Nonprofit Organizations Essentials

Compliance and Operational Considerations for Maintaining Tax-Exempt Status

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- Senior Manager – Exempt Organization Tax Services at EY (Dallas, Texas).
- Serving tax-exempt healthcare organizations, public charities and pension trusts.
- Personal: First time attendee of this conference.

Hamish Nieh – Corporate Law and Tax-Exempt Organizations

- Shareholder at FizerBeck (Houston, Texas).
- Current nonprofit-related practice focus: Formation of 501(c)(3) charitable organizations, federal-level legal compliance, and certain state-level legal compliance.
- Personal: Happy to be back at the essentials/fundamentals conference!

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Overview of Topics & Learning Objectives

- Maintaining tax-exempt status under IRC Section 501(c)(3) and general compliance requirements.
- Basic distinctions of Public Charity vs. Private Foundation ongoing compliance.
- Selected supplemental topics (time permitting).

Disclaimer – This presentation is a general educational overview only, is subject to numerous exceptions, nuances, and comprehensiveness not feasible to fully address herein, and is in no way intended to constitute legal advice.

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501(c)(3) Orgs: Ongoing Compliance Requirements

While federal tax exemption offers significant benefits, §501(c)(3) organizations are subject to ongoing and complex compliance requirements, including:

- Required Annual Federal Filings (Form 990 Series) *IRC § 6033*
- Operational test compliance *IRC § 501(c)(3)*
- Unrelated business taxable income *(UBTI) IRC § 512*
- Political and Lobbying Activity Limitations *IRC § 501(h)*
- Private Inurement & Private Benefit Prohibitions *IRC § 501(c)(3)*
- Excess Compensation & Excise Taxes *IRC § 4960*

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Required Annual Federal Filings (Form 990 Series)

- IRC § 6033 requires the filing of an annual tax return:
  - Standard Form 990: required for larger organizations with gross receipts over $200,000 or assets above $500,000
  - Simplified Form 990-EZ: Designed for mid-sized organizations, offering less detailed reporting while ensuring regulatory compliance.
  - Form 990-N e-postcard: For small organizations with gross receipts under $50,000, allowing minimal electronic filing.
  - Form 990-PF: Annual federal information return filed by private foundations
  - Form 990-T: Unrelated business income tax return if applicable
  - Form 4720: Excise tax return if applicable
- Late or missed filings can lead to penalties and potential revocation of tax-exempt status
  - Automatic revocation if not filed for 3 years IRC § 6033(j)(1)(B)

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Title search: Compliance and Operational Considerations for Maintaining Tax-Exempt Status

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