

Your Corporation Must File Tax Returns

by Bradley M. Pinsky

You might be thinking, isn't my fire department or ambulance company tax exempt? After all, we are not-for-profit. You might be thinking that your corporation has never filed a tax return before, so why start now.

Let us start by instilling a bit of fear in you. The directors and officers of a corporation that does not file tax returns could be subject to penalties and fines for this failure. In fact, the penalty could be \$5,000.00. The corporation itself could be liable for up to \$10,000, though corporations grossing revenue of over one million dollars could be liable for up to \$50,000.

Almost every tax exempt corporation operating as a fire department or ambulance must file a tax return. The form utilized is number 990. It generally indicates how much money came into the corporation, and how much went out. The federal government wants to ensure that corporations that are raising funds without paying taxes are spending those funds on the corporation's tax exempt purpose (such as fire fighting or providing EMS).

We should take a moment to mention that it is our experience that many leaders in fire departments and ambulance companies believe that the corporation is tax exempt, when in fact, it really is not. Having an employer identification number ("EIN") is not a sign of being tax exempt. In fact, there is no number that indicates tax exempt status with the federal government (However, New York State provides an "EX" number for sales tax exempt entities, but this is no indication of federal tax exempt status).

You can determine if your corporation is tax exempt by checking the IRS website, through a link with our website. Simply go to "Links" and choose the second option, being the IRS website. Enter the city and state, and you will find every corporation recognized as being tax exempt within that city. If your corporation is not recognized as being tax exempt, you best start the process of obtaining tax exempt status! Directors and officers of a corporation might find themselves liable for failing to pay the taxes of the corporation, if any taxes are due. And if your corporation is not recognized as tax exempt, the taxes may have been due for some time.

If you are tax exempt, the form 990 must be filed once per year. It must be filed by the fifteenth day of the fifth month after the annual accounting period ends. This is different for each corporation. If your corporation ends its financial year on December 31, the tax return is due on May 15.