



Small Nonprofit Organizations *A Profile of Form 990-N Filers*

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The Pension Protection Act of 2006 requires all tax-exempt organizations to file a return with the Internal Revenue Service (IRS) each year. For smaller organizations, which were not required to file in the past, a new electronic notice was created. Form 990-N, also known as the e-Postcard, requests basic information, such as an organization's address, officer name, and web site, and is the first data to ever be collected on the smallest nonprofit organizations. The new filing requirement is also helping the sector to identify which organizations are active and which have terminated over the years. This new information will begin to fill the gaps in our knowledge of the nonprofit sector and allow for more in-depth research on the tax-exempt sector in the future.

This brief presents an overview of the new 990-N filing requirement, profiles the organizations filing the 990-N, compares 990-N filers to larger (Form 990 and Form 990-EZ) filers, and provides a brief look at small nonprofits reporting terminations on Form 990-N.

Overview of the Form 990-N

In an effort to maintain more current and accurate information on nonprofit organizations operating in the United States, the Pension Protection Act of 2006 mandated that all registered tax-exempt organizations file a tax return each year. Previously, only private foundations and nonprofits with more than \$25,000 in annual gross receipts were required to file. This meant that information was not available on the smallest nonprofits—those

with less than \$25,000 in gross receipts—which make up the bulk of the nonprofit sector. Indeed, over 714,000 of the 1.6 million nonprofit organizations were in this category in 2010.¹

Under the new law, effective in 2008 for tax year 2007, all registered nonprofits are required to file a tax return each year. The specific form required depends on the annual value of the organization's gross receipts. Nonprofits with less than \$25,000 in gross receipts must now file the new Form 990-N each year to maintain their tax-exempt status. There are a few exceptions to this new rule: churches and their auxiliary groups as well as organizations included in a group return are not required to complete Form 990-N. Organizations with gross receipts between \$25,000 and \$500,000 (starting in 2010) must file either Form 990-EZ or Form 990, and nonprofits that exceed \$500,000 in annual gross receipts must file Form 990. Private foundations, regardless of size, are not affected by this new requirement and must file Form 990-PF annually. As an alternative to the e-Postcard, even the smallest organizations may complete Form 990 or Form 990-EZ to satisfy this new filing requirement.

Form 990-N is otherwise known as the e-Postcard, reflecting the length of the form as well as the fact that nonprofit organizations must complete the return electronically; no paper forms are accepted. The e-Postcard requires only eight pieces of information about the organization: employer identification number, tax year, legal name, secondary name, address,

officer name and address, and web site. The form also requires the organization to confirm that its gross receipts are less than \$25,000 and asks if the organization is still active or if it terminated.

Organizations were given three years to complete Form 990-N before their tax-exempt status would be revoked. For nonprofit organizations with fiscal years that end on December 31, the three-year window closed on May 17, 2010. Organizations that do not file during these three years will automatically have their tax-exempt status revoked. To be reinstated, an organization will need to reapply for tax-exempt status and pay the application fee (currently \$400 for organizations that average less than \$10,000 in gross receipts and \$850 for all other organizations).

To find out if organizations in your area are in danger of losing their tax-exempt status, please visit the National Center for Charitable Statistics (NCCS) searchable database at <http://nccs.urban.org>.

Profile of 990-N Filers

Since the 990-N requirement went into effect, almost 429,000 nonprofits have completed the e-Postcard and nearly 422,000 of these organizations are still active. These organizations serve the needs of their local communities, provide

activities, and promote community engagement. More than half of these small nonprofit organizations are registered as tax-exempt 501(c)(3) public charities. Other tax-exempt organizations, such as social welfare organizations and business leagues, are also required to file the e-Postcard annually (table 1).

Form 990-N Filers by Organization Type

Small nonprofits are engaged in a wide variety of programs and activities and encompass all branches of the nonprofit sector. The largest group (26 percent) of small nonprofits, however, is found in the human services subsector. These organizations include homeless shelters, soup kitchens, senior centers, athletic clubs, little leagues, meals on wheels, boys and girls clubs, scouting groups, summer camps, rescue squads, and many more. The public and societal benefit subsector, which includes civil rights groups, neighborhood block associations, and veterans' organizations, is the second largest (22 percent) group of 990-N filers. While religious-related organizations account for only 4 percent of the total number of 990-N filers, churches and many of their auxiliary groups are not required to file the e-Postcard and represent a much larger share of the nonprofit sector.

TABLE 1. Number and Percent of Filers by IRS Tax-Exemption Type, 2010

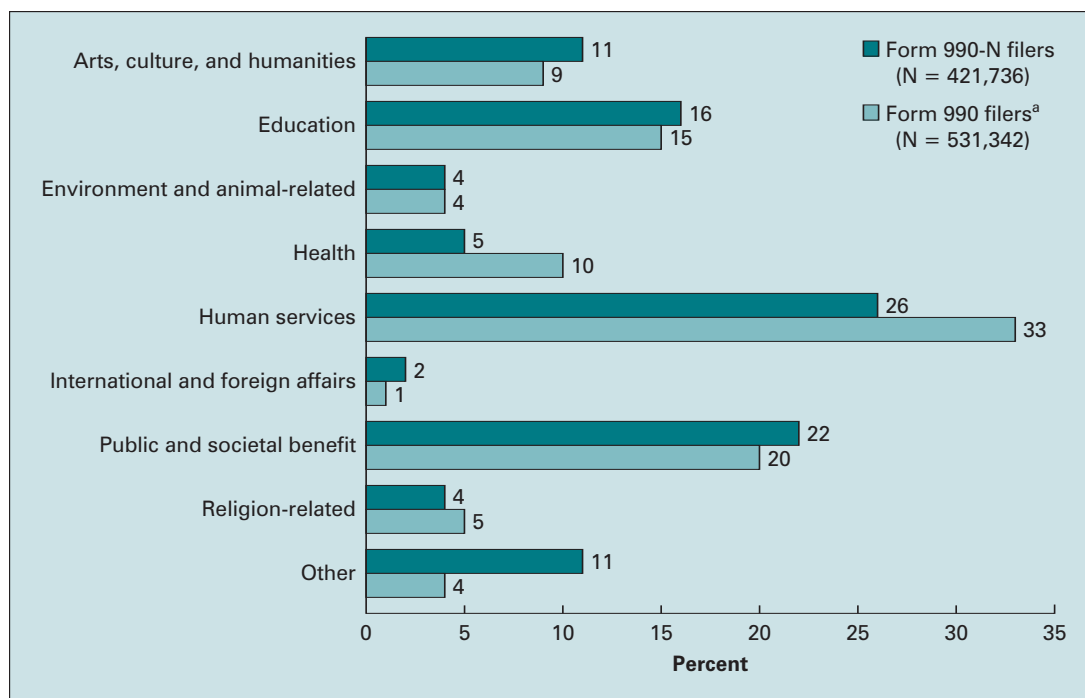
Tax-exempt organization type	Form 990-N filers		Form 990 filers ^a	
	Number	Percent	Number	Percent
501(c)(3) public charities	246,439	58.4	372,294	70.1
501(c) other	175,297	41.6	159,048	29.9
501(c)(4) social welfare organizations	42,372	10.0	31,286	5.9
501(c)(5) labor and agriculture associations	19,766	4.7	22,222	4.2
501(c)(6) business leagues	20,112	4.8	36,850	6.9
501(c)(7) social and recreational clubs	18,720	4.4	20,040	3.8
501(c)(8) fraternal beneficiary societies	31,912	7.6	8,828	1.7
Other exempt organizations	42,415	10.1	39,822	7.5
Total	421,736	100.0	531,342	100.0

Sources: The Urban Institute, National Center for Charitable Statistics, e-Postcard Files (2008–10); Internal Revenue Service, Business Master Files, Exempt Organizations (1989–2010); The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2007–08).

Notes: Includes only 990-N filers that are active and required to file the Form 990-N. The following were excluded: foreign organizations, government associated organizations, and organizations without state identifiers. These figures also exclude private foundations since they are required to file a tax return each year. Subtotals may not sum to totals because of rounding.

a. Form 990 filers include organizations that filed Form 990 or Form 990-EZ within the past 24 months. The figures exclude private foundations since they are required to file each year, regardless of size.

FIGURE 1. Form 990 and Form 990-N Filers by Type of Organization, 2010



Sources: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2008); The Urban Institute, National Center for Charitable Statistics, e-Postcard Files (2008–10); Internal Revenue Service, Business Master Files, Exempt Organizations (1989–2008).

Notes: The following were excluded: foreign organizations, government associated organizations, and organizations without state identifiers. The “other” category includes insurance providers, pension and retirement funds, and cemeteries. Subtotals may not sum to totals because of rounding.

a. Form 990 filers include organizations that filed Form 990 or Form 990-EZ within the past 24 months. The figures exclude private foundations since they are required to file each year, regardless of size.

Although small organizations operate on minimal budgets, earning less than \$25,000 in revenue each year, the ages and types of the smallest nonprofits are remarkably similar to those of larger nonprofits that file a financial return with the IRS each year. As shown in figure 1, the percentage distribution of very small public charities that filed the 990-N closely resembles the distribution of public charities that file Form 990 or Form 990-EZ annually.

There are a few differences, however. Health organizations are twice as likely to be large organizations that file a financial return annually. Human service organizations also tend to be larger.

Age of 990-N Filers

Many small organizations are relatively young. A third of Form 990-N filers registered with the IRS between 2000 and 2008 (table 2). Nearly one in four public charities that files a Form 990 or Form 990-EZ registered with the IRS less than 10 years ago. However, small non-

profits are nearly twice as likely as larger nonprofits to have registered with the IRS prior to 1950. Nearly 16 percent of 990-N filers registered with the IRS prior to 1950, compared with 9 percent of larger organizations. These organizations started small and stayed small. Their longevity may attest to the stability of their missions or their significance to the people and communities they serve. But it may also speak to their resilience and ability to adapt to changing environments over time.

Leadership

Leaders of these small nonprofits are responsible for overseeing the organization, promoting its activities, and engaging the community. Nonprofit leaders know the communities they serve and most volunteer for this unpaid leadership role. Leaders of small nonprofits tend to live or work close to where their nonprofit organization is located. Only 7 percent of organizations have officers located in a different state but

TABLE 2. Number of 990-N Filers by Registration Date, 2010

Registration date	Form 990-N filers		Form 990 filers ^a	
	Number	Percent	Number	Percent
Before 1950	66,895	15.9	48,492	9.1
1950–1959	17,528	4.2	23,667	4.5
1960–1969	42,195	10.0	40,455	7.6
1970–1979	57,281	13.6	61,334	11.5
1980–1989	39,334	9.3	78,256	14.7
1990–1999	57,705	13.7	120,200	22.6
2000–2010	136,021	32.3	151,651	28.5
Unknown	4,777	1.1	7,287	1.4
Total	421,736	100.0	531,342	100.0

Sources: The Urban Institute, National Center for Charitable Statistics, e-Postcard Files (2008–10); Internal Revenue Service, Business Master Files, Exempt Organizations (1989–2010); The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2007–2008).

Notes: Includes only 990-N filers that are active and required to file the Form 990-N. Registration date is based on when the organization received tax-exempt status from the IRS. If a valid date was not known, then the year the organization first appeared in the IRS BMF was used. The following were excluded: foreign organizations, government associated organizations, and organizations without state identifiers. Percentages may not sum to 100 because of rounding.

a. Form 990 filers include organizations that filed Form 990 or Form 990-EZ within the past 24 months. The figures exclude private foundations since they are required to file each year, regardless of size.

42 percent have officers located in a different city.²

Use of Technology

Communicating with members of the organization as well as the community is an important component for all nonprofits. While small nonprofits may rely heavily on flyers, local newspapers, and word-of-mouth to promote their programs, services, and activities, many are using newer forms of communication. About one in four small nonprofits reported having a web site or organizational e-mail address.³

Of these small organizations, environment and animal-related organizations are most likely to have a web site; 42 percent of the environmental organizations reported having a web site. Arts and culture nonprofits (38 percent), health care centers (34 percent), and international and foreign affairs organizations (34 percent) are also likely to have a web site. Web sites and e-mail addresses help many small organizations advertise their events, recruit new members, and reach out to their communities.

Terminations

While Form 990-N asks organizations whether they are still active or have terminated during the year, less than 2 per-

cent of nonprofits reported terminations. The types of organizations reporting terminations include sports and recreation clubs, sororities and fraternities, labor unions, and business leagues. Younger organizations were slightly more likely to terminate, but organizations dissolve at any age. One in three organizations reporting termination registered with the IRS between 2000 and 2008. Many organizations that have not yet filed may have terminated years ago but remained on the IRS listing because they failed to notify the IRS.

Of the more than 714,000 nonprofits organizations that have less than \$25,000 in gross receipts and should be filing Form 990-N, about 60 percent have complied with the new mandate. That means there are still over 292,000 organizations that have not yet filed Form 990-N; 44 percent of which were registered prior to 1980.

Organizations that have not yet filed their Form 990-N are mainly local community organizations such as little leagues, country clubs, county fairs, theatre groups, alumni associations, neighborhood associations, parent teacher groups and veterans' organizations. For more information on the organizations that have not complied with the new requirements and may have their tax-exempt status revoked,

please see the Urban Institute's report "Here Today, Gone Tomorrow: A Look at Organizations that May Have Their Tax-Exempt Status Revoked."

Conclusion

Form 990-N does not require organizations to disclose financial information, so data on the finances and health of small tax-exempt organizations remain unknown. Little is known, as well, about the structure of these organizations. Since these organizations operate on modest budgets, they are unlikely to have paid staff and therefore must rely on volunteers. But how many volunteers are needed to support their programs and keep their services running? How large are their boards? What causes some organizations to grow and others to stay small? These and other questions open the door to further research on small nonprofit organizations.

This portrait is just the first step in the study of small nonprofits. With the advent of Form 990-N, we now can better monitor small nonprofits over their life span. We also will be able to track their growth patterns, obtain data on the number that become 990 filers over time, and identify when small organizations terminate. The 990-N requirement is also identifying organizations that have ceased operating, which will allow for

a more clear and accurate picture of the tax-exempt sector. As data accumulate on these small organizations, we will be able to learn much more about this relatively unknown but vital part of the nonprofit sector.

Notes

1. These figures exclude private foundations since they are required to file a tax return each year, and churches, their integrated auxiliaries, and associations of churches since they are exempt from filing. Foreign organizations, government associated organizations, and organizations without state identifiers were also excluded.
2. These figures only include organizations that provided an address for their officer that was different from their organization. Almost 256,000 organizations provided the same address for the officer and the organization.
3. This figure includes organizations that are local chapters of state, national, or international organizations that provided the parent organization's webpage. The organizations are listed on the parent site.

About the Author

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