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## Taxes: One of Two Sure Things in Life

We all know that there are two things that are sure in life: death and taxes. For some people, preparing their organization's taxes might very well induce an early death. If not death, then frustration at the least!

Recent changes in the process and requirements for filing taxes for nonprofit organizations have prompted much discussion. This article can help you sort out the basics and point you in the right direction to have all of your questions answered.

## 'Tis' the Season

The dreaded tax season is upon us. Before you begin to prepare your taxes, it's good to determine who you are. We all use 'nonprofit' as a general term, but in the federal government, there are many different kinds of nonprofits and each of those has different requirements for tax filing. There is a short list of nonprofits that have an exemption from filing taxes. They include:

- Faith-based organizations
- State, not federal nonprofits
- Missionary organizations
- Government corporations
- Subsidiary of other nonprofits
- Religious schools
- State institutions (e.g. universities)

If your organization type is not listed above, you need to file a tax return.

## So Much Paperwork

Now you know if you have to file, but which form do you need?

**Form 990 N** – *Tax exempt organizations whose gross receipts are normally less than \$25,000.* This is the biggest change this year and comes from the Pension Protection Act of 2006. The act requires small organizations to file information with the IRS even though they take in less than \$25,000 per year. The 990 N is a simple "e-postcard" submitted online that must include, among a few other items of information, include, among a few other items of information, your organization's EIN (Employer Identification Number), the legal name, and confirmation that the organization's annual gross receipts are less than \$25,000.

# Strengthening Alaska's Anti-Hunger Network

**Form 990 or 990-EZ** – Tax-exempt organizations with annual gross receipts that are normally greater than \$25,000. The regular 990 form can be used by everyone, but the EZ form is restricted to those organizations that have gross receipts of less than \$100,000 and total assets of less than \$250,000. Changes have been implemented on the Form 990, but most will not affect anti-hunger agencies and many of the changes won't be implemented this year. Changes that might affect some organizations include:

- a schedule requiring more detailed compensation information on executive making more than \$100,000 per year
- a schedule on non-cash contributions such as art work, boats, stocks, cars, antiques and other areas the IRS has said donors take inflated deductions
- a schedule where nonprofits can report anything, e.g. mission statements, a list of good things the nonprofit does, or grant dollars it receives, to support its mission

## **For the Procrastinator**

All tax forms need to be submitted by the 15<sup>th</sup> day of the 5<sup>th</sup> month after your fiscal year ends. For organizations that function on the calendar year, the forms will be due by May 15<sup>th</sup>, 2008 for fiscal year 2007.

If you are filing the 990 N, there is no penalty for submitting it late; however, if you fail to submit the form for three consecutive years, you will lose your tax-exempt status. There is a penalty for filing other 990 forms late. You can request an extension by submitting Form 8868, Application for Extension of Time To File an Exempt Organization Return. This, along with your other 990 forms can be submitted online through an Authorized IRS E-File Provider. To see this list, visit <http://www.irs.gov/efile/article/0,,id=108211,00.html>. If you are only filing a 990 N, you can do that directly from the IRS website, [www.irs.gov](http://www.irs.gov).

## **This Too Shall Pass**

If you are thoroughly confused about the filing process, here are a few places that can help clear up any of your questions:

<http://www.irs.gov/charities/charitable/> - IRS website; tax information for charitable organizations

<http://www.irs.gov/charities/index.html> - IRS Website with tax information for nonprofits

<http://www.irs.gov/pub/irs-pdf/i990-ez.pdf> - IRS Form 990 and 990 EZ

<http://www.compasspoint.org/boardcafe/details.php?id=82> – Six things a Board President Should Do Before Filing a 990

*Next Month:  
Volunteer  
Recruitment  
and  
Retention*