EXEMPT ORGANIZATIONS WORKSHOP
Workshop Topics
(first hour)

- Annual Filing Requirements
- Automatic Revocation of Tax Exemption
- Common Form 990 Errors
- Selected Form 990 Schedules – Tips
- Form 990/990-EZ – Recent Changes
Workshop Topics
(second hour)

- Exempt Organizations and Volunteers
- IRS Resources for EO Issues
Automatic Revocation

- What is it?
- Why is it happening?
- What practitioners need to know
- How to help organizations avoid it
2006 and earlier – small organizations did not have annual filing requirement

Larger organizations incurred only financial penalties for non-filing

Congress changed this with Pension Protection Act of 2006
Pension Protection Act of 2006

- Required filing by small exempt organizations – most must now file Form 990-N
- Automatic revocation of exemption after three consecutive years of not filing a required annual return or notice
Form 990-N

- Electronic only – no paper version
- Due on 15\textsuperscript{th} day of 5\textsuperscript{th} month after fiscal year end
- Most organizations with annual gross receipts $\leq$ $50,000$ can file
- Not private foundations or most 509(a)(3) supporting organizations
Automatic Revocation

- Occurs by “operation of law”
- Automatic Revocation of Exemption List posted on IRS.gov website
- IRS sends letter to last known address of automatically-revoked organizations
Automatic Revocation

- Starts for tax years beginning after December 31, 2006
- First Auto-revoked List in June 2011 contained 275,000 organizations
- Auto-revoked List contains about 550,000 organizations as of May 2014
Automatic Revocation

- Organizations receive letter and/or appear on Auto-revoked List
- Revocation effective date – due date of third non-filed return
- Revoked organizations likely must file tax return – Form 1120 or 1041 for most
Auto-revoked charities removed from list of organizations eligible to receive deductible contributions (see EO Select Check on IRS.gov)

Auto-revocation may have state/local tax consequences
Organization must RE-APPLY for reinstatement

If approved, effective on application’s postmark date

May request retroactive reinstatement
Explains four ways to apply for reinstatement

Public charities use Form 1023
Other organizations use Form 1024
Pay appropriate user fee
Eligible to file 990-N or 990-EZ for the 3 years that caused revocation

No previous automatic revocation

Reapply w/i 15 months of revocation letter or listing on auto-revocation list
Retroactive Reinstatement w/i 15 months

- Couldn’t file Form 990-N or 990-EZ, or
- Previously automatically revoked
- Reapply w/i 15 months of revocation letter or listing on auto-revocation list
State reasonable cause for at least 1 of the 3 years

Statement confirming required returns filed for the 3 years and other years before postmark date of application
Retroactive Reinstatement after 15 months

- Meet the requirements for Retroactive Reinstatement before 15 months, and
- Reasonable cause for ALL 3 years of failure to file
Status Automatically revoked, and
Can’t use the retroactive reinstatement methods described
Reasonable Cause

Exercise ordinary business care and prudence in determining and complying with reporting requirements
Reasonable Cause

- Events beyond control
- Relied on advice from tax advisor
- Steps to prevent future failure to file

Non-exclusive List in Rev. Proc. 2014-11 Sec. 8.05
Reinstated Organizations

- Receive new determination letter
- Will appear on EO Business Master File extract
- 501(c)(3)s listed in EO Select Check eligible to receive charitable tax-deductible contributions list
Reinstated Organizations

- Remain on the Automatic Revocation List
- Check the “Exemption Reinstatement Date column
- Ask for copy of determination letter
- Or call 877-829-5500 for current status
Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2522 of the.
Quiz Time

Can IRS administratively reverse or remove Automatic Revocation?
Quiz Time

Which IRS revenue procedure explains how to re-apply for tax-exempt status after Automatic Revocation?
Exempt Organizations Master Listing

The Instruction Booklet, Record Layout, Descriptions, and All Codes for the Exempt Organization Master Listing in Plain ASCII Text. November 2012.

Each of the following files contains separate information for exempt organizations. See The Instruction Booklet above for a complete description of the files.

NOTE: A minor change has been made to the instruction booklets and data files; a single 3 character field (Filing Requirement Code) has been divided into a 2 character field and a 1 character field. 04/09/2012

Disclaimer of Endorsement: Reference above or below to any specific commercial products, process, or service by trade name, or otherwise, does not constitute or imply its endorsement, recommendation, or favoring by the Internal Revenue Service.

Updated data posting date: 04/08/2013
Total number of records 1,540,043
States: Select from the list below.

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<thead>
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<td>Alabama</td>
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Form 990

- Pre-filing mismatch errors
  - Name
  - Tax Period
  - Employer Identification Number (EIN)
### EO Business Master File

<table>
<thead>
<tr>
<th>EIN</th>
<th>NAME</th>
<th>PF_FILING</th>
<th>ACCT_PD</th>
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<tr>
<td>2 001555</td>
<td>MYRTICE OAKES TR UW NECT</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>3 10002847</td>
<td>HULLS COVE NEIGHBORHOOD ASSOCIATION</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>4 10017496</td>
<td>AGAMENTICUS YACHT CLUB OF YORK</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>5 10018555</td>
<td>ALPHA TAU OMEGA FRATERNITY</td>
<td>0</td>
<td>12</td>
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<tr>
<td>6 10018605</td>
<td>AMALGAMATED TRANSIT UNION</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>7 10018922</td>
<td>AMERICAN LEGION AUXILIARY</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>8 10063430</td>
<td>BENEVOLENT &amp; PROTECTIVE ORDER OF ELKS OF THE USA</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>9 10063783</td>
<td>INTERNATIONAL ASSOCIATION OF LIONS CLUBS</td>
<td>0</td>
<td>6</td>
</tr>
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Employer Identification Number EINs

- Organization typically needs only one
- Verify an organization’s EIN
  - Use Business Master File data
  - Call Customer Account Services 877-829-5500
required for

- Form 990 filers with assets of $10 million and at least 250 returns
- Form 990-PF filers of any asset size and at least 250 returns during the tax year
E-Filing Form 990 Benefits

- Deletes and corrects common math errors
- Prevents transcription errors
  - Data goes directly into our system
All Form 990 filers must complete at minimum

- Narrative for Part VI, Line 11b
- Narrative for Part VI, Line 19

For supplemental narrative responses as needed
Required for all 501(c)(3) Form 990 and 990-EZ filers

Shows type of organization and/or amount of public support

Part II Sections A&B—

DO NOT complete Section C until sixth tax year
Form 990, Schedule B Focus

- Required for all Form 990 or 990-EZ filers receiving contributions above certain thresholds during the tax year
- Report contributors’ names, addresses & amount and type of contributions
- Contributors’ names & addresses not open to public inspection
“Contributor” – individuals, fiduciaries, partnerships, corporations, associations, trusts, other exempt organizations, sometimes governmental units
“Contribution” – grant, bequest, devise, gift of money or property for any purpose – does not include fees for services
To “B” or Not to “B”

501(c)(3) organization meets 33.33% public support test, reports $700,000 in total contributions. Top donor gave total of $11,000 for the tax year. File Schedule B?
To “B” or Not to “B”

No – Threshold for this type of organization is > of $5,000 or 2% of total contributions. Schedule B not required for contributions under $14,000.
501(c)(4) organization, reports $700,000 in total contributions. Top donor gave total of $5,000 for the tax year. File Schedule B?
Yes – This type of organization reports all contributions of $5,000 or greater. Check “General Rule” on first page Schedule B
501(c)(7) organization receives $1,500 bequest to be used for charitable cause. File Schedule B?
Yes – Exclusively charitable contributions > $1,000 to this type of organization reportable on Schedule B. Check middle box under “Special Rules,” page 1, Schedule B
Report revenue and expense at gross, unless instructed to report at net.

Don’t report donations of services & use of facilities/equipment as revenue (report in Part III – Program Services)

Don’t misuse “miscellaneous”
Form 990/990-EZ Common Errors

Take full advantage of Part III, Program Service Accomplishments!

<table>
<thead>
<tr>
<th>Part III</th>
<th>Statement of Program Service Accomplishments</th>
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<tbody>
<tr>
<td>1</td>
<td>Briefly describe the organization’s mission:</td>
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<tr>
<td></td>
<td>&quot;The mission is to bring compassion to health care and to be good help to those in need, especially those who are poor and dying. As a system of caregivers, we commit ourselves to help bring people and communities to health and wholeness.&quot;</td>
</tr>
</tbody>
</table>
Do not include Social Security Numbers in return information

Accounting periods - Clarified that short period return can’t be filed electronically unless it is an initial return
Clarified documentation attached to Form 990 for terminated, dissolved, merged or revoked organizations.

Part IV-Checklist of required Schedules-Line 2 clarify when organizations can exclude contributors from Schedule B.
Part VI-clarify what compensation from a management company to disinterested period to report on Schedule O

Part VII- clarify reporting directors compensation for non-director independent contractor services
Part VII clarifies compensation from a management company to an organization's officers, directors, trustees, key employees or highest compensated employees
Part VII- Instructions on reporting discounts on services and the cost of donated goods

Part IX- clarifies how to report expense payments and reimbursements to contractors
Form 990 Changes TY2013
To see a summary of all changes

- Go to www.irs.gov
- “2013 Form 990 changes” in Search Bar
Exempt Organizations
Workshops

Break
Exempt Organizations and their Volunteers

- When volunteers’ out-of-pocket expenses are deductible (or not)
- Recordkeeping for the volunteer
- Recordkeeping for the organization
- Reimbursing volunteers’ expenses
- Thanking your volunteers (the right way)
Certain out-of-pocket expenses IF:
- the volunteer itemizes
- Incurred for volunteer services for a qualified charity
- Unreimbursed
- Not for volunteer’s personal, living or family use
Nondeductible Personal Expenses

- Babysitting
- Trip where volunteers perform limited work for charity-vacation aspect
- Clothing suitable for non-volunteer use
- Cost of meals if volunteer doesn’t need to stay overnight
What’s Deductible?

- Out-of-pocket expenses incurred ONLY because of volunteer services
- “…no significant element of personal pleasure, recreation or vacation…”
- Trip is primarily to provide services to charity
What’s Not Deductible?

- Services rendered by the volunteer
- Use of the volunteer’s property
- Volunteer expenses incurred directly on behalf of an individual
  - Deductible only when recipient selected by a charity
Vehicles - Deductible Expenses

- Actual gas costs OR
- 14 cents a mile
- Parking fees and tolls
- No deduction for
  - General repair/maintenance
  - Depreciation
  - Registration fees, insurance
Reliable, written record of out-of-pocket expenses

For any expense ≥ $250
- Statement from charity describing volunteer services
- Statement from charity describing whether it provided goods or services to volunteer
Reimbursing the Volunteer

- Volunteer – Maintain accurate, contemporaneous written records of expenses reimbursed
- Charity – Not responsible for issuing Forms 1099 for reimbursed expenses
Thank Your Volunteers -- Carefully

- Recognizing with cash or “near cash” may have unintended consequences
- Free food and drink at a gala “Thank-you” event is OK
- Plaques or similar memento honoring volunteer service is OK
Maintain Records on Your Volunteers

Required to report number of volunteers
- Form 990 Part I, line 6
- Full & part time
- Reasonable estimate acceptable
- Schedule O – may report how number is determined & services volunteers provide
HELP!
Form 990 Instructions

- Sequencing list for completing Form 990
- Glossary of important terms
- Table guiding compensation reporting
- Appendices on specialized topics
  - Public disclosure
  - Excess benefit transaction
Select "Information For..." from the drop down menu to Exempt Organizations home page.

Find the latest developments affecting EOs by selecting EO Current Topics & News.
**Current Edition of Exempt Organizations Update**

*EO Update* is a periodic newsletter with information for tax-exempt organizations and tax practitioners - attorneys, accountants, and others - who represent them, from Exempt Organizations (Tax-Exempt and Government Entities) at the IRS.

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<tr>
<th>Issue</th>
<th>Highlights</th>
<th>Release Date</th>
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Browse the newsletter [archive](#) or [subscribe](#) to future editions.
Life Cycle of an Exempt Organization

Organizations that meet the requirements of Internal Revenue Code section 501(a) are exempt from federal income taxation. In addition, charitable contributions made to some section 501(a) organizations by individuals and corporations are deductible under Code section 170.

This website provides information about points of intersection between organizations and the IRS. The content includes explanatory information, and links to forms that an organization may need to file with the IRS. The materials cover five stages in an organization’s life cycle:

1. Starting Out: Creating an organization under state law, acquiring an employer identification number, and identifying the appropriate federal tax classification.
2. Applying for Exemption: Acquiring, completing, and submitting application forms; how the IRS processes applications; and getting help from the IRS during the application process.
3. Required Filings: Annual exempt organization returns, unrelated business income tax filings, and other returns and reports that an organization may have to file.
4. Ongoing Compliance: How an organization can avoid jeopardizing its tax-exempt status, disclosure requirements, employment taxes, and other ongoing compliance issues.

Life Cycle pages are available for the following types of organizations:

- Charitable organizations (Code section 501(c)(3))
- Public charities
- Private foundations
- Social welfare organizations (section 501(c)(4))
Welcome to Stay Exempt
an IRS site created especially for 501(c)(3) organizations

- How to apply for tax-exempt status
- Maintaining your tax-exempt status
- Expand your exempt organization knowledge

Stay Exempt News
- We've updated two courses: applying for 501(c)(3) Status and Maintaining Tax Exempt Status
- The Interactive Form 1023 application
For More Information

Web - www.irs.gov/charities

Call - Customer Account Services 877-829-5500

Write - Internal Revenue Service
TE/GE Customer Account Services
P.O. Box 2508 Cincinnati, OH 45201