

Neighborhood Networks Quarterly Consortia Conference Call Maintaining Nonprofit Tax-Exempt Status

On June 3, 2008, Neighborhood Networks held the third of four Quarterly Consortia Conference Calls. The call was entitled “Maintaining Nonprofit Tax-Exempt Status” and focused on how Neighborhood Networks consortia can obtain and maintain a federal nonprofit designation. The guest speaker was a senior revenue agent with the Internal Revenue Service (IRS) who explained the purpose of the 501(c)(3) designation and the specific government forms that need to be filed with the appropriate federal and state agencies. Additionally, the speaker discussed the various compliance requirements of nonprofit organizations.

Highlights from the Call

- Tax-exempt nonprofit status enables Neighborhood Networks consortia to become self-sufficient and to increase access to resources for member centers. The speaker explained which forms need to be filed when organizations apply to be exempt from tax. All applications need to include a user fee. The amount of the fee depends on the amount of the gross receipts an organization expects to accrue. The speaker encouraged Neighborhood Networks consortia members to review Publication 557, which discusses information to be included in an application for tax-exempt status. There are several forms that are required to complete the application process:
 - Form 1023 is the form used to apply for tax exemption.
 - Form SS-4 is used to apply for an Employer Identification Number and should be completed prior to applying for tax-exempt status.
 - Form 2848 is optional and is to be completed by an individual wishing to designate himself or herself as a representative of the organization before the IRS, and is also known as the “power of attorney form.”
 - A copy of the Certificate of Incorporation must be enclosed with the application package.
- The completed application should be mailed to the following address:

Internal Revenue Service
P.O. Box 192
Covington, Kentucky 41012-0192

The IRS has a customer service unit designed to answer questions about tax-exempt organizations. The toll-free number is (877) 829-5500. Applications can be expedited if the request is made in writing and contains a compelling reason for processing the application quickly. An example might include: a consortium is waiting for a grant award; or that it is in the best interest of another organization that a consortium be designated as tax-exempt as expeditiously as possible.

- The reporting requirements are crucial to maintaining tax-exempt status. Form 990 or Form 990-EZ (depending on total revenue) are used by organizations to furnish information required by the Internal Revenue Code. Form 990, an informational return, is used for consortia to include their revenue and expenses from the year without subtracting any costs or expenses. Potential donors may review this form to assist them in concluding whether or not they would like to contribute to the organization. Tips on completing Form 990 are:
 - Consortia board members must sign and date the return as well as indicate their title.
 - Filers must indicate the correct tax year of the return.
 - Filers must check the accuracy of the EIN and the group exemption number, which is assigned to organizations upon approval of the tax-exempt status.
 - Filers must attach all requested pages and schedules to the return and indicate the correct 501(c)(3) subsection under which the consortium is tax-exempt.

The due date for Form 990 is the fifth month after an organization's accounting period ends. Neighborhood Networks consortia can request an extension to file their annual return by using Form 8868, which will give the consortia an automatic three-month extension to file Form 990. Form 990 has been recently redesigned and is now viewable at www.irs.gov/eo.

- Other forms that are filed by exempt organizations are Form W-2, which is a wage and tax statement providing data on salary and taxes withheld, and Form W-3, which is the summary for all W-2s. Form 990-T is utilized when organizations engage in income-producing activities that are not related to their exempt function.
- The Pension Protection Act of 2006 requires 501(c)(3) organizations to disclose unrelated business income. Beginning in 2008, exempt organizations with gross receipts under \$25,000 must file an electronic annual notice using Form 990-N. Organizations that fail to file for three consecutive years are subject to a revocation of exemption. Form 990-N, or an e-Postcard, applies to tax periods beginning after December 31, 2006. The e-Postcard will require the organization's legal name, any other names the organization uses, the organization's mailing address, the organization's Web site address, the organization's EIN, name and address of a principal officer(s) and a statement that the organization's annual gross receipts are still typically \$25,000 or less.

The guest speaker encouraged the participants to call the toll-free help line if they had questions about the determination process or to check on the status of an application. The

Neighborhood Networks consortia development staff also provides assistance to consortia seeking to become a nonprofit organization. Contact the Neighborhood Networks toll-free line at (888) 312-2743 if you are interested in receiving this technical assistance.