

IMPORTANT INFORMATION ON STAYING FEDERALLY TAX EXEMPT

Do you want to retain your Little League program's federal tax exempt status? The ease and simplicity of becoming a 501(c)(3) entity under our group exemption number (GEN) 3158 is one of the many benefits of the Little League program. However, certain fiscal responsibilities come with it. It is important that all Little League programs understand and comply with IRS regulations.

Even though the league is under our GEN, it must file its own federal tax return with the IRS. Leagues under our GEN must file by the 15th day of the 5th month after its accounting period ends (i.e. February 15th if using an October 1 – September 30 fiscal year). Please note the IRS can impose a penalty of \$20 a day, up to a maximum of \$10,000 when a return is filed late unless there is a reasonable cause for delay. The league's annual gross receipts would determine which IRS Form 990 would be used. The guidelines are as follows:

- Leagues with gross receipts less than \$50,000 must file an e-Postcard (Form 990-N) to retain tax exempt status. <https://www.irs.gov/charities-non-profits/annual-electronic-filing-requirement-for-small-exempt-organizations-form-990-n-e-postcard>
- For leagues with gross receipts in excess of \$50,000 but less than \$200,000, IRS Form 990-EZ with Schedule A should be filed with the IRS. <http://www.irs.gov/pub/irs-pdf/f990ez.pdf>
- For Little Leagues with gross receipts in excess of \$200,000, Form 990 with Schedule A should be filed. <http://www.irs.gov/pub/irs-pdf/f990.pdf>

Any non-profit organization that does not file the appropriate 990 Form for three consecutive years automatically loses its federal tax exemption resulting in the organization's income becoming taxable and contributors being unable to report their contributions as tax deductions. More information about the automatic IRS revocation/reinstatement issue can be found on their website at <https://www.irs.gov/charities-non-profits/automatic-revocation-of-exemption>. If the league would find itself in this unfortunate situation, it would need to work with the IRS to have its federal Employer Identification Number's (EIN) federal tax exempt status reinstated, retroactively if possible. Once that is accomplished or the league is assigned a new EIN by the IRS, it can elect to go back under our group exemption number by submitting a new Letter of Intent <https://www.littleleague.org/downloads/tax-exemption/> to us along with either a league or IRS letter explaining how the revocation issue was resolved.

Obviously, the best course of action would be to follow IRS regulations to prevent the revocation in the first place. Reinstatement can be costly and time consuming and creates unnecessary negative tax consequences for both the league and its donors. Please be sure to share this important information with incoming league volunteers to protect the future of the tax exempt status for your league.

The IRS automatic revocation checklist is available on their website at <https://apps.irs.gov/app/eos/>.