



December 22, 2011

News About Tax-exempt Groups

Tax Submission Deadline Extension for Some Tax-exempt Groups

The IRS has extended the tax submission deadline for tax-exempt organizations with January and February filing due dates, specifically those whose normal filing deadlines are either January 17 or February 15. Ordinarily, these deadlines would apply to organizations with a fiscal year that ended on August 31, 2011, or September 30, 2011, respectively. The deadline has been extended to March 30. If your tax-exempt organization has already obtained an initial three-month filing extension and now has an extended filing deadline that falls on January 17 or February 15, the extension also applies to you.

Most of the tax-exempt organizations will not be affected by the extension as they have their deadline for filing taxes on May 15. But if your organization has filed Forms 990, 990-EZ, 990-PF, or 1120-POL, then this extension applies to you. You do not have to fill up any form to obtain the extension.

This special extension of deadline is given because the part of the system that processes these specific electronically filed returns will be off-line during January and February. However, the rest of the e-filing system will continue to operate as normal so individuals and businesses should file their tax returns electronically to speed up processing. E-filing also facilitates tax refunds.

In order to avoid receiving a notice for a late filing penalty, a reasonable cause statement should be attached to the tax return. If your organization receives a late-filing penalty notice, you should contact the IRS so that these penalties might be abated.

Another 3,200 Orange County Charities Lose Tax-exempt Status

In June this year, the IRS conducted a massive deregistration exercise that revoked the tax-exempt status of thousands of previously tax-exempt organizations. Now in its latest exercise, the IRS has struck off another 3,200 or so charities in Orange County alone from its tax-exempt status list. Nationwide, the IRS has deregistered hundreds of thousands of such organizations for not filing their tax returns for 3 consecutive years. In Orange County, the number of charities that had their tax-exempt status removed was 3,197 an increase of 2,738 in August and 2,222 in June. In the latest deregistration drive, some of the charities affected were the Laguna Hills Community Association and the Laguna Hills Lawn Bowling Club, American Legion Auxiliaries in several cities, the National Fuchsia Society in Garden Grove, and lots more.

These charities include school booster clubs, friends of the library clubs, swim, skating and soccer clubs, Toastmasters clubs, arts and theater groups, pet-related clubs, garden clubs, veterans groups etc. with their deregistration, all your donations and membership fees to these affected charities will no longer be eligible for tax deduction.

The IRS says that this exercise is to clean up the list of tax-exempt charities by removing those that are defunct and make the ones that remain more accountable. However, if any charity that has been struck off the list wants to reapply for tax exemption, the IRS is willing to help.