



SINSHFIMER JUIINKE LEBENS & MCLVOR, LLP
ATTORNEYS AT LAW

CLIENT ALERT

NON-PROFIT TAX NOTIFICATION REQUIREMENTS

On August 17, the President signed the Pension Protection Act of 2006. The new law contains numerous changes to the tax law provisions affecting tax-exempt organizations.

Organizations that need not file annual information returns because their gross receipts are normally below the \$25,000 threshold must annually furnish to the IRS, in electronic form, (1) the legal name of the organization, (2) any name under which the organization operates or does business, (3) the organization's mailing address and any Web site address, (4) the organization's taxpayer identification number, (5) the name and address of a principal officer, and (6) evidence of the organization's continuing basis for its exemption from the return filing requirement. Information on how to comply with these provisions will soon be available on the Internal Revenue Service web site, which can be found at: www.irs.gov.

If an organization fails to provide the new annual notice for three consecutive years, its tax-exempt status will be revoked. This rule is effective for notices with respect to annual periods beginning after 2006.

If an organization fails to meet its filing obligation to the IRS for three consecutive years in situations where the organization is subject to the information return filing requirement in one or more years during a three-year period and also is subject to the new notice requirement for one or more years during the same three-year period, the organization's tax-exempt status will be revoked. This rule is effective for returns and notices with respect to annual periods beginning after 2006. Notice of termination of existence must also be provided.

In addition, Section 501(c)(3) organizations must now disclose unrelated business income tax returns (Forms 990-T) and make them available for public inspection. This provision is effective for returns filed after August 17, 2006.

If you have any questions regarding the above or any of the other IRS non-profit tax notification requirement changes, please do not hesitate to contact June McIvor or Lila Pankey Ray at (805) 541-2800.

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