

IRS Automatic Exemption Revocation and Filing Relief Program FAQs

On August 26, 2010, the Internal Revenue Service updated the Frequently Asked Questions and Answers concerning the automatic revocation of tax-exempt status for organizations that fail to file annual information returns (Forms 990, 990-EZ and 990-PF or the Form 990-N e-postcard) for three consecutive years (the "FAQs"). The automatic revocation penalty was introduced in the Pension Protection Act of 2006 (the "PPA"), which became effective at the beginning of 2007. The PPA also eliminated the filing exemption for small tax-exempt organizations which are now required to file either the Form 990-N e-postcard or Form 990-EZ.

The FAQs provide information on the revocation process and the filing deadlines. The FAQs explain that automatic revocation will become effective as of the filing due date of the third year (the 15th day of the fifth month following the end of the organization's tax year) and provide details regarding the Filing Relief Program for small exempt organizations that was announced in July, which extends the deadline for certain small tax-exempt organizations to file their 2009 Form 990-N or Form 990-EZ to October 15, 2010.

If an organization's tax-exempt status is revoked, the organization can apply to be reinstated by filing a new Form 1023 and paying a user fee. The FAQs contain detailed information on this process.

The IRS has posted on its website a one-time list of all tax-exempt organizations at risk of losing their exemption as of June 30, 2010, because the IRS has no record of filings for 2007, 2008 and 2009. This list will not be updated. In the future, the IRS will publish a list of organizations whose exemptions have been revoked.

Following are links to the IRS FAQs and the "at risk" list:

Automatic Revocation of Tax-Exempt Status for Failure to File Annual Return or Notice FAQs

http://www.irs.gov/pub/irs-tege/autorevfaqs_082610.pdf

One-Time Filing Relief Program for Small Tax-Exempt Organizations FAQs

http://www.irs.gov/pub/irs-tege/nonfiler_vcp_faqs_082610.pdf

List of Organizations At Risk of Automatic Revocation of Tax-Exempt Status

<http://www.irs.gov/charities/article/0,,id=225889,00.html>

If you would like more information about this alert, please contact one of the following attorneys or call your regular Patterson contact.

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