



January 3, 2012

2,300 Non-profits Lose Tax Exempt Status in Nevada

In Nevada, more than 2,300 non-profit organizations of all kinds lost their tax-exempt status. Among those whose status was revoked by the IRS were the Edgewood Tahoe Mens Club, the Lovelock Alfalfa Seed Growers and many more. In fact, most of the organizations lost their status in 2010 but their revocations were posted by the IRS just last year. This was part of a wider nation-wide action that saw more than 275,000 non-profits lose their tax-exempt privileges because of non-compliance with annual tax filings last year.

What does this imply? Losing tax-exempt status means that the non-profit organizations are required to pay income tax to the federal government based on their yearly income. In addition, these organizations may also have to pay back taxes from the date of revocation if they have any. It also means donors who donate to these organizations will no longer be able to claim tax deductions for their contributions after the date of revocation.

All this came about after the Pension Reform Act was passed in 2006 which required all non-profit organizations to submit tax returns annually. The Act also stipulates that the organizations who fail to do so for three consecutive years will have their tax-exempt status revoked. The rationale behind this action was to rid the list of non-profit organizations of those that may already be inactive or defunct. But while the action did achieve its purpose, at the same time it also caught many active non-profits by surprise. This was because all this while, the non-profits have not had to file tax returns but with the introduction of the Act, they now have to. So those who were ignorant of the Act had their tax-exempt status cancelled inadvertently.

In Nevada, the Alliance for Nevada Nonprofits (ANN), said many of the non-profit groups in their list are likely defunct. Nevertheless, the group did make a big push in 2010 to notify the active non-profits of the new requirements, especially those involved in the arts. However, according to Phil Johncock, Interim Executive Director of ANN, despite their best efforts some organizations were still unaware of their responsibility because the ANN list was not complete.

Johncock said, "You would think we would have access to emails for all of these nonprofits but the IRS only provides us with names and addresses, so some we couldn't reach. We have not heard from any of those organizations that have lost their status. Our guess is a significant number of them are probably not in business now."

Johncock expressed his surprise that the ANN has not received correspondences from more groups, since the number of non-profits that have lost their status was so high. According to him, most of the non-profit organizations on the list are 501(c)(3) groups, which means they are charitable organizations that can receive donations. In light of this the ANN has offered its help to non-profits to apply for a reinstatement of their tax-exempt status to those who need it.