

## LOSS OF TAX EXEMPT STATUS

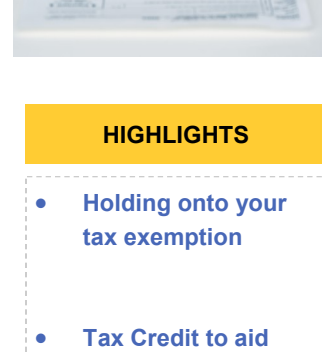
Hundreds of thousands of nonprofits are scheduled to lose their tax-exempt status because they failed to file annual returns with the IRS.

The IRS was to begin revoking exemptions on May 19, 2010, but will wait until 2011 to send revocation notices. "The IRS is essentially giving delinquent nonprofits a six month period in which to file their annual returns." They hope that organizations in danger of losing their exemptions will take advantage of the opportunity. Ultimately, the revocation process will benefit the nonprofit sector by weeding out defunct organizations and nonprofits that are not meeting their reporting responsibilities in the short run, however it will cause some hardships for organizations.

It is estimated that 350,000 to 400,000 nonprofits are in danger of losing their exemptions. A large number of these organizations are smaller nonprofits that previously were not required to file an annual return because their gross revenues were \$25,000 or less. These nonprofits must file the Form 990-N, which the IRS created in response to the Pension Protection Act.

For more information you can research The Pension Act Protection Act of 2006. This requires the IRS to revoke the federal tax exemption of any organization that has failed to file three consecutive annual returns (Form 990-N, 990-EZ, 990 or 990-PF). Nonprofits that wish to have their exemptions reinstated will be required to re-apply to the IRS for the tax-exempt status. This process can take several months.

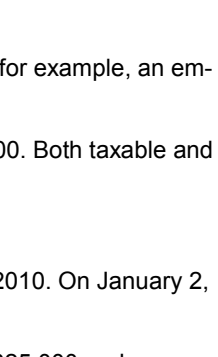
As the IRS announces it's procedures and as information on the revocation becomes available, we will keep you informed.



### HIGHLIGHTS

- **Holding onto your tax exemption**
- **Tax Credit to aid organizations**
- **New Rules for New Hires**

## HEALTH CARE TAX CREDIT HELPS SMALL TAX EXEMPT ORGANIZATIONS



Many small businesses and tax-exempt organizations that provide health insurance coverage to their employees now qualify for a special tax credit. Included in the Patient Protection and Affordable Care Act, the credit is designed to encourage small employers to offer health care coverage for the first time or maintain the coverage they have. The IRS will provide further information to tax-exempt employers on how to claim the credit.

### ELIGIBILITY RULES:

**Providing Health Care Coverage:** A qualifying employer must cover at least 50% of the cost of health care coverage for some of its workers based on the single rate.

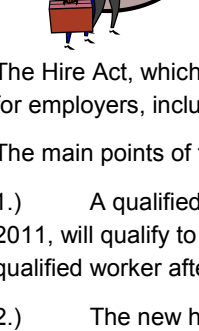
**Firm Size:** A qualifying employer must have less than the equivalent of 24 full-time workers (for example, an employer with fewer than 50 half time workers may be eligible).

**Average Annual Wage:** A qualifying employer must pay average annual wages below \$50,000. Both taxable and tax-exempt firms qualify.

### AMOUNT OF CREDIT:

**Minimum Amount:** The credit is worth up to 25% of a small organization's premium costs in 2010. On January 2, 2014, this rate increases to 35% for tax-exempt employers.

**Phase-Out:** The credit phases out gradually for organizations with average wages between \$25,000 and \$50,000 and the firms with the equivalent of between 10 and 25 full time workers.



## THE HIRE ACT—What you need to know!

The Hire Act, which was enacted into law on March 19, 2010, contains a provision allowing payroll tax savings for employers, including nonprofit organizations.

The main points of the provisions are:

- 1.) A qualified employer, who hires an unemployed worker after February 3, 2010 and before January 1, 2011, will qualify to be exempt from the employer share of social security taxes (6.2%) on wages paid to the qualified worker after March 18, 2010.
- 2.) The new hire must certify that he or she was unemployed during the 60 days before beginning work or worked fewer than a total of 40 hours for someone else during the 60 day period.

Employers can begin claiming the tax credit on the revised employment tax for (941) for the second quarter of 2010.

For more information and answers to frequently asked questions on these topics go to [www.irs.gov](http://www.irs.gov).

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