

DEADLINE APPROACHING FOR NONPROFIT ORGANIZATIONS

A different sort of tax return deadline is fast approaching: Nonprofit groups claiming tax-exempt status have until May 15, 2014, to file returns for the 2013 tax year. Here are the answers to several common questions on this issue.

Q. Does every organization have to file a return?

A. No. There are certain exceptions in the law. For example, the following nonprofits are exempt from the filing requirements:

- Most religious organizations, religious schools and missionary organizations.
- Subsidiaries of nonprofits that may be covered under a group return filed by the parent organization.
- Certain government corporations and state institutions providing essential services.

Q. What form do you have to file?

A. It depends on the size and nature of the organization. Nonprofits with gross receipts of more than \$50,000 must file Form 990 or 990-EZ, those with gross receipts that don't exceed \$50,000 file Form 990-N (the "e-Postcard"), and private foundations file Form 990-PF.

Q. What happens if you fail to file?

A. It could result in monetary penalties. Even worse, if an organization fails to file Form 990 three years in a row, the IRS will automatically revoke its tax-exempt status and it can no longer receive tax-deductible contributions. There's no appeal process for this harsh result.

Q. Are there any other potential taxes?

A. Yes. Significantly, a tax-exempt organization may owe an "unrelated business income tax" (UBIT) for regular business activities unrelated to its charitable function. For example, if a nonprofit charges advertising in its publications, the income may be subject to UBIT.

If you need more information about nonprofits and taxes, contact us at inquiries@mangoldcpa.com or 512-327-0909, ext. 212.