

## Email Alert: Form 990-N and Tax Exempt Groups

Congress amended the tax code in 2006 to add a return filing requirement for small tax exempt organizations: those with average gross income (contributions and all other sources) less than \$25,000 (for the 2010 and later filing years, this threshold becomes \$50,000). Before the law change, small exempt organizations had no filing obligation, simply because they were small.

The law now requires small organizations to file Form 990-N, which is done at the IRS website. Information is available at: <http://www.irs.gov/charities/article/0,,id=169250,00.html>. The form is filed [here](#).

If a small organization is exempt from filing as a church or integrated auxiliary of a church, it is not required to file because of this law.

A small organization subject to this filing obligation which does not file “for three consecutive tax years will automatically lose its tax-exempt status.” (IRS website) It can get its exemption back, but it must re-apply, paying the fee and preparing the application form. 2009 was the third year since passage of the law, so organizations required to file and which have not filed, will be the subject of enforcement action by the IRS starting later this year.

Initially, it was not clear how this requirement applied to members of a group exemption.

Often, group exemptions are used by organizations that consist of local chapters or clubs (religious or otherwise). The group exemption helps the local units avoid the need to individually file for tax exemption, but does not replace the requirement for an annual version of Form 990. In some cases, the central parent organization files a group Form 990, by collecting financial and other information from the local units. But other groups assign to the local units the responsibility to file their own returns, if required.

The IRS has clarified the small organization filing obligation for members of a group.

Every tax exempt member of the group must file some version of Form 990:

1. The local unit can be included in a group Form 990, that is filed by the parent organization and incorporates the financial and other information from the local unit
2. The local unit can file Form 990-EZ or Form 990, if its size requires one of these.
3. If the local unit is a small organization, averaging less than \$25,000 a year, then it files Form 990-N.

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**317.885.2620**

Atlanta  
**678.518.5301**

Chicago  
**630.682.9797**

Colorado Springs  
**719.528.6225**

Denver  
**720.283.7326**

Indianapolis  
**317.885.2620**

Los Angeles  
**714.671.9300**

San Diego  
**858.638.7220**

If a parent organization failed to include a subordinate organization in the list of subordinates provided to the IRS annually, the local unit will not be recognized as part of the group exemption and will not be able to file the e-Postcard. The best way to resolve this is to have the parent organization ask the IRS to update its records by writing to the IRS. Instructions can be found [here](#), plus additional details about group exemption and the Form 990-N filing.

If the local unit is not in the group Form 990, and does not file some version of Form 990 for itself, it may lose its tax exemption. If it loses its tax exemption for failure to file a version of Form 990, it will have to independently apply for tax exemption. It cannot be made tax exempt again by inclusion in the parent's annual group listing.

Small organizations with a calendar year must file the 2009 Form 990-N by May 15, 2010.

If your organization is a member of a group, or parent of a group, you should assure that all members are participating in, or filing the appropriate Form 990 version.

***If you have questions, please contact Dave Moja at 321-258-9907 or John Butler at 317-885-2620, ext. 1150.***