

LEGAL UPDATE

ARE YOU AT RISK OF LOSING TAX EXEMPT STATUS?

September 1 , 2010

There are some recent legal developments that affect non-profit organizations.

Since 2007, most tax-exempt organizations have been required to file an annual return or an electronic notice with the Internal Revenue Service. If required and the organization does not file a return or notice for three consecutive years, the IRS will automatically revoke the entity's tax exempt status effective as of the filing due date of the third year. A list of Michigan organizations that are at risk can be viewed at the [Internal Revenue Service](#) website.

The good news is that the IRS is providing one-time relief, allowing small exempt organizations to retain their tax-exempt status. This may be as simple as filing missing notices on the IRS's website; or, in some instances, it may be necessary to file tax returns and pay a compliance fee. In either event, the deadline set by the IRS is October 15, 2010. After that date, entities that have not complied will lose their tax exempt status and have to reapply for tax exempt status, if needed.

Also, if you are not aware, the State of Michigan recently modified the Nonprofit Corporation Act to require that the board of directors of nonprofit corporations consist of three or more directors. Further, if your entity is a Michigan nonprofit corporation that has ceased operations, the State requires notice to the Attorney General's Office.

The information in this update is general in nature and not legal advice. For additional information, contact Thomas S. Flickinger at tsf@rhoadesmckee.com or at 616.233.5135.