

Form 990 | Non-Profit Tax-Filing Tips Video Transcript

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Lynn Meiser:

Hi, and welcome to Barnes Denning Ask the Experts. I'm Lynn Meiser, senior associate. And today we're talking with Paula Hume, Director, about non-profit organizations and their tax filing requirements. We have a lot to cover, so let's get started. Paula, thank you for joining me today. Let's start at the beginning. What are non-profit tax filing requirements?

Paula Hume:

Well Lynn, all non-profits are required to file a return annually, unless you're classified by the IRS as a school, a church, or a governmental unit. So there's a series of 990 forms that have to be filed. The requirements are based off of revenue. So if your gross receipts are \$200,000 or more, or you have more than \$500,000 in assets, you're required to file the full form 990. There's a shorter form, a 990 E-Z that's available if you have gross receipts of less than \$200,000, or you have less than \$500,000 in assets. And then, the last form, which is a super simple postcard, 990-N, is for those organizations who normally make less than \$50,000 in gross receipts.

Paula Hume:

So there are situations that would except, of course, these filing rules. So it's best to review those a unique situations with your tax professional. The 990 series are due on the 15th day of the fifth month following the organization's year end. So for calendar year ends, that would be May 15th. And you need to make sure you filed the returns timely. If you don't file a return for three years consecutively, the IRS is going to revoke the tax-exempt status. So it's critical that you file those returns timely. And lastly, there's a new requirement the IRS put into place is that all exempt organizations must electronically file their tax returns now and that's for any year, beginning after July 1st of 2018.

Lynn Meiser:

Great, thank you. What about at the state level? Are there requirements?

Paula Hume:

Well, of course. And every state is different, but most states and actually 47 out of the 50, require an exempt organization to register as a non-profit. If you're soliciting contributions from their residents,



typically a state will require you to register. So it's best to check every state that you're soliciting and to see if you have a filing requirement for that state. If you're conducting activities within the state, so if you have a physical presence, more than likely, we recommend that you will have to file in the state. So for example, in Ohio, where we are, if you form in the state, under the secretary of state filings, then you must register as well under the attorney general site. So there's an annual filing requirement with the Ohio Attorney General's office, and you can check their websites. It's super simple, and most of them are fairly informative in those details.

Lynn Meiser:

That's great information. Thank you. What are some other items that are unique to the form 990?

Paula Hume:

The 990 series is open for public inspection. And so, it's critical that your tax return be reviewed and looked at and you really pay attention to it. It's an exceptional opportunity for the organization to tell the general public what they're doing and their story and about its mission. So you can describe the accomplishments on page two of the 990. It gives you an opportunity to tell a great story and boast the accomplishments that it has achieved during the year. You can show how contributions are used and how they were applied to the mission and what programs that they successfully accomplished during the year. It also shows governance policies, compensation, and transactions with interested persons. So when the return is accurately completed, it can be a valuable resource to attract donors and grantors to the organization. Additionally, the return can educate the public as to what it's accomplished during the year. I think it's critical that board members use this and understand what's on the form as well.

Lynn Meiser:

Great. What do the organizations have to disclose to the public about form 990?

Paula Hume:

So every exempt organization has to provide, to anyone that asks, the general public, a public disclosure copy of the 990. And for any organization, other than a section 527 organization, the exempt organization will white out the names and addresses of the large contributors that would be listed on schedule B. So those can be removed from any public copy that you would give to anyone who asks. A form 990-T that is filed after August 17th of 2006 is also required to be provided to anyone who asks for a copy. And then also, the application for an exemption, the form 1023, must also be provided to anyone who asks for it. If the form was filed after July 15th, 1987, so a long time ago.

Lynn Meiser:

Great. What are some important elements that board members should understand about the 990?

Paula Hume:

Well, the IRS is constantly bringing up that governance is the number one thing they believe is important. And so, as a board member, it's important that you understand what's on that 990. I always say if your name is on something on the internet, you probably should understand what's on it. So review the return, ask for a copy of the return if you're a board member and review it and understand and ask questions as well. It's super important that you understand it. I think one of the big things with which we talked about is filing on time. These returns again are due on the 15th day of the fifth month after the year end, you can obtain an extension of six months. So that gives you eleven months after the year end to file the return. But if you don't file it on time for those organizations that have greater than a million dollars of gross receipts, it's a \$100 a day. And so those penalties can add up very fast and it's critical that they're filed on time.

Lynn Meiser:

Yes, definitely important. Earlier you mentioned the 990-Ts are for unrelated business income. What is unrelated business income?

Paula Hume:

Well, even though an organization is exempt from tax, it still could do some activities that perhaps are subject to income tax. And so, there's three factors that you should consider if you are changing or adding new activities to your non-profit. And these three things are, one, is it a trade or business? So do you have some competitive other business that maybe is doing the same thing? Two, is it regularly carried on? And three, is the activity not substantially related to the exempt purpose of the organization? And so, you have to look at the activity, you have to decide these three factors to determine if it is unrelated business income. And so as Lynn mentioned, you'd file a 990-T if you had more than a \$1,000 of gross receipts in a year that you determined were unrelated business income and you'd file that 990-T. It has the same filing due date as the form 990 itself.

Lynn Meiser:

Thank you for being with us today Paula, and sharing your insights. If you would like information or would like to set up a conversation, visit the Barnes Denning website, and we'll see you next time on Ask the Experts.