



Tax Exempt? Don't Forget to File Your Form 990 by May 15!

Joel C. Farrar

Foster Swift Business & Corporate Law Report

May 2013

Your tax exempt organization's annual information return (Form 990) is due May 15th. Do not forget to file it, or the Internal Revenue Service (IRS) may assess penalties and may even revoke your tax exempt status!

The IRS now **automatically** revokes an organization's tax exempt status if the organization fails to timely file an annual information return for three consecutive years. Filing an extension for the third year will not prevent revocation.

The revocation will be retroactive to the due date of the third return. This means that your organization could be required to pay federal, state, and local income and other taxes retroactively to the date of revocation. The revocation could also affect your organization's 403(b) and 457(b) employee benefit plans, tax exempt financing, and qualification for grants and other funding or programs, and will even affect your donors' tax deductions.

To reinstate its tax exempt status, your organization would have to reapply to the IRS for a new tax exemption. The application process is time consuming and can be expensive. What's more, the reinstatement of your tax exempt status would only be prospective unless your organization can convince the IRS that it had reasonable cause for its failure to file for three consecutive years.

If you have questions regarding the revocation of your tax exempt status or filing a Form 990 or other tax return, or if you have any other question regarding federal, state, or local tax issues, please call Joel Farrar at (517) 371-8305.

AUTHORS/ CONTRIBUTORS

Joel C. Farrar

PRACTICE AREAS

Business & Tax

Business Law

Tax Exempt Organizations