

WHAT TO DO IF YOUR EXEMPTION STATUS IS REVOKED

WHAT HAPPENED?

Public Charities must file some version of the IRS Form 990, and it must be filed by the 15th day of the 5th month after the close of the nonprofit's fiscal year. If you fail to file for three consecutive years, you will **automatically** have your tax status revoked.

DO I NEED TO FILE?

FORM 990-N. An organization which normally has gross receipts of \$50,000 or less

FORM 990-EZ. An organization which has gross receipts less than \$200,000 and total assets at the end of the tax year less than \$500,000

FORM 990. All others, with very few exceptions must file.

When a charitable nonprofit is no longer recognized as tax-exempt, it will be required to pay income taxes on revenue, including donations, and donors will no longer be able to deduct contributions to the organization. Additionally, private foundations may not be willing or able to make a grant to the organization. See the box to the right for suggestions on steps to take after the tax-exempt status of the organization is revoked.

WHAT NOW?

INFORM YOUR BOARD. Convene the board of directors to explain the situation and what this means for your organization. The board has a legal

responsibility to look after the organization and should take a leading role in setting next steps. One of the first questions should

HERE'S THE SITU...

be, "should we reapply for our tax-exempt status?"

NOTIFY STAFF. Once you have a strategy for moving forward, designate a spokesperson to communicate with volunteers, past donors, and the public.

COMMUNICATE TO THE PUBLIC:

Your website, and all other communications, should communicate clearly that the organization is not tax-exempt. Remove anything that refers to donations as tax-deductible, or that describe the organization as tax-exempt.

RE-APPLY: If regaining tax-exempt status is important, research your options at IRS.gov. Search for guidance on applying for reinstatement of tax-exemption. Filing fees are generally \$275 or \$850, depending on the organization's annual gross receipts during the preceding four years.

REINSTATEMENT

Four ways to have your Tax-Exempt Status Reinstated

1

Streamlined retroactive reinstatement (within 15 months)

Organizations that file Form 990-EZ or 990-N and have not previously had their tax-exempt status revoked can apply within 15 months

- ✓ Submit Form 1023 or 1023-EZ with the appropriate fee
- ✓ Write on the top of the Form “**Revenue Procedure 2014-11, Streamlined Retroactive Reinstatement,**” and mail the application and user fee to the IRS

2

Retroactive reinstatement process (within 15 months)

Organizations that file Form 990 or 990-PF or those previously revoked

- ✓ File the missing years’ returns
- ✓ Complete and submit Form 1023 or EZ with the appropriate fee
- ✓ Include **reasonable cause statement** for failure to file for at least one of the years of missed filings
- ✓ Include a statement confirming that missing filings have been submitted

REASONABLE CAUSE STATEMENT:
A statement that clearly describes how an you exercised ordinary business care and prudence in trying to comply with annual reporting requirements. Include a detailed description of all the facts and circumstances about why the organization failed to file, how it discovered the failure, and the steps it has taken or will take to avoid future failures.

3

Retroactive reinstatement process (after 15 months)

Applying more than 15 months after revocation

- ✓ Satisfy all of the requirements described under the “Retroactive reinstatement (within 15 months)” procedure EXCEPT that the reasonable cause statement must establish **reasonable cause for all three years** in which it failed to file

4

Post-mark date reinstatement

Apply for reinstatement effective from post-mark date of application

- ✓ Complete and submit Form 1023 or EZ with the appropriate fee
- ✓ Write on the top of Form 1023, “**Revenue Procedure 2014-11 Reinstatement Post-Mark Date,**” and mail to IRS