

IRS Filing Requirement for Local Societies

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The American Rose Society is recognized by the Internal Revenue Service as an educational organization that is exempt from Federal income taxation Revenue Code. Contributions to the ARS are tax deductible under Section 170(c)(2).

A local rose society affiliated with the ARS is also eligible for recognition as a tax-exempt educational organization under a “group exemption” procedure. Under this procedure, the ARS submits copies of the organizational documents of affiliated local societies to the IRS, which rules on their eligibility. Contributions to local rose societies that have been recognized as eligible are also tax deductible.

Tax-exempt organizations with gross receipts normally in excess of \$25,000 are required to file an annual return on either Form 990 or Form 990-EZ. However, small tax-exempt organizations with gross receipts of normally \$25,000 or less have been exempt from any annual filing requirement. Most local rose societies finance their operations through membership dues and small fund-raising activities and few, if any, have receipts that normally exceed \$25,000. As a consequence, few local rose societies have had any obligation to file an annual return with the IRS.

As of 2008, this will change. Beginning in 2008, most small tax-exempt organizations, including local rose societies recognized as tax-exempt, will be required to electronically file Form 990-N, also known as the e-Postcard, with the IRS annually. The e-Postcard will be due every year by the 15th day of the fifth month after the close of the organization’s “tax period.” Most local rose societies do not even have a “tax period” of which they are aware, in which case it is safe to assume that the tax period is the calendar year and ends on Dec. 31. And, since the filing requirement applies to tax periods beginning after Dec. 31, 2006, the first e-Postcard is due by May 15, 2008.

This change comes to us as part of the Pension Protection Act of 2006. And, not only does this new law require action by more than 650,000 small tax-exempt organizations, it comes with a heavy penalty for those that fail to comply. The new law *requires* the IRS to *revoke* the tax-exempt status of any organization that fails to meet its annual filing requirement for three consecutive years. Consequently, **the IRS has announced that small organizations that do not file the e-Postcard for three consecutive years, will have their tax-exempt status revoked as of the filing due date of the third year.**

The IRS commenced mailing “educational letters” in July 2007 to notify small tax-exempt organizations that they may be required to file the e-Postcard. The IRS expects to mail letters over a period of several months, finishing in December of 2007.

The e-Post card will require small organizations to provide a legal name and mailing address, any other names used, a Web address if one exists, the name and address of a principal officer and a statement confirming the organization’s annual gross receipts are

normally \$25,000 or less. It also requires the organization to list its tax-payer identification number.

Officers of local rose societies who would like additional information about this new filing requirement, including notification when the filing system is ready, or information about other new developments, may subscribe to the IRS Exempt Organization's EO Update, a regular e-mail newsletter that highlights new information posted on the charities pages of the IRS website at www.irs.gov. Further details, including frequently asked questions and a copy of the educational letter, are also available in the charities and non-profits section of the IRS website or by calling the IRS 'customer service function' toll-free at 1.877.829.5500.