

# IRS to Speed Up Public Disclosure of Groups That Lost Charity Status

By Doug Donovan

The Internal Revenue Service in March plans to start posting a more up-to-date list of organizations that have had their tax-exempt status automatically revoked for not filing proper paperwork.

In the past, the tax agency has waited for six months after taking action to release the names of nonprofits that no longer hold charity status because they failed to file legally required documents for three consecutive years. But now it will do so a month after a group has lost its exemption.

“Because of this change, the number of organizations added to the list in March 2013 will appear higher than in other months because it includes a catch-up period of about seven months,” the IRS said in announcing the change.

## Aiding Donors

Tax experts say the change is good for potential donors who need to know if a group remains tax-exempt. Donors can't claim a charitable deduction for any gifts made after the date the IRS announces the revocation.

“It is an improvement,” said Eve Borenstein, a Minneapolis lawyer who specializes in tax-exempt law.

She said faster notice helps “prevent donors from appearing to be giving to a group that will later be noted on public records as revoked,” she wrote in an e-mail.

The IRS [first posted the list](#) in 2011 when it revoked the tax-exempt status of 275,000 organizations. Most of those were believed to be defunct, the IRS said at the time. Groups can apply to get their charity status reinstated. The process started after Congress passed legislation in 2006 that gave groups with annual revenue of \$25,000 or less three years of tax-filing deadlines to comply.

## Dealing With Errors

Marcus Owens, a Washington lawyer who formerly headed the Internal Revenue Service's tax-exempt division, said the speedier posting is good for donors and for charities that want to remedy their situation. Groups might not know until the IRS posts the list that they have lost their tax-exempt status.

“The sooner there is an awareness of the revocation, the sooner it can be addressed,” he wrote in an e-mail.