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Form 990-N
 Department of the Treasury
 Internal Revenue Service

Electronic Notice (e-Postcard)
 for Tax-Exempt Organizations not Required To File Form 990 or 990-E

OMB No. 1545-2085

2008

Open to Public Inspection

A For the 2008 calendar year, or tax year beginning _____, and ending _____

 B Check if applicable
 Terminated, Out of Business
 Gross receipts are normally \$25,000 or less

C Name of organization:

d/b/a:

 D Employer Identification
 Number

E Website:

REVOKED
Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 990-N is covered in Code section 6104.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times is 15 minutes.

INSIDE THIS ISSUE

- 16 percent of nonprofits nationwide have lost their tax-exempt status.
- Human services organizations account for the largest share of revoked organizations, followed by public and societal benefit organizations and arts organizations.
- The District of Columbia had the largest share of nonprofits lose their tax-exempt status; Iowa had the smallest.

Revoked: A Snapshot of Organizations That Lost Their Tax-Exempt Status

Amy S. Blackwood and Katie L. Roeger

Over 275,000 nonprofit organizations have lost their tax-exempt status for failing to file an information return with the IRS in the last three years. This represents 16 percent of the entire nonprofit sector in the United States. Using the first ever published Nonfiler Automatic Revocation List¹ released by the Internal Revenue Service (IRS) on June 8, 2011, we provide a snapshot of the organizations that have lost their tax-exempt status and examine these organizations by type, age, and location.

The large number of revocations stems from enactment of the Pension Protection Act of 2006, which mandated that nonprofits with less than \$25,000 in annual gross receipts file a new Form 990-N, also known as the e-Postcard. Previously, these smaller organizations had no reporting responsibilities to the IRS; it was unclear how many of them were still operational and how many of them had become defunct. The Pension Protection Act aimed to address this issue by requiring nonprofits to file an information return, whether it be a Form 990-N, 990-EZ, or 990, and calling for immediate and mandatory revocation of tax-exempt status for all nonprofits that failed to file a return for three consecutive years.² Organizations had until October 15, 2010, to file or face revocation.³

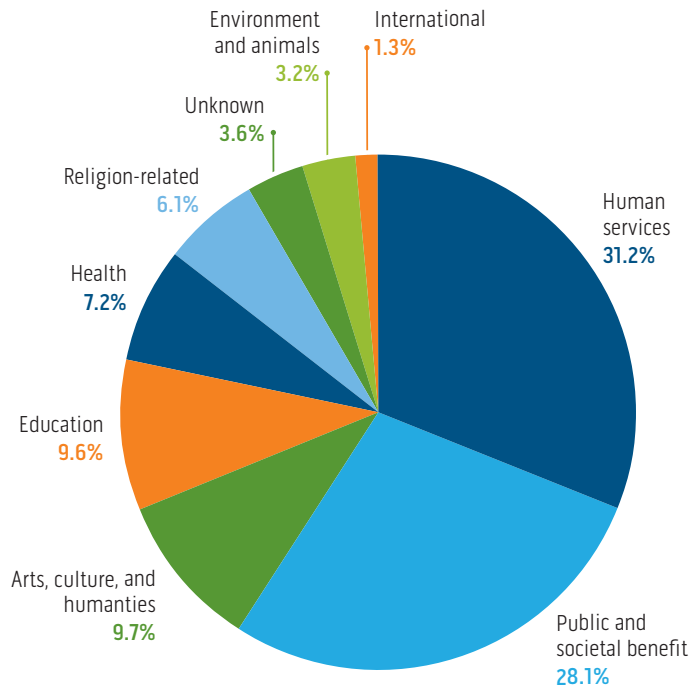
Revocations by Type of Organization

Human services organizations account for the largest percentage of revoked organizations (31 percent) followed by public and societal benefit organizations⁴ (28 percent) and arts organizations (10 percent, as shown in figure 1).

- **Human services organizations:** Recreation and sports clubs, including hobby clubs, country clubs, and amateur sports leagues account for over a third of human service revocations. Traditional human service organizations, offering a range of services including neighborhood community service centers, community services offered in conjunction with a religious organization, and centers that support the independence of those with special needs, account for a quarter of the human services revocations.

The large number of revocations stems from enactment of the Pension Protection Act of 2006, which mandated that nonprofits with less than \$25,000 in annual gross receipts file a new e-Postcard.

Figure 1. Nonprofit Revocations by Type



Sources: The Urban Institute, National Center for Charitable Statistics, Master File (2011); the Internal Revenue Service, Exempt Organization Business Master File (November 2010); and the Internal Revenue Service, Nonfiler Automatic Revocation List (May 2010).

- Public and societal benefit organizations:** Community and neighborhood development organizations like neighborhood coalitions, community action agencies, and neighborhood block associations, along with community improvement and community service clubs like Kiwanis or Jaycees, account for 35 percent of public and societal benefit organizations that were revoked. More than 8,000 military and veterans’ organizations were revoked, including chapters of the American Legion and American Ex-Prisoners of War.

- Arts organizations:** Nearly a third of all arts organizations revocations were performing arts related, with the majority being theatre groups. Cultural and ethnic awareness organizations were also affected: over 4,500

of these organizations (17 percent of affected arts organizations) were revoked. These nonprofits promote artistic expression within a particular ethnic community; preserve traditions, values, and lifestyles of different cultural groups; and educate the public through activities and events.

How do these revocations affect the nonprofit landscape? Looking at the overall effect of these revocations by type of organization, with a few exceptions, each type declined somewhere between 12 and 20 percent (table 1). Human services and arts and culture organizations have the largest declines at 20 percent. Religious organizations have the smallest decline—7 percent. Education organizations also have a smaller than average decline at 12 percent.

Revocations by Age

Over 60 percent of organizations that were created before 1950 had their status revoked, but nonprofits of all ages appeared on the revocation list. In fact, organizations that had registered in the past 20 years accounted for nearly 50 percent of all revocations (table 2).

Revocations by State

These new filing regulations affected nonprofits across the United States. On average, 15 percent of organizations in each state were revoked, but some states had a greater proportion of nonprofits lose their tax-exempt status than others (table 3, page 4). The District of Columbia had the largest proportion of nonprofits lose their tax-exempt status, with 23 percent of nonprofits revoked. Utah had the next-highest percentage at 20 percent. Iowa had the smallest proportion of nonprofits lose their tax-exempt status: 9 percent.

Conclusion

While it may be tempting to attribute the failing of these organizations to the recession, it is more likely that these organizations have been out of operation for many years. In fact, more than a quarter of all organizations whose exempt status was revoked last appeared in the IRS Business Master File before 2007, and only 10 percent of organizations that lost their tax-exempt status filed a financial return (Form 990 or Form 990-EZ) during their lifespan.

Some organizations whose status has been revoked are likely still operating; only time will tell how many. IRS efforts to communicate the new requirements were extraordinary, with multiple mailings to addresses on file, public announcements on TV and the radio, pamphlets in libraries, and many public presentations. This coupled with the fact that the vast majority of these organizations have never filed an information return and many of them have not appeared in the IRS Business Master File for four years lead us to believe that most of

Table 1. Revocations by Type

| TYPE OF ORGANIZATION | Number of revoked organizations | Percent of revoked organizations | All nonprofits | Percent revoked by type |
|-------------------------------|---------------------------------|----------------------------------|------------------|-------------------------|
| Arts, culture, and humanities | 26,991 | 10 | 137,779 | 20 |
| Education | 26,870 | 10 | 225,119 | 12 |
| Environment and animals | 9,079 | 3 | 62,340 | 15 |
| Health | 20,135 | 7 | 111,254 | 18 |
| Human services | 87,167 | 31 | 444,296 | 20 |
| International | 3,617 | 1 | 21,999 | 16 |
| Public and societal benefit | 78,665 | 28 | 483,166 | 16 |
| Religion-related | 16,930 | 6 | 241,360 | 7 |
| Unknown | 10,145 | 4 | 28,777 | 35 |
| Total | 279,599 | 100 | 1,756,090 | 16 |

Sources: The Urban Institute, National Center for Charitable Statistics, Master File (2011); the Internal Revenue Service, Exempt Organization Business Master File (November 2010); and the Internal Revenue Service, Nonfiler Automatic Revocation List (May 2010).

Table 2. Revocations by Founding Year

| FOUNDING YEAR | Number of revoked organizations | Percent of revoked organizations | All nonprofits | Percent revoked by founding year |
|---------------|---------------------------------|----------------------------------|------------------|----------------------------------|
| Before 1950 | 15,088 | 5 | 23,675 | 64 |
| 1950–59 | 6,227 | 2 | 182,135 | 3 |
| 1960–69 | 14,142 | 5 | 75,226 | 19 |
| 1970–79 | 25,967 | 9 | 155,752 | 17 |
| 1980–89 | 61,155 | 22 | 198,468 | 31 |
| 1990–99 | 67,294 | 24 | 239,239 | 28 |
| 2000–07 | 65,975 | 24 | 343,899 | 19 |
| Unknown | 23,751 | 8 | 537,696 | 4 |
| Total | 279,599 | 100 | 1,756,090 | 16 |

Sources: The Urban Institute, National Center for Charitable Statistics, Master File (2011); the Internal Revenue Service, Exempt Organization Business Master File (November 2010); and the Internal Revenue Service, Nonfiler Automatic Revocation List (May 2010).

Table 3. Revocations by State

| STATE | Number of revoked organizations | All nonprofits | Percent revoked |
|--|---------------------------------|------------------|-----------------|
| Alabama | 3,460 | 23,319 | 15 |
| Alaska | 898 | 5,895 | 15 |
| Arizona | 4,025 | 25,901 | 16 |
| Arkansas | 2,557 | 15,898 | 16 |
| California | 33,734 | 184,880 | 18 |
| Colorado | 5,139 | 32,532 | 16 |
| Connecticut | 3,332 | 23,011 | 14 |
| Delaware | 852 | 6,575 | 13 |
| District of Columbia | 3,879 | 17,014 | 23 |
| Florida | 13,903 | 84,282 | 16 |
| Georgia | 7,655 | 43,854 | 17 |
| Hawaii | 1,525 | 8,764 | 17 |
| Idaho | 1,407 | 8,709 | 16 |
| Illinois | 13,218 | 75,195 | 18 |
| Indiana | 6,152 | 40,536 | 15 |
| Iowa | 2,952 | 31,974 | 9 |
| Kansas | 3,003 | 20,282 | 15 |
| Kentucky | 3,180 | 21,314 | 15 |
| Louisiana | 4,222 | 22,471 | 19 |
| Maine | 1,323 | 10,331 | 13 |
| Maryland | 6,196 | 37,034 | 17 |
| Massachusetts | 6,877 | 42,052 | 16 |
| Michigan | 8,932 | 55,473 | 16 |
| Minnesota | 5,130 | 38,191 | 13 |
| Mississippi | 2,233 | 14,639 | 15 |
| Missouri | 6,222 | 40,538 | 15 |
| Montana | 1,241 | 10,927 | 11 |
| Nebraska | 1,672 | 14,445 | 12 |
| Nevada | 1,748 | 11,576 | 15 |
| New Hampshire | 1,175 | 9,019 | 13 |
| New Jersey | 7,877 | 48,463 | 16 |
| New Mexico | 2,201 | 11,916 | 18 |
| New York | 19,408 | 114,488 | 17 |
| North Carolina | 6,363 | 47,938 | 13 |
| North Dakota | 767 | 6,599 | 12 |
| Ohio | 10,645 | 73,386 | 15 |
| Oklahoma | 3,857 | 22,083 | 17 |
| Oregon | 3,733 | 25,377 | 15 |
| Pennsylvania | 10,492 | 74,356 | 14 |
| Rhode Island | 1,031 | 8,875 | 12 |
| South Carolina | 3,047 | 23,969 | 13 |
| South Dakota | 889 | 7,617 | 12 |
| Tennessee | 4,474 | 33,168 | 13 |
| Texas | 21,468 | 117,050 | 18 |
| Utah | 1,990 | 10,196 | 20 |
| Vermont | 913 | 6,777 | 13 |
| Virginia | 6,274 | 45,384 | 14 |
| Washington | 7,189 | 40,932 | 18 |
| West Virginia | 1,989 | 12,417 | 16 |
| Wisconsin | 5,131 | 38,903 | 13 |
| Wyoming | 664 | 5,077 | 13 |
| Outside the United States ^a | 1,355 | 4,488 | 30 |
| Total | 279,599 | 1,756,090 | 16 |

Sources: The Urban Institute, National Center for Charitable Statistics, Master File (2011); the Internal Revenue Service, Exempt Organization Business Master File (Nov. 2010); and the Internal Revenue Service, Nonfiler Automatic Revocation List (May 2010).

a. Foreign charities registered with the IRS.

these organizations are, in fact, defunct and have been for several years.

Losing tax-exempt status can be detrimental for an operating nonprofit. Everyone involved with small nonprofits should go to the Nonfiler Automatic Revocation List published by the IRS at <http://www.irs.gov/charities/article/0,,id=236554,00.html> to make certain that the organization has not lost its status. If an organization's status has been revoked, taxes and donations made to the organization will no longer be tax deductible. Donations made to organizations before revocation remain tax deductible. To have tax-exempt status reinstated, organizations will need to reapply. The IRS announced transition relief for certain small tax-exempt organizations—those with annual gross receipts in 2010 of \$50,000 or less—to regain their tax-exempt status retroactive to the date of revocation and pay a reduced application fee of \$100 rather than the typical \$400 or \$850 fee. Full details are available on the IRS web site, see link above. ■

Notes

1. The Nonfiler Automatic Revocation List will be updated monthly. See <http://www.irs.gov/charities/article/0,,id=236554,00.html> for more information.
2. Organizations included in a group return, churches and their integrated auxiliaries, and conventions or associations of churches are not required to file.
3. The original filing deadline was May 17, 2010. However, given the large number of organizations yet to file by that date, the IRS extended the deadline to October 15, 2010.
4. The public and societal benefit category includes civil rights groups, social action and advocacy organizations, community improvement and capacity-building organizations, philanthropic groups, voluntarism and grantmaking foundations, science and technology organizations, social science organizations, military and veterans' organizations, public utility organizations, consumer protections organizations, pension plans, and cemeteries.

About the Authors

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Center on Nonprofits and Philanthropy

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The Center on Nonprofits and Philanthropy conducts and disseminates research on the role and impact of nonprofit organizations and philanthropy. The Center's mission is to promote understanding of civil society and improve nonprofit sector performance through rigorous research, clear analysis, and informed policy. The National Center for Charitable Statistics (NCCS) is a program of the Center.

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