

# Non-Profits and the Form 990 | A Deep Dive with Top Non-Profit Tax Pros | Video Transcript

Paula Hume, CPA

Lynn Meiser, CPA

**Lynn Meiser:** Hi, my name is Lynn Meiser. I'm a Tax Manager here at Barnes Dennig, and I'm with Paula Hume, a Tax Director at Barnes Dennig. What are the tax-exempt filing requirements?

**Paula Hume:** Exempt organizations are required to file the Form 990 series, and there are three returns that can be filed based off of an exempt organization's gross receipts. So, a small exempt organization can file a Form 990-N, and when I say, "small," it's gross receipts under \$50,000.

The next level of filing is a 990-EZ, and that will be for exempt organizations that have gross income from \$50,000 to \$200,000, but will have assets under \$500,000.

And the next filing requirement, which is the more complex filing requirement, is the Form 990 itself. And that will be for exempt organizations that have over \$200,000 in gross receipts or \$500,000 in assets.

**Lynn Meiser:** And what are the due dates for the Form 990?

**Paula Hume:** The text deadline for Form 990 is the 15th day of the fifth month, which for calendar year organizations, that will be May 15th. If you have a fiscal year-end, then you would follow that 15th day of the fifth month.

**Lynn Meiser:** And for exempt organizations, are there state filing requirements?

**Paula Hume:** There are state filing requirements, and unfortunately, every state is different. So, you'd first want to start off with what state you're organized in and find out what the filing requirement is for that state.

If you step within a state, your employees or perhaps a contractor, you'd want to check the state filing requirements. Most states have a filing requirement with their Attorney General, and then, also, they might have a Secretary of State

filing requirement, but that would be more of a legal formation requirement. And so, I will caveat to say, "Check with the states that you're operating within."

Lynn Meiser: Sounds like it could be overwhelming for some tax-exempt organizations.

Paula Hume: It can be very overwhelming. The other item that happens with states is a solicitation as well, which can get a little hairy when you're dealing with the worldwide web. Solicitation could happen by just having a website and having a donate here button, can cause you to have a filing requirement in a state based off of solicitation. And so, those can get very complicated.

Lynn Meiser: So, would you consider the Form 990 and the state filings a difficult return to file for organizations?

Paula Hume: I would say, "They're very complex." The IRS also instituted a mandatory electronic filing requirement for them, which then causes most exempt organizations to have to use a formal tax preparer to prepare their 990. So, it's complex in the activity or the transactions that the exempt organization does on a daily basis, perhaps an annual basis.

So, the 990 is 12 pages with an additional possible 15 schedules that could get added on, and so, that makes the reporting very complex.

Lynn Meiser: What are some of the other unique items with the Form 990?

Paula Hume: The 990 series is very unique in that it's open for public inspection. And so, every 990 for the past three years that an organization files is out on the internet, either at GuideStar. Sometimes, you can find it on the IRS's website. And so, anything that's on that form is open for the public to see.

So, you really want to make it a storybook for your organization to give the general public the great accomplishments that it has achieved during the year. You can use it on page two to show any programs and their accomplishments, either by numbers or by language. You want to coincide that information with what is on your website. Perhaps if you issue an annual report, you'd want all of those figures and the language to coincide.

Other things that you can do is tell the financial story. You do have to put the revenues and the expenses on it, and so a general reader can get a financial feel for what the organization has accomplished during the year.

Lynn Meiser: You use the phrase, “open for public inspection.” So, what does that mean? What is available for the public? What else is available for the public to see from the Form 990 and with that form?

Paula Hume: Every exempt organization has to provide a Form 990 for the prior three years to the general public. Most will disclose that either on their website or you can also provide a copy of the form to GuideStar. Those would be indicated as provided by the organization versus provided to GuideStar by the IRS.

Also, if an exempt organization has to file a Form 990-T, that would be required to be provided to anyone who asks outside of the organization. And then, also the application for exemption. The Form 1023 would need to be provided to anyone outside of the organization if the 1023 was filed after August of 2006. And so, all of those forms are important and critical for an exempt organization to have when requested.

Lynn Meiser: You mentioned the 990-T. Can you explain a little bit more what this form is used for?

Paula Hume: So, a 990-T is filed for organizations that perhaps do some other activities besides what is related to their exempt purpose. And so, an exempt organization doesn't pay tax on the income that is earned in providing or performing its mission.

If income is earned outside of that, there could be unrelated business income tax that is assessed, and the 990-T would be required to be filed if that organization had more than \$1,000 in gross receipts from that activity. And so, as organizations grow or come up with new ideas as a way to generate income, you need to be aware that there could be a 990-T filing.

That form is due the same time as the Form 990, the 15th day of the fifth month after. And currently, right now, you would pay 21% tax on any net income that would be reported to the Internal Revenue Service.

Lynn Meiser: Does that form have to be electronically filed as well?

Paula Hume: Yes. The entire 990 series needs to be electronically filed. So, that would be Form 990, Form 990E-Z, Form 990-T, and 990-PF.

Lynn Meiser: Why is it important for the tax-exempt organization to file on time?

Paula Hume: So, the 990 series has hefty penalties that are associated with it if an exempt organization does not file on time. For the Form 990, it is \$100 a day penalty

assessed for late filing. And so, those filing deadlines are super critical. If the organization is filing a Form 990-EZ, it's a \$10-a-day assessment until the form is filed. So, it's a critical factor in making sure that exempt organizations file their 990 on time.

Lynn Meiser: What happens if a tax-exempt organization does not file their tax return for an extended period?

Paula Hume: The IRS will pull the exemption if an exempt organization does not file for three years. So, smaller organizations can sometimes get into a bit of trouble as they're passing the torch to the next treasurer. They need to ensure that some filing has been done for the exempt organization.

If they're under \$50,000, that 990-N is an online filing, super easy, five questions, and you can have your annual filing completed. So, it's critical that they understand when the filing deadline is.