

IRS Guidance on Compliance Requirements for Tax-Exempt Organizations

May 17, 2007

The IRS recently issued guidance regarding the Pension Protection Act's new laws mandating public disclosure of unrelated business taxable income returns (Form 990-T) and requiring small tax-exempt organizations to file an annual notice with the IRS.

Unrelated Business Taxable Income Returns

Last week, the IRS issued a Notice providing guidance on the new requirement that organizations exempt from tax under Section 501(c)(3) that file a Form 990-T make it available for public inspection. According to the Notice, the public disclosure requirement applies to any Section 501(c)(3) organization that must file a Form 990-T, regardless of whether it is required to file an application for exemption (Form 1023) or an annual information return (Form 990). This requirement, therefore, extends to churches.

Where a college or university has applied for and been recognized as exempt under Section 501(c)(3), the public disclosure requirement also applies. In contrast, if a college or university is exempt from taxation solely by reason of Section 115, this requirement does not apply. The new disclosure requirement applies to Forms 990-T filed after August 17, 2006.

New Small Exempt Organization Notice Filing Requirement

Exempt organizations that normally have less than \$25,000 in gross receipts are not required to file an annual information return (Form 990) with the IRS. However, beginning in 2008, they are required to file an annual electronic notice.

Exempt organizations not required to file annual information returns will instead be required to electronically file a Form 990-N, also known as the "e-postcard." There will be no paper form. Once the system is ready for use, the IRS will publicize the filing procedures. To do so, it will be sending information about the e-postcard to exempt organizations this summer. Therefore, if the organization believes its address is out of date, it may want to file a Change of Address with the IRS (Form 8822).

The e-postcard will be due every year by the fifteenth day of the fifth month after the close of the organization's tax period. This is the same due date as for Forms 990.

Failure to file the e-postcard for three consecutive years will result in loss of exemption. Reinstatement of a lost exemption will require re-application and payment of the appropriate user fee.

For more information on the reporting requirements of tax-exempt organizations, please contact Lisa M. Berden at 313.496.7581, or another member of the Federal Tax and Employee Benefits Group.