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**The Public Charity Life Cycle:
A Compliance Overview**

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I. Introduction

Among a nonprofit organization's most valuable assets are its Section 501(c)(3) tax exemption and its classification as a public charity under Section 509. With the privileges of such statuses come some important responsibilities and limitations. These obligations can manifest at various points along the life cycle of a public charity and range from operational to regulatory; they can also range in complexity. This outline provides an overview of several of the most critical and common tax compliance issues from a federal tax-exemption perspective; however, other important compliance considerations are covered in the last section, including obligations that can arise under state law.

II. Annual Tax Filings and Public Disclosures

Among its most regular and important obligations, a public charity must comply with certain tax-related public disclosures requirements. Almost every Section 501(c)(3) organization must annually file some version of the Form 990, and it must make certain documents available to the public.

A. Form 990

1. *General requirement*

Unless subject to an exemption,¹ each 501(c)(3) public charity must file one of the versions of the Form 990 with the IRS on an annual basis. The filing is due on the fifteenth day of the fifth month following the end of the organization's fiscal year (e.g., May 15th for calendar year filers), however the IRS will grant extensions up to an additional six months.² Failure to file a Form 990 for three consecutive years will result in automatic revocation of tax-exempt status.³ In addition, late filing for Forms 990 other than a Form 990-N (see below) can result in financial penalties (up to \$10,000 or \$50,000, depending on the size of the organization); these can be abated if the organization can demonstrate reasonable cause for the delay.

2. *Which Form 990?*

A 501(c)(3) public charity may be eligible to file one of three different versions of the Form 990, ranging from simple to complex. Generally, annual gross receipts determines which form may be filed by an organization; however, organizations classified as supporting organizations (see Section V below) are not eligible to file a 990-N and must file either a Form 990-EZ or Form 990.

¹ Churches and certain religious and governmental organizations are not required to file a Form 990.

² See Form 8868.

³ Organizations can request reinstatement, and there are streamlined procedures for certain eligible organizations. See Rev. Proc. 2014-11, 2014-3 I.R.B. 411.

Gross Receipts	Form to File	Description
Gross receipts normally \leq \$50,000 Note: Organizations eligible to file the Form 990-N may choose to file a full return	990-N	Simple form filed electronically; no financial reporting required.
Gross receipts $<$ \$200,000, and Total assets $<$ \$500,000	990-EZ or 990	Moderately complex document, though materially simpler than the full Form 990.
Gross receipts \geq \$200,000, or Total assets \geq \$500,000	990	Full, complex document that covers financial information, governance practices, transactions with insiders, foreign activities, and other operational aspects.

3. *Form 990 and Governance*

The Form 990 is an important document from a governance and management perspective for a number of reasons. A primary purpose is to provide the IRS with a compliance tool for exempt organization oversight, and in this regard it is important that the form be completed accurately and in full as it may provide the basis for an IRS exam or audit. In addition, the IRS can penalize an organization for filing an incomplete or inaccurate form.

As a public document, the Form 990 also provides an organization the opportunity to tell its story in terms of its purposes, resources, priorities, and support. The IRS makes public disclosure copies available to Guidestar and other searchable internet databases that are easily accessible by the general public, and savvy donors (or their advisors) regularly review them.

The Form 990 can also be a useful internal compliance document as many of the questions are designed to elicit information regarding key compliance issues. Furthermore, the form requires an organization to disclose important information about an organization's governance, some aspects of which are considered best practices. The Form 990 asks whether the organization provided each member of its governing body with a copy of the form prior to filing, and the process used by the organization to approve the document. Accordingly, the form can provide the governing body a tool to reflect on its own practices, as well as on the organization as a whole.

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