Going out of business? Merging with Another Organization? Tell the IRS

Many tax-exempt organizations, like businesses everywhere, are going through tough financial times. Some have closed, while others have merged to strengthen their financial standing and stay in business. If your organization proceeds with either choice, you must inform the IRS and ensure you've met the legal requirements for distributing your assets.

What should you do?

Most organizations that merge into another organization or otherwise terminate will notify the IRS of the changes by filing a final Form 990, Form 990-EZ or the e-Postcard (Form 990-N). Which form your organization uses depends on its gross income and assets. Larger organizations file a Form 990, while the smallest organizations file the e-Postcard.

Each form has a specific area to provide the information about termination.

- Form 990 and Form 990-EZ require, in cases of termination (including by merger) or transfer of more than 25 percent of net assets, completion of a Schedule N.
- E-Postcard filers have the simplest process. Organizations with gross receipts of $50,000 or less (tax years beginning in 2010 or later) will fill out and file the e-Postcard electronically. Just check the appropriate box to report a termination.

Private foundations file a Form 990-PF.

Visit Life Cycle of a Private Foundation for more information.

Timing is everything

When your organization terminates or merges, your final 990 filing may have a different due date than the organization's normal annual return. This final form is due no later than the 15th day of the fifth month after the date of the organization's termination or merger. Filing that final Form 990 is an important and necessary step to ensure your organization's transition. It will also help you avoid unnecessary correspondence with the IRS and possible assessment of penalties.

For more information, go to www.irs.gov/charities.

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