

New Electronic Filing Requirement for Small Tax-Exempt Organizations

Resource Type: Articles

Topic: Governance

Annual Electronic Notice — e-Postcard (Form 990-N)

Striving to comply with local, state and federal laws is a first step in managing risk well. Acceptable excuses for noncompliance do not include: “I didn’t know.” The penalty for noncompliance may be financial, or in the case of a recent filing requirement change adopted by the IRS, could result in loss of your nonprofit status. It’s up to nonprofit leaders to educate themselves on an ongoing basis. Countless resources exist to assist your staying abreast of changing regulations, including national, regional and local resource organizations, consultants, newsletters or by assigning staff members to track specific areas of the law. Thus, we bring you this update on the latest IRS information and provide a Web site where you can sign up for an electronic newsletter to update yourself on new filing requirements for organizations earning \$25,000 or less. Beginning in 2008, small tax-exempt organizations that previously were not required to file returns may be required to file an annual electronic notice, Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ. This filing requirement applies to tax periods beginning after December 31, 2006.

Who Is Included?

Small tax-exempt organizations, whose gross receipts are normally \$25,000 or less, are not required to file Form 990, Return of Organization Exempt From Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt from Income Tax. With the enactment of the Pension Protection Act of 2006, these small tax-exempt organizations will now be required to file electronically Form 990-N, also known as the e-Postcard, with the IRS annually.

Stay Up-to-Date

For the latest information about electronically filing the e-Postcard, you can:

- Sign up for Exempt Organization’s EO Update, a regular e-mail newsletter that highlights new information posted on the charities pages of irs.gov. To subscribe go to www.irs.gov/eo and click on “EO Newsletter.”
- Check the IRS Web site at www.irs.gov/eo.

Who Is Excluded?

Exceptions to this requirement are organizations that are included in a group return, private foundations required to file Form 990-PF, and section 509(a)(3)-supporting organizations required to file Form 990 or Form 990-EZ.

Next Steps

The IRS will mail educational letters starting in July 2007 notifying small tax-exempt organizations that they may be required to file the e-Postcard. If you believe the IRS may have an incorrect address for your organization, file Form 8822, Change of Address, with the IRS. You will need to complete Parts II and III. To get Form 8822, go to www.irs.gov/eo and click on "Forms and Publications."

Filing Access

The IRS plans to deliver a simple, Internet-based process for filing the e-Postcard (there will be no paper form for the e-Postcard) and will publicize filing procedures when the system is completed and ready for use. The IRS anticipates that organizations that do not have access to a computer can go to places such as the local library to file the e-Postcard. Because the system will be Internet based, organizations should not need to purchase software to file the e-Postcard.

Filing Frequency

Beginning in 2008, the e-Postcard will be due every year by the 15th day of the fifth month after the close of your tax period. For example, if your tax period ends on December 31, 2007, the e-Postcard is due May 15, 2008.

If you prefer to file an information return, Form 990 or 990-EZ, you must complete the entire return. An incomplete or partially completed Form 990 or 990-EZ will not satisfy the annual filing requirement.

Penalty for Noncompliance

The Pension Protection Act of 2006 requires the IRS to revoke the tax-exempt status of any organization that fails to meet its annual filing requirement for three consecutive years. Therefore, organizations that do not file the e-Postcard (Form 990-N), or an information return Form 990 or 990-EZ for three consecutive years, will have their tax-exempt status revoked as of the filing due date of the third year.

Tax-Exempt Reinstatement

You must apply (or reapply) and pay the appropriate user fee to have your tax-exempt status reinstated if it was revoked because you failed to file for three consecutive years. Reinstatement of tax-exempt status may be retroactive if you can show that you had reasonable cause for not filing. To apply for tax-exempt status, use Form 1023, Application for Recognition of Exemption, or Form 1024, Application for Exemption Under Section 501(a).

What Information Will Be Required?

The e-Postcard will require you to provide the following information:

- Organization's name,
- Any other names your organization uses,
- Organization's mailing address,
- Organization's Web site address (if applicable),
- Organization's employer identification number (EIN),
- Name and address of a principal officer of your organization,
- Organization's annual tax period,
- A statement that your organization's annual gross receipts are still normally \$25,000 or less, and
- If applicable, indicate if your organization is going out of business.

If you would like additional information about this new filing requirement, including notification when the filing system is ready, or information about other new developments, subscribe to Exempt Organization's EO Update, a regular e-mail newsletter that highlights new information posted on the Charities pages of www.irs.gov.