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Reversing Revocations

What's a nonprofit to do when the government takes adverse actions against it that just seem wrong? Advocate on behalf of its mission, of course. And in this case, the nonprofits were right, the IRS wrong, and justice prevailed. This story of the middle part of the connection between recognition of the problem and the solution is advocacy in action.

In September, a Minnesota nonprofit received a notice from the IRS announcing it had revoked the organization's 501(c)(3) tax-exempt status for failing to file a Form 990 informational tax return for three consecutive years. The nonprofit knew that it had indeed filed its Form 990 and that the revocation was a bureaucratic mistake – one that could prove costly to the nonprofit through lost donations and trust. But what to do about it?

The nonprofit's first, and wise, instinct was to reach out to the **Minnesota Council of Nonprofits** for guidance. The state association of nonprofits surveyed some of its members as well as asked colleagues at other state associations of nonprofits in the National Council of Nonprofits' network to determine whether this was an isolated case or a nationwide problem. State association colleagues tapped into their networks and discovered numerous anecdotes.

- One member of the **Delaware Alliance of Nonprofit Advancement** reported, "Yes, I am working with IRS (on hold for 3 hours total last week) and finally got a young lady who is expediting all of the backup documentation that

I sent 4 weeks ago.”

- The **Center for Non-Profits in New Jersey** ascertained that hundreds of nonprofits in their state had been auto-revoked in early summer, many of which had recorded tax filings from 2017 or 2018, indicating they had properly filed and should not have received the auto-revocation.
- According to research by the **Colorado Nonprofit Association**, about 60 nonprofits in **Colorado** were on the auto-revocation list, yet most were formed in the past three years, too soon to have been tripped up by the failure-to-file rule.

These stories led to deeper analyses of IRS data and the pattern emerged. A 20 percent jump in revocations this year resulted because the IRS issued notices of revocation after the usual filing deadline of May 15 but before the coronavirus extended deadline for filing returns this year – July 15. Nonprofits were revoked before their filings with the IRS were even due!

But how could nonprofits get the IRS to admit and remedy the problem as quickly as possible? This is when it’s good to know who on Capitol Hill has the expertise to cut through the bureaucracy and make things happen. The Minnesota Council of Nonprofits and National Council of Nonprofits reached out to Senator Tina Smith (D-MN) and House contacts to share their findings. Within just a few days, [Members of the Ways and Means Subcommittee on Oversight](#) sent a letter to Treasury Secretary Mnuchin explaining the problem and demanding swift action. The media (see [Forbes](#) , [Nonprofit Quarterly](#)) also picked up the story.

Less than a week later, the [IRS acknowledged its mistake](#), which happened when the filing deadline for Form 990 was extended from May to July, but the software did not keep pace to also adjust the auto-revocation system. The IRS assured the lawmakers it was working to fix the glitch. It claimed it has notified nonprofits that had filed their Form 990s electronically that the revocation notices were in error, but nonprofits that had filed paper returns via mail will have to wait as the IRS continues to process its mail backlog. The IRS acknowledgement included a fax number for affected nonprofits to use and stated that it is “reviewing the cases and corresponding with the organizations that received the premature notice.” The IRS website has a [list of organizations on the auto-revocation list](#) and urges nonprofits on the list to seek reinstatement by [contacting the Exempt Organizations Account Unit](#).

Here, one nonprofit saw something that didn't seem right and said something. It helped that the nonprofit was a member of a state association of nonprofits, which in turned had an engaged network of colleagues throughout the country willing to work together for a solution. It may take a village to raise a child, but nonprofits need an engaged network to provide voice and support.