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## ***BIG CHANGE FOR LITTLE NON-PROFITS***

### **Youth Sports Teams and Associations, Community Groups Could be Impacted**

BY HARRY CENDROWSKI

The Internal Revenue Service may show up at your kid's next little league game and they won't be there to watch the kids run around the bases. More likely, they'll be watching the till at the bake sale intended to buy new uniforms or rent a bus for a road trip. You can thank none other than Jack Abramoff for bringing federal oversight to a new low, right at the grass root level of your nearby ball field. Abramoff, who is now serving time in federal prison, enriched himself by exploiting vagueness in the laws emboldened by lack of enforcement.

Now, regulatory changes under the Pension Protection Act of 2006 (PPA) will require small non-profits to file a form 990 with the IRS. Previously, organizations with less than \$25,000 in gross receipts were exempt from reporting. However, form 990-N is a new electronic notice now required for these small organizations. The IRS will soon begin to mail instruction kits notifying the small tax-exempt organizations of the new requirements and providing instructions for filing.

Non-profits of this size frequently include youth soccer, hockey, and other sports organizations, community organizations, and local religious charities. The big penalty: the PPA requires the IRS to revoke the tax exempt status of any non-profit that fails to meet their filing requirement for three consecutive years. An organization that had its tax-exempt status revoked for failing to file the return would need to



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reapply for tax-exempt status and pay the appropriate user fee.

Dr. Jerry Lindman, Director of the Center for Non-Profit Management at Lawrence Technological University fears many small organizations will lose their tax-exempt status because they are unaware of the new requirements. Non-profits with gross receipts under \$25,000 by their very nature are often staffed by volunteers and do not have professional advisors. In the past these organizations were not required to file anything, and many of them might not get word about the new requirements. Form 990-N, also called the E-postcard, is a short electronic notice that declares the amount of gross receipts and other pertinent information. There is no paper version of this form; it must be filed electronically.

This is a natural extension of the increased oversight being placed on all non-profits. The Sarbanes-Oxley Act Interest assures appropriate conduct and oversight of all organizations. This has been a long time in the making. The process began in 2004 with the Senate Finance Committee studying ways to reform non-profit abuses and encourage greater accountability. The Pension Protection Act of 2006 was very much related to those earlier hearings. The IRS has continued to implement many of the recommendations of the hearings through changes in the form 990.

Non-profits with their tax year ending on December 31, 2007 will be required to file their 990 form on May 15, 2008. Organizations are encouraged to be sure that the IRS has their correct mailing address on file to allow them to send updates and filing materials; an organization may file form 8822, Change of Address. Additionally, an organization can subscribe to the IRS' Exempt Organization (EO) update newsletter at [www.irs.gov/eo](http://www.irs.gov/eo).

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