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Small Non-profits Risk Losing Status

Thousands of small non-profit agencies risk losing their non-profit status after Monday, May 17. Monday is the deadline for non-profit organizations with less than \$25,000 revenue per annum to file Form 990-N to the IRS. If an organization has not filed for 3 consecutive years, it loses its status automatically, according to an amendment in the tax code made 3 years ago.

The problem is that many of these non-profits do not realize that they are required to file 990-N. For example, in Minnesota – where some charities have labeled Monday ‘doomsday’ – approximately one third of the state’s 14,000 small non-profit organizations could potentially lose their status because their Forms 990-N are still outstanding. Losing the non-profit status legally means the organization must start paying taxes on its revenue and all donors cannot claim tax exemption on their donations to these organizations. Even their cost of postage will go up – from 11 cents for bulk mail as a non-profit to 22 cents just like for-profit companies.

The authorities say filling up Form 990-N is a simple process requiring only 8 pieces of information. But the issue does not lie in how easy it is to fill up the form, it lies in informing the small non-profits that they need to fill it up. With badly outdated information on these small non-profits, the IRS has no proper way to trace them. Thousands of these organizations in the IRS records no longer exist and for those that do, the addresses on record is not valid anymore.

A case in point is the Cemetery Association of the Woodbury Methodist Church, an organization that has been managing the cemetery next to the church for the last 145 years. According to Cecil Jacobs, the association’s chairman, those working at the organization are mostly volunteers who are ignorant about tax matters and thus they did not know about Form 990-N until very recently. Jacobs filed 990-N for the association last Wednesday.

In Minnesota, about 5,267 small non-profit organizations have not filed their Forms 990-N as of April 29. These include 203 units of the American Legion, 52 4-H Clubs and 22 units of the National Honor Society. Then there are some rather obscure and unconventional organizations like the Oye Egbo Association of Cottage Grove, the Plast Ukrainian Scouting Organization of Woodbury and the Samoa Salailua Economic Development Organization of Oakdale.

John Pratt, director of the Minnesota Council of Non-profits said that some of the organizations may re-apply for the non-profit status should they miss the deadline, but the process costs \$750 and normally takes days of work.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.