



TO OUR FRIENDS SERVING AS NONPROFIT ORGANIZATION BOARD MEMBERS

If you serve on the board of a small tax exempt organization (such as your local school's PTA or PTO), you may need to be aware of a recent tax law change.

Effective for an organization's first reporting period beginning after 2006, small tax exempt entities (generally those with no more than \$25,000 of average annual gross receipts) will be required to file a new IRS form (Form 990-N) in order to retain their tax exempt status. For calendar-year entities, the form will be due next May 15th. For entities whose fiscal begins on other than January 1st, the new form must be filed by the fifteenth day of the fifth month after the end of the year.

Entities whose average gross receipts exceed \$25,000 will continue to file Form 990 or 990-EZ as they have in the past. In addition, tax exempt entities (such as churches) that are currently exempt from filing Form 990 for some reason other than that their gross receipts are no more than \$25,000 will continue to be exempt from filing requirements.

For entities to which this new rule applies (i.e., those that are only exempt from filing Form 990 because their average receipts are no more than \$25,000), the new Form 990-N will need to be filed electronically—using a simple, Internet based process that the IRS plans to introduce before next May. The IRS anticipates that the new form will require organizations to provide the following information:

- The organization's full legal name, mailing address, and employer identification number (EIN).
- Any other names that the organization uses.
- The organization's website address (if it has one).
- The name and address of a principal officer of the organization.
- The organization's annual tax period (e.g., the calendar year or a fiscal year ending May 31st).
- A statement that the organization's annual gross receipts are still normally no more than \$25,000.
- A statement as to whether the organization is still operating or has shut down.

Although Form 990-N should be very easy to file, organizations that are required to file it but fail to do so for three consecutive years will lose their tax exempt status. The only way to regain it at that point will be to spend the time and expense of reapplying to the IRS—obviously not something that anyone will want to do. As a result, it is important to have procedures in place to make sure the Form 990-N is filed next year.

Please let us know if you have any questions.

402.496.9100 or www.fzacpa.com