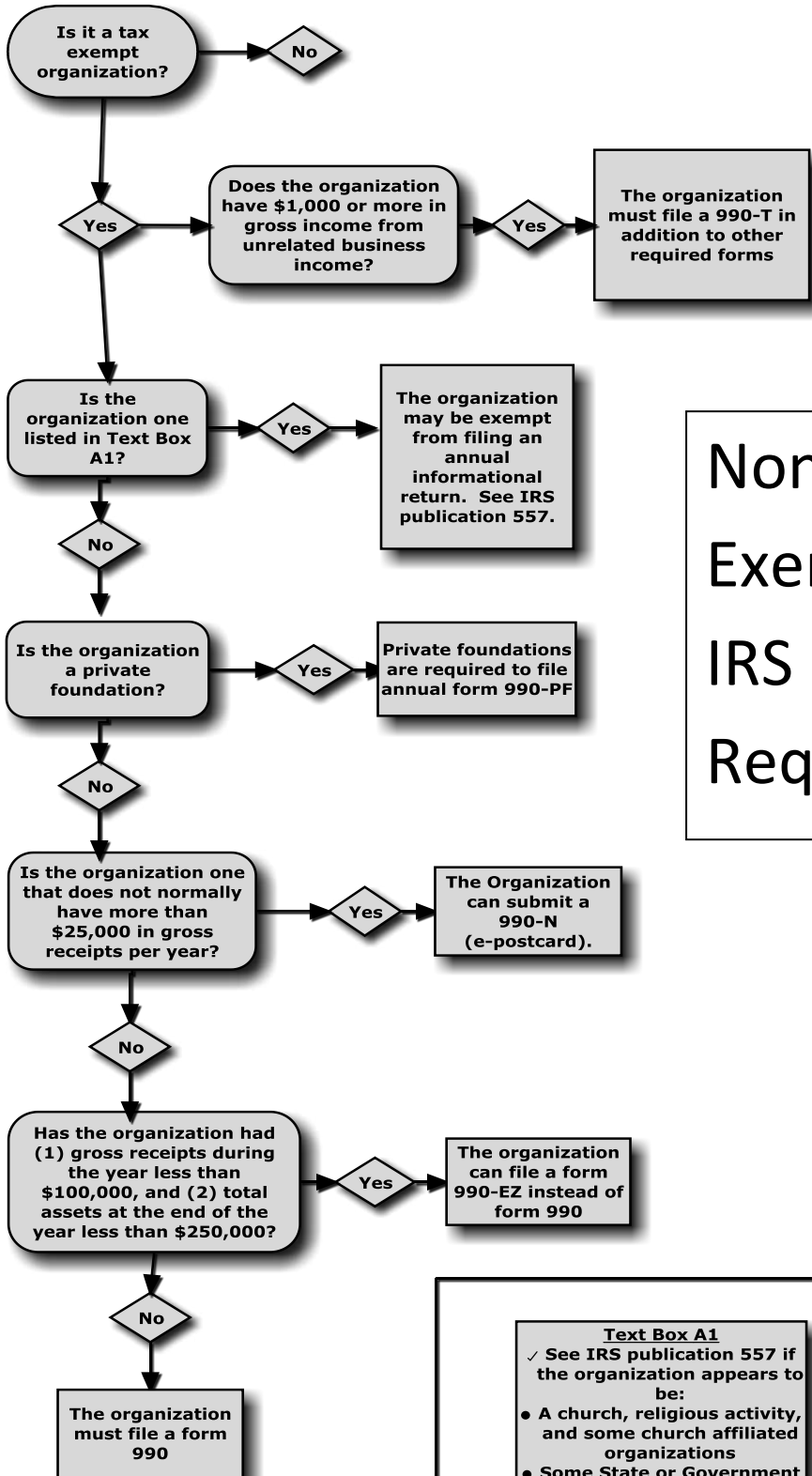
Helpful Links and Resources

Forms and Instructions

<u>Filing</u>	<u>Form</u>	<u>Instructions</u>
990	http://www.irs.gov/pub/irs-pdf/f990.pdf	http://www.irs.gov/pub/irs-pdf/i990-ez.pdf
<u>990-EZ</u>	http://www.irs.gov/pub/irs-pdf/f990ez.pdf	http://www.irs.gov/pub/irs-pdf/i990-ez.pdf
<u>990-N</u>	http://epostcard.form990.org	http://www.irs.gov/charities/article/0,,id=169250,00.html
<u>990-PF</u>	http://www.irs.gov/pub/irs-pdf/f990pf.pdf	http://www.irs.gov/pub/irs-pdf/i990pf.pdf
<u>990-T</u>	http://www.irs.gov/pub/irs-pdf/f990t.pdf	http://www.irs.gov/pub/irs-pdf/i990t.pdf

Links

- www.irs.gov
- IRS Office of Exempt Organizations:
 - <http://www.irs.gov/charities/index.html>
- Virtual Workshop:
 - <http://www.stayexempt.org/course4purple/index.html>
- Mini-Course on 990s:
 - <http://www.stayexempt.org/mini-courses/form990pt1/player.html>
 - <http://www.stayexempt.org/mini-courses/form990pt2/player.html>
 - <http://www.stayexempt.org/mini-courses/form990pt3/player.html>
 - <http://www.stayexempt.org/mini-courses/form990pt4/player.html>



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Text Box A1
 ✓ See IRS publication 557 if the organization appears to be:

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- Some State or Government affiliated organizations
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