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CLIENT ALERT

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SMALL TAX-EXEMPT ORGANIZATIONS MUST FILE WITH IRS

A 2006 change in the information reporting rules for exempt organizations mandates that even organizations not required to file a Form 990, Form 990-EZ or, if a private foundation, a Form 990-PF, must make an electronic filing with the IRS to preserve their tax-exempt status. It is especially important this year that small tax-exempt organizations subject to this rule make the filing by May 17, 2010.

BACKGROUND

Prior to 2006, only tax-exempt organizations with gross receipts in excess of \$25,000 were required to file an annual information return with the Internal Revenue Service. The filing is made on either Form 990 or Form 990-EZ for public charities, depending on the revenues and activities of the organization, or on Form 990-PF for private foundations.

The annual information return rules were amended by the Pension Protection Act of 2006. Under the amended law, even a tax-exempt organization with revenues below the Form 990 series filing thresholds (a "Small Tax-Exempt Organization"), other than churches and church related organizations, must annually file a notice with the IRS.

FORM 990-N FILING

A Small Tax-Exempt Organization satisfies its reporting obligations by filing an IRS Form 990-N electronically. The filing for taxable years ending on December 31, 2009 is due by May 17, 2010. Organizations can request an extension of their filing date by filing Form 8868 by the original due date.

The filing for the 2009 year is the third filing required under the revised rules. Any organization that fails to file for three consecutive years automatically loses its federal tax-exempt status. In other words, if a Small Tax-Exempt Organization has not filed a Form 990-N for 2007 or 2008 and fails to do so again for the 2009 year, the IRS will revoke its tax-exempt status. If an organization loses its exemption, it will have to reapply with the IRS to regain its tax-exempt status. Any income received between the revocation date and renewed exemption may be taxable.

A Form 990-N asks for only a few basic pieces of information. Small Tax-Exempt Organizations may make the filing by going to <http://epostcard.form990.org/> and following the steps set forth. Every Small Tax-Exempt Organization should be absolutely certain to make a timely filing of a Form 990-N for 2009.

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