



# New Tax Filing Requirement For Small 501(c)(3) Organizations: The “e-Postcard”

Beginning in 2008, most small 501(c)(3) organizations (annual gross receipts under \$25,000), which previously were not required to file annual tax returns with the IRS, will be required to file Form 990-N, an annual electronic notice form also known as the “e-Postcard.” Failure to file this notice or a tax return for three years in a row will lead to automatic revocation of tax exempt status. **For organizations that have a December 31 fiscal year, the form will be due for the first time on May 15, 2008.**

The following alert describes the new electronic notice filing requirement for small 501(c)(3) organizations, and a new automatic revocation for organizations of any size that fail to file the required notice or tax return for three consecutive years. If you are a board member or officer of a 501(c)(3) organization, or responsible for tax filings by such an organization, you should familiarize yourself with these changes so that you can help protect your organization’s tax exempt status.

**Because of the serious consequences to any nonprofit of losing its tax exempt status, please share this information with any nonprofits in your community.**

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*This alert should not be construed as legal advice.* This alert is designed as a highlight of the new law and will not be updated. There are numerous other laws and reporting requirements to which California nonprofit organizations are subject that are not included in this alert. Please contact an attorney if you need legal advice about tax filing requirements.

Public Counsel’s Community Development Project provides free legal assistance to qualifying nonprofit organizations serving low-income communities and addressing issues of poverty within Los Angeles County. If your organization needs legal assistance, visit [www.publiccounsel.org/overview/cdp.html](http://www.publiccounsel.org/overview/cdp.html) or call (212) 385-2977, extension 200.

## **New Tax Filing Requirement For Small 501(c)(3) Organizations**

Starting in 2008, most small 501(c)(3) organizations will have a new tax filing requirement. Under a law passed by Congress as part of the Pension Protection Act of 2006, organizations with \$25,000 or less in annual gross receipts (which in the past have not been required to file IRS information tax returns), will for the first time be required to file a **new electronic notice on Form 990-N** (also called the “e-Postcard”) if they do not file a tax return. **Organizations that do not file as required for three consecutive years will have their tax exempt status automatically revoked.**

### **What is counted in “gross receipts”?**

Gross receipts are the organization’s total revenues from all sources during its annual accounting period, without subtracting any costs or expenses.

### **My organization has annual gross receipts less than \$25,000. What do we file?**

Organizations with annual gross receipts of less than \$25,000 must file Form 990-N (unless they choose to file a tax return instead). Form 990-N must be filed online and asks for the following information: the organization’s name(s); mailing address; website (if any); employer identification number (EIN); the name and address of a principal officer; the organization’s tax year; and a statement that the organization’s gross receipts are normally less than \$25,000 per year.

A 501(c)(3) organization can choose to file a tax return on Form 990 or 990-EZ instead of the e-Postcard even if it is not required to do so. An organization should not file an e-Postcard if it files a tax return. Churches are not required to file either the e-Postcard or Form 990 tax returns.

### **When is the due date for the e-Postcard?**

Form 990-N must be filed every year no later than the 15<sup>th</sup> day of the 5<sup>th</sup> month after the end of the organization’s fiscal year. **For organizations that have a December 31 fiscal year, the form will be due for the first time on May 15, 2008.** This is also the due date (without extensions) for Form 990 and 990-EZ. If you do not know the organization’s fiscal year end, the organization’s Form 1023 (application for tax exemption) should show this information.

### **What if my organization has more than \$25,000 of gross receipts?**

Any organization that normally has gross receipts of more than \$25,000 is required to file an information tax return on Form 990 or Form 990-EZ, and cannot file the e-Postcard. If your organization files an e-Postcard for 2008, but then has greater gross receipts in 2009, it may be required to file Form 990 or Form 990-EZ for 2009. Starting with returns filed for 2010, the filing threshold for organizations required to file the e-Postcard will be increased to \$50,000.

**FOR ALL 501(C)(3) ORGANIZATIONS, REGARDLESS OF SIZE, FAILURE TO FILE THE REQUIRED TAX RETURN OR E-POSTCARD FOR THREE CONSECUTIVE YEARS WILL RESULT IN AUTOMATIC REVOCATION OF TAX EXEMPTION.**

For more information about the Form 990-N e-Postcard, or about tax return filing requirements for larger 501(c)(3) organizations, see [www.irs.gov/eo](http://www.irs.gov/eo).