



What to do if Your Group's Tax-Exempt Status was Revoked

Welcome to the Two-Minute Treasurer's Tip Podcast. I'm Cyndi Meuchel, and today we're talking about ***what to do if your group's tax-exempt status was revoked.***

According to the IRS, if an organization fails to abide by their rules, they may be sanctioned or have their 501(c)3 status revoked. The most common reason that a group's status might be revoked is due to a failure to file its Form 990 for three consecutive years. That's very specific.

If this happens to you, it's important that you do the following. And you want to do it in this order:

- 1) First of all, stop soliciting donations. This is super important and often overlooked. If your status is revoked, donations are no longer tax-deductible to the donor. And if a donor is unaware of this you could be guilty of fraud.
- 2) The next step, and while this might be embarrassing or downright painful, you need to communicate the reality of your situation to those frequent givers, so they're aware of your status and they can make adjustments, if they choose to. Again, you don't want to be fraudulently representing your organization.
- 3) The third step is to apply for reinstatement with the IRS and you would use Form 1023 for this.

Once you've sent that form in, or your application for reinstatement in, you'll simply wait for a response from the IRS to determine your next move. In the meantime, this is super important, DO NOT reincorporate with your state. Your tax-exempt status is separate from your state status. So as long as you've been filing your state corporate annual returns each year, your nonprofit should still legally exist. But it wouldn't hurt to check on that while you're waiting for the IRS's decision.

That's it for today! Thanks for listening, and if you have a question you'd like answered, just email me: info@moneyminder.com.