

Legacy Advisor

Summer 2011 Issue No. 11-1

NOT-FOR-PROFIT ORGANIZATIONS

Automatic Revocation for Not Filing Annual Return or Notice

As reported in Guidestar's recent article, "What Automatic Revocation of Nonprofit Tax Exemptions Means for You," most tax-exempt organizations, excluding churches, must file a yearly return or notice with the IRS. If an organization does not file as required for three consecutive years, the law provides that the organization automatically loses its tax-exempt status.

The IRS has issued a list of over 300,000 nonprofits whose tax-exempt status is at risk of being revoked as a result of failure to file an annual information return. Potential revocations came about as a result of the Pension Protection Act of 2006, which changed the filing requirements for small exempt organizations. The Act required organizations with annual revenue of \$25,000 or less to begin filing the Form 990-N (e-Postcard). After a one-time filing relief program which expired in October 2010, the IRS stated it would publish the list of revoked organizations and update that list on a monthly basis. The list will be found at www.irs.gov.

What do I need to file for 2010 tax year and beyond?

In general, what must be filed depends on the organization's financial activity. As a reminder, for an organization that normally has gross receipts of \$50,000 or less, the 990-N (e-Postcard) can be filed. Please note that organizations eligible to file the e-Postcard may choose to file a full return.

For organizations with annual gross receipts less than \$200,000 and total assets less than \$500,000, either the Form 990-EZ or Form 990 can be filed.

For an organization with gross receipts of \$200,000 or more or total assets of \$500,000 or more, the Form 990 needs to be filed.

For a private foundation (regardless of its financial activity), the Form 990-PF must be filed.

What if Exemption is Revoked?

If an organization's exemption is revoked, it must file a Form 1120, *U.S. Corporation Income Tax Return* or a Form 1041, *U.S. Income Tax Return for Estates and Trusts*, and the organization may need to pay income tax. Furthermore, its contributors will not be able to deduct their donations during which time the organization's tax-exempt status has been revoked.

To regain its tax-exempt status, the organization must file a Form 1023 (for 501(c)(3) organizations) or a Form 1024 (for organizations exempt under other Code sections). If the IRS approves the application, tax-exempt status will be effective as of the date of the application.

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Legacy News

Rose Doherty continues her service as Chair of the Illinois CPA Society's (ICPAS) Not-for-Profit Roundtable Subcommittee. The next Roundtable will cover Accounting and Tax Research Tools for nonprofit organizations and will be held on Tuesday, June 7, 2011. The program runs from 8:30 a.m. – 10:30 a.m. at the ICPAS office at 550 West Jackson Boulevard, Suite 900 in Chicago and is free of charge. To register call the ICPAS at 800-993-0393.



Rose Doherty, CPA

Legacy Partner Paul Doetsch, CPA, CMA will be attending the American Institute of Certified Public Accountants (AICPA) National Not-For-Profit Industry Conference June 9-10, 2011 at the Marriott Wardman Park in Washington, DC. We'll report back in our next issue on the topics covered at the Conference.

The Munster, Indiana office of Legacy moved over Memorial Day weekend to a new location. Our new address is 222 Indianapolis Boulevard, Suite 103, Schererville, IN 46375. Our phone and fax numbers remain the same.

Let us know if you have any specific questions or need additional information on any of the topics covered in this publication. If you prefer to receive this publication via email, send us a note to info@legacypas.com or sign up on our website in the Publications section.

Wishing all of our clients and friends of Legacy a safe and healthy summer!

This issue was edited by Rose G. Doherty, CPA, Partner. Rose can be reached at 312-384-4223 or rdoherty@legacypas.com.

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Legacy Hosts Nonprofit Seminar

Numerous clients and prospects attended a nonprofit roundtable discussion we held in conjunction with JPMorgan Chase Bank on March 22, 2011. Presenters were Rose Doherty from Legacy, along with Laura Cussen, Elizabeth May, and Tanya Taylor from JPMorgan Chase. The panel discussed protecting sensitive information, cyber-security and internal controls. The presentation and discussion were well-received by those in

attendance but most of all, clients enjoyed being together to talk about issues they all face at their organizations. One of the speakers from Chase, Tanya Taylor, provides more information on one of the covered topics in her article *Protecting Cardholder Data*, which can be found below. Let us know if you have topic ideas for future seminars or roundtable discussions.

Protecting Cardholder Data



Tanya Taylor

More and more exempt organizations are accepting credit card payments from their donors and members. Since many of those paying with this convenient method have a tendency to spend more than they would with cash, check, or wire, this can aid in increasing your organization's revenue. However, it's important to remember the risks that credit card payments can create for your organization.

When members or donors provide you with their credit card information, they have an expectation that you will keep that credit information secure in order to prevent criminals from stealing that information and exploiting it. In today's economy, criminals have become more desperate in their attempts to make a quick dollar from whatever means possible. We have also seen professional hackers collecting credit card data from systems that are obsolete or unprotected.

Visa estimates that 85% of data breaches occur at the small business level. Don't let your organization become another statistic. Be proactive in your approach to protect your organization from data loss. Sit down with all of your employees to determine what makes sense for your particular situation. Discuss what data you collect, who has access to it, and how and where the data is stored. If you store member or donor data on paper, always make sure that it is stored in a secure area, under lock and key. Don't store data that you don't need.

Once you have had this conversation with employees, write it down. Take the time to document the checklist that you created, the security measures that you are taking, and an explanation of why these measures make sense for your organization.

The top five reasons breaches happen are:

1. There are no firewalls in place
2. Known vulnerabilities not patched
3. No anti-virus protection
4. Default passwords
5. Device tampering

Members and donors expect their information to be protected and furthermore, it is the law.

For more information on protecting your data and to take the self-assessment to determine your requirements, please visit www.pcisecuritystandards.org. More information can also be found at www.visa.com and www.mastercard.com.

This article was provided by Tanya Taylor, Middle Market Account Executive of Chase Paymentech. Ms. Taylor is a guest writer for Legacy Advisor. She can be reached at tanya.taylor@chasepaymentech.com or 847-322-5047.

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Health Care Tax Credit

Millions of small employers received postcards from the IRS beginning in April 2010 that alerted them to the new small business health care tax credit and encouraged them to check their eligibility. Even if you didn't receive a postcard, your organization still may be eligible.

To be eligible for the credit, a qualifying employer must cover at least 50% of the cost of health care coverage for some of its workers, must have less than the equivalent of 25 full-time workers (for example, an employer with fewer than 50 half-time workers may be eligible), and must pay average annual wages below \$50,000.

The credit is worth up to 35% of a small business' premium costs in 2010 and up to 25% of a tax-exempt employer's premium costs. On January 1, 2014, this rate increases to 50% (35% for tax-exempt employers).

The credit phases out gradually for employers with average wages between \$25,000 and \$50,000 and for employers with the equivalent of between 10 and 25 full-time workers.

To determine if your organization qualifies for the small business health care tax credit, follow the three simple steps on the IRS fact sheet located at http://www.irs.gov/pub/irs-ut/3_simple_steps.pdf.

Small employers, whether for-profit or tax-exempt organizations, should use new Form 8941, *Credit for Small Employer Health Insurance Premiums*, to calculate the small business health care tax credit.

Tax-exempt organizations will include the amount of the credit on Line 44f of revised Form 990-T, *Exempt Organization Business Income Tax Return*. Form 990-T has been revised for the 2011 filing season to enable eligible tax-exempt organizations – even those that owe no tax on unrelated business income – to claim the small business health care tax credit.

For more information, please feel free to contact us.

This tax credit is a provision of the Patient Protection and Affordable Care Act.

By Donna A. Hubert, CPA, Partner, dhubert@legacycpas.com

Highlights from IRS.gov

Visit <http://www.irs.gov/charities/index.html> for the most current information from the IRS. Below are a few highlights:

Request for Public Input on Affordable Care Act: The Treasury Department and IRS have requested public input on issues relating to the shared responsibility provisions included in the Affordable Care Act that will apply to certain employers starting in 2014. Under this Act, employers with 50 or more full-time employees that do not offer affordable health coverage to their full-time employees may be required to make a shared responsibility payment. Notice 2011-36 solicits public comment and input on the Act and its provisions. There are three ways to submit comments: email, mail, or hand delivery. (see www.irs.gov for comment submission details). The deadline for comments is June 17, 2011.

Providing Relief Funds through Charitable Organizations: Many people are eager to contribute to relief funds for the victims of recent severe storms and tornadoes. The IRS website offers resources for charities and contributors interested in providing disaster relief through charitable organizations.

Taxpayer Advocate Service (TAS): Dubbed “your voice at the IRS,” the Taxpayer Advocate Service (TAS) is an independent organization within the IRS. TAS helps taxpayers whose problems with the IRS are causing financial difficulties; who have tried but have been unsuccessful at resolving the problem with the IRS; and for those who believe the IRS systems or procedures are not working as they should work. For more information, visit www.irs.gov and click on Taxpayer Advocate Service on the left side of the page under “IRS Resources.”

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What does it mean?

Private foundations will need to now confirm that a grantee or gift recipient is not on the list of organizations that have lost their exempt status and also verify charitable status in IRS Publication 78. Donors should confirm status prior to making

and claiming a charitable deduction. Should an organization's status be revoked, the IRS may disallow the deduction and the taxpayer may then be required to pay a penalty.

For more information, visit www.irs.gov. Feel free to ask us any questions as they relate to your organization.

Association Forum Update



Rose Doherty and Regina Ward (Harris Bank) in the Legacy Booth at the 2010 Holiday Showcase.

Legacy Professionals LLP is already looking forward to exhibiting at Association Forum's Holiday Showcase on December 15, 2011 at the Hyatt Regency Chicago.

As in previous years, Partner Rose Doherty and Marketing Director Julie Tucek will be in the booth meeting and greeting friends of the Firm.

Holiday Showcase is always the most festive celebration of friends and colleagues in Chicago's association community. We are proud to be a long-time exhibitor and participant.

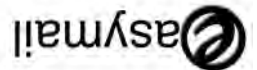
In preparation for the event, Julie is once again serving on the Holiday Showcase Exhibitor and Sponsor Advisory Group. This group works to improve on past Showcases and brainstorm about new ideas for future Showcases.

Furthermore, Rose continues her service on Forum's Professional Practices Committee.

Both Rose and Julie are looking forward to attending Forum's Annual Meeting on June 14, 2011 at the Donald E. Stephens Convention Center in Rosemont, IL.



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