How Public Counsel Can Help Your Clients
PLUS: Relief program for revoked nonprofits!

Public Counsel's Programs for Individuals (Part I)

You already know that the Community Development Project assists nonprofits with legal issues that arise when adapting to and operating in this tough economic environment. However, you may not know that the Community Development Project is just one of nine programs that Public Counsel offers to persons struggling with poverty in Los Angeles County. The coming issues of our newsletter will feature Public Counsel's other projects so that you have a better idea of how Public Counsel can make a difference in the lives of your clients and community.

Early Care and Education

The Early Care and Education (ECE) Law Project's mission is to advance equal justice by providing free legal services to a broad spectrum of child care programs. The ECE Law Project encourages and helps these highly regulated programs to be proactive in addressing their legal needs.

ECE Law Project's legal services - offered to home based programs, nonprofit and for profit centers - range from helping with basic contracts, leases, employment advice, city and state permits, liability and insurance issues, and compliance with the host of statutes and regulations that child care programs must navigate.

The ECE Law Project also gives workshops and seminars throughout Los Angeles County on a wide array of issues.

In This Issue...

Public Counsel's Services
Nonprofit Formation Seminar on 8/31
Relief for Revoked Nonprofits
Legal Services for Nonprofits

Legal Services for Nonprofits

The Community Development Project (CDP) builds strong foundations for healthy, vibrant and economically stable communities by providing comprehensive legal and capacity building services to organizations serving people with lower-incomes in the Los Angeles area. CDP provides assistance on a wide range of matters to community organizations, including:

Contract & Lease Renegotiation

Does your nonprofit need to terminate or renegotiate
Veteran's Advocacy

The Center for Veterans Advancement (CVA) is driven by its core principle to "uphold our nation's promise to veterans and their families." CVA meets its mission through: stabilizing the living situation of veterans and their families; securing government benefits, including, but not limited to, VA, SSI, General Relief, and medical benefits; and providing veterans with needed legal representation to overcome the burdens potentially faced in procuring employment, housing, medical care and/or supportive services. As a national leader in veteran's advocacy, the CVA represents veterans and their families before state and federal courts, the VA, and the Court of Appeals for Veterans claims. The CVA also administers, in partnership with the National Organization for Veterans' Advocates, one of the largest pro bono advocacy programs in the nation.

Consumer Law and Bankruptcy

The Consumer Law Project (CLP) provides legal representation to indigent clients in a wide variety of consumer matters, including:

- Homeowners defrauded by home equity scam artists, predatory lenders, and/or home improvement contractors;
- Car buyers scammed by dishonest car dealers;
- Debtors suffering from collection agency harassment;
- Clients tricked by "notarios" claiming to provide legitimate legal services in the areas of immigration, eviction defense and bankruptcy; and
- Victims of identity theft.

CLP also assists indigent debtors needing assistance with a Chapter 7 bankruptcy, nondischargeability litigation, and reaffirming discharged debts.

Next Nonprofit Formation on Wednesday, August 31

Are your friends or colleagues interested in forming a nonprofit but overwhelmed by the legal process? If so, invite them to Public Counsel's Nonprofit Formation Seminar on Wednesday, August 31.

Seminar attendees will be eligible to participate in a "Ask A Lawyer" Nonprofit Formation Clinic (date TBA at the contractual or lease obligations? Do you know whether your nonprofit is legally permitted to sublet unused space?

Modification & Reduction of Workforce

Is your nonprofit exploring reduction of employee benefits, salaries or hours? Do you know the criteria to use when downsizing staff? Are you attempting to reclassify employees as independent contractors? Are you aware of the legal implications of all of these actions?

Corporate Governance

Is your board aware of its duties during a period of financial difficulty? Do your board members know how to conduct financial and programmatic oversight? Has your organization adopted a conflict of interest policy? Are your directors aware of the situations where they could incur personal liability for the acts of the corporation, and do you have appropriate controls and procedures in place to protect them?

Debt Reorganization & Cash Flow

Does your nonprofit need to renegotiate debt repayment terms? Do you know what agreement terms you should pay special attention to if applying for or increasing a line of credit? Have any of your key vendors filed for bankruptcy?
seminar), where they will be able to meet one-on-one with an attorney to discuss specific questions relating to forming a nonprofit and obtaining tax exemption.

For more information and to register for the seminar, please visit our website.

IRS Releases Revocation List and Reinstatement Procedures

The IRS recently published a list of 275,000 organizations that have had their federal tax-exempt status automatically revoked for failing to file an annual information return with the IRS for three consecutive years (2007, 2008, and 2009), including 3,500 in the City of Los Angeles.

What Automatic Revocation Means For Charities and Their Donors

An organization that loses its federal tax-exempt status is no longer eligible to receive federal tax-deductible contributions and must pay federal corporate income tax on its annual revenues and file the appropriate income tax return. If the organization’s California tax exemption is dependent on federal tax-exempt status, the organization will lose its California tax exemption and, thus, be subject to state income tax and a minimum franchise tax of $800.

Reinstatement of Tax-Exempt Status

An organization that lost its tax-exempt status and wants to apply for reinstatement must file an application for exemption (i.e., Form 1023), even if the organization was not required to submit the application for its original exemption, and pay a filing fee ($850 for most applicants). If the IRS determines that the organization meets the requirements for tax-exempt status, it will issue a new determination letter. In most cases, the effective date of reinstated exemption will be the date that the application was submitted. Thus, any income received between the revocation date and the reinstated exemption date may be taxable.

Retroactive Reinstatement of Tax-Exempt Status and Relief for Small Charities

Fundraising

Is your nonprofit considering alternative fundraising methods (e.g., loans from directors, starting a for-profit business, joint-ventures, etc.)? Do you know how to structure these activities to protect your tax-exempt status? Are you aware of the legal ramifications of using restricted or endowment funds to pay ongoing expenses?

Mergers & Strategic Alliances

Is your nonprofit considering a merger or consolidation to save or expand programs? Do you know the difference between a formal merger and other types of strategic alliances?

Organizational Documents

Did you know that the Articles of Incorporation and Bylaws determine the legal scope of your organization’s activities? Has the economy forced your nonprofit to consider changing its activities or operations? Do you know the procedure for amending your nonprofit’s organizational documents and notifying the proper government agencies?

Lobbying & Advocacy

Is your nonprofit advocating for certain government budget allocations or ballot measures on behalf of its...
An organization may request its exemption to be reinstated retroactively to the date it was revoked. The organization must submit a qualifying request within 15 months of the date on which the IRS posts the organization's name on the revocation list. For organizations posted on the June 9, 2011 list, the due date is September 9, 2012.

Small organizations that meet certain qualifications will have their exemptions automatically reinstated retroactively to the date of revocation and are eligible for a reduced exemption application filing fee of $100. The due date for submitting a reinstatement request for qualifying small organizations is December 31, 2012.

More information on the reinstatement process can be found on the IRS website.

If your organization needs legal assistance, please visit our website or call 213-385-2977, x200.