



# “How To Lose Your Tax Exempt Status (Without Really Trying)”

IRS Nationwide  
2007  
**Tax**  
**FORUM**  
Partners in Tax  
Administration

# Jeopardizing Exemption

- Inurement & Private Benefit
- Political Campaign Activity
- Substantial Lobbying
- Substantial Unrelated Business
- Failure to Comply with Reporting Obligations

IRS Nationwide  
**2007**  
**Tax**  
**FORUM**  
Partners in Tax  
Administration

# Private Benefit & Inurement

- Private benefit is not limited to insiders and must be substantial to jeopardize exempt status.
- Inurement to insiders such as board members, officers, key employees, etc., is absolutely prohibited.

IRS Nationwide

2007

**Tax  
FORUM**

Partners in Tax  
Administration

# Intermediate Sanctions

- Excise taxes directed at insiders & organization managers
- Maximum penalties for organization managers recently doubled
- Exempt organizations must disclose transaction
- More info? “Lifecycle of Public Charity” @ [www.irs.gov/charities](http://www.irs.gov/charities)

# Lobbying Activities

- Attempting to influence legislation through:
  - Directly contacting members of a legislative body
  - Encouraging the public to contact members of a legislative body
  - Advocating a position on a public referendum

IRS Nationwide  
**2007**  
**Tax**  
**FORUM**  
Partners in Tax  
Administration

# Limited Lobbying Permitted

- Measured by:
  - “Substantial Part Test” – all activities considered
- OR
- “Expenditure Test”
  - Considers expenditures only
  - Organization must elect
  - Churches cannot elect

IRS Nationwide  
2007  
**Tax**  
**FORUM**  
Partners in Tax  
Administration

# Political Campaign Activity

- Direct and indirect candidate support:
  - Contributions
  - Participation in campaigns
  - Public statements for/against a particular candidate
- Absolutely prohibited!

IRS Nationwide  
2007  
**Tax  
FORUM**  
Partners in Tax  
Administration

# Acceptable Political Activities

- Leaders' Personal Statements – *but*
  - No partisan comments in organization's publications or at official functions
  - Outside the organization, leaders should clearly indicate that comments are personal
- Candidate speeches – *if*
  - Equal opportunity to all
  - Org. does not support or oppose
  - No political fundraising



# Unrelated Business Income

- Three part test:
  - Trade or business activity
  - Regularly carried on
  - Not substantially related to organization's exempt purpose
- An organization with substantial UBI activities will **FAIL** the operational test

# Filing Requirements

- Depends on organization's gross receipts
- Most public charities have to file Form 990 EZ, Form 990 or Form 990-N
- Failure to file may result in penalties and/or revocation of tax exempt status

# Form 990-N (e-postcard)

- For tax years beginning after December 31, 2006, organizations with gross receipts normally less than \$25,000 must file Form 990-N
- Can only be filed electronically
- Automatic revocation if not filed for three consecutive years

# More Information . . .

- IRS Web site: [www.irs.gov/charities](http://www.irs.gov/charities)
- *Stay Exempt* Online Workshop:  
[www.stayexempt.org](http://www.stayexempt.org)
- TE/GE Customer Account Services:  
(877) 829-5500
- Subscribe to EO Update:  
– [eoupdate@subscribe@lists.qai.irs.gov](mailto:eoupdate@subscribe@lists.qai.irs.gov)

IRS Nationwide  
**2007**  
**Tax**  
**FORUM**  
Partners in Tax  
Administration