



**Last Chance to Save Your Tax Exempt  
Status:  
One-Time Filing Relief Program for Tax-Exempt  
Organizations Ends October 15, 2010**

Copyright 2010

Reprinted and distributed by New Jersey Volunteer  
Lawyers for the Arts, Inc.,  
with the permission of the author.

New Jersey arts organizations take note: the IRS is giving you one last chance to come into compliance with their new annual filing requirements. By taking action by October 15, 2010, smaller arts organizations who have failed to file an annual information return (990-N or 990-EZ) for the last three years may be able to avoid automatic revocation of their tax-exempt status.

The One-Time Filing Relief Program for Tax-Exempt Organizations is an effort by the IRS to assist smaller exempt organizations who have failed to comply with the new provisions set forth in the Pension

Protection Act of 2006 (Pub. L. No. 109-280). This legislation changed the landscape of exempt organization compliance by requiring all exempt organizations (except churches and related entities) to file an annual return or notice with the IRS. Any organization failing to comply with these new requirements for three consecutive years would have its exempt status automatically revoked by law. Although reinstatement is possible, an organization whose exempt status has been revoked as a result of failing to file must go through all the formal application procedures for tax-exempt status including filing a new Form 1023 and paying the appropriate application fee. Furthermore, and quite significantly, any income received during the period of revocation will be fully taxable.

Despite extensive outreach on behalf of the IRS, it is evident that the managers of many small organizations are either confused or unaware of the risk they face by failing to file their annual returns. In an effort to address this issue, the IRS is offering smaller exempt organizations one-time filing relief to come back into compliance with the requirements. Organizations with annual gross receipts of \$25,000 or less must simply file the on line Form 990-N (e-Postcard) which asks for eight basic items of information regarding the organization. Larger exempt organizations eligible to file the Form 990-EZ must file their three delinquent returns and pay a compliance fee of \$100-\$500 depending on the size of the gross receipts

reported on their 2009 returns. In either case, so long as the information is filed by October 15, 2010, the organization's exempt status will not be revoked. The program is not applicable to larger organizations required to file Form 990 or private foundations required to file Form 990-PF.

For the managers of those organizations that may not be aware whether they are at risk of losing their exemption, the IRS has posted a list of "at-risk" organizations on its website: <http://www.irs.gov/charities>. It should be noted, however, that the IRS has indicated that the list may be incomplete and, as such, organizations should be sure to check their own records or contact the IRS directly (877-829-5500) to determine whether they are in compliance with the filing requirements. According to the IRS, only approximately 50,000 of 350,000 listed organizations had taken advantage of this voluntary compliance program by the first filing deadline on May 17, 2010.

For more detailed information on the One-Time Filing Relief Program for Tax-Exempt Organizations, visit the IRS site at: <http://www.irs.gov/charities>. There is a great deal of information on the site, including links to various forms, news releases, an internal compliance memorandum, frequently asked questions, and a link to the IRS' outreach program that includes fact sheets, an explanatory publication, and a link to a YouTube video

Page 3 of 5

titled “Tax Tips: Small Tax Exempt Orgs Revised Deadline – July 2010.”

In a time where charitable giving to the arts is at an all-time low, smaller arts organizations should not risk losing their exempt status. It is therefore imperative that all noncompliant organizations eligible for this one-time relief program take the time to comply with the law.

*Jeffrey H. Schechter is co-chair of the corporate & business transactions department of Cole, Schotz, Meisel, Forman & Leonard PA in Hackensack, New Jersey. He can be reached at 201-525-6315 or [jschechter@coleschotz.com](mailto:jschechter@coleschotz.com).*

*David S. Gold contributed to this article. He is a law clerk in the litigation department of Cole, Schotz, Meisel, Forman & Leonard PA in Hackensack, New Jersey, whose admission to the New Jersey and New York State Bars is pending. He is also an avid double bass player, independent arts consultant, and former intern at the New Jersey Volunteer Lawyers for the Arts (NJVLA).*

*This information is not intended as legal advice, which can be given only by an attorney who understands the facts of a particular matter and the goals of a client.*

###

**By reviewing this article, the reader acknowledges that (1) the article contains law that is subject to change after the publication of the article; and (2) the article is intended for informational use only and is not to be construed as a legal opinion or legal advice, in general or with respect to any particular legal matter. This article contains a general overview of the topic and is not intended as legal advice or as a substitute for a consultation with an attorney. If you have further questions about this or any arts-related legal issue, please contact New Jersey Volunteer Lawyers for the Arts at 856-963-6300 or [info@njvla.org](mailto:info@njvla.org).**