



Washington Building
Barnabas Business Center
4650 N. Port Washington Road
Milwaukee, WI 53212
Telephone: 414-962-5110
Facsimile: 414-962-8725

www.releasealaw.com

www.kmksc.com

Many Non-Profit Sports Organizations in Danger of Losing Tax-Exempt Status

According to the Internal Revenue Service, over 300,000 non-profit organizations in the U.S. have failed to comply with a relatively new law that requires all non-profit organizations to make annual filings with the IRS. Organizations that have failed to comply will automatically lose their tax-exempt status, unless they act by October 15th of this year.

Many of the organizations that are at risk are non-profit sports organizations. This week, the IRS released lists for each state showing all non-compliant organizations, and there are many sports organizations on the lists. For example, a review of the Wisconsin list (identifying roughly 6000 organizations), reveals that there are hundreds of Wisconsin-based sports organizations that have failed to comply. Inclusion on the list indicates that the organization has failed to file the required annual return/notice even once in the last three years.

The good news is that the IRS has announced a one-time deadline extension to October 15, 2010, to enable small non-profit organizations (those organizations with gross receipts of less than \$25,000) to make the filing. For further information from the IRS regarding the extension, go to <http://www.irs.gov/charities/article/0,,id=225705,00.html>. At that webpage, you can find out if your organization is one of the organizations that is at risk for losing its tax exempt status, and also find the information an organization needs to make the necessary online filing.

The loss of tax-exempt status can have significant financial and tax ramifications for an organization, and can have a severe impact on the ability of the organization to raise funds from donors. Loss of tax-exempt status means that the organization must file income tax returns and pay tax, and also—and for many organizations more importantly—it means that donors cannot take tax deductions for contributions. The ability to claim a deduction often plays a significant role in an individual's or corporation's decision to make a charitable donation; without it, many potential donors may decide to find another non-profit organization to which to donate (or decide not give at all). That means for many organizations it is vital to meet the October 15th deadline, and that it is important to have a procedure in place so that in future years the organization meets the normal May 15th deadline for this filing.

If you or your organization have questions regarding this matter, contact us, or consult with a lawyer or qualified tax advisor knowledgeable about these issues.

-- Alexander "Sandie" Pendleton
Email: apendleton@kmksc.com

About Pendleton: Alexander "Sandie" Pendleton is a shareholder with the Milwaukee law firm of Kohner, Mann & Kailas, S.C. and is the leader of the firm's Sports, Fitness and Recreational (S/F/R) Team. Sandie has over twenty years of experience counseling clients involved in sports and recreational activities, including power sports activities, and is a frequent speaker and writer on recreational liability issues. To learn more about Sandie and the KMK S/F/R Team, visit www.releaselaw.com.

About Kohner, Mann & Kailas, S.C.: At Kohner, Mann & Kailas, S.C., we continue to believe the right to the "Pursuit of Happiness" is a right worth preserving. Our S/F/R Team guides and fights for businesses and organizations that provide recreational opportunities and products, so that our clients are not overwhelmed by liability that might otherwise threaten their continued success (or even existence). Preserving the right is often not an easy or simple task, but we know this mission is an important one to our clients, and to the future of a free society. If you would like to explore whether we can help your organization achieve its mission, contact us. Founded in 1937, KMKSC is a business and commercial law firm providing legal expertise across the numerous areas of law encountered by businesses in the normal course of their day-to-day operations and growth. In addition to our S/F/R activity our services range from high-profile appellate representation and international business issues to ensuring that critical everyday needs, such as debt recovery, are fulfilled efficiently and effectively.

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