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The IRS May Reject Faulty Paper Filed Exempt Organization Returns

HIGHER EDUCATION, NOT-FOR-PROFIT, TAX
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Electronically submitted tax returns that are incomplete or incorrect are rejected automatically by the IRS. However, faulty paper-filed returns do not get rejected, and instead, the IRS works with the filers to gather any missing information or correct faulty data.

At a recent Tax-Exempt/Government Entities Council program on June 16, Maria Hooke, Director of Exempt Organizations Examinations with the IRS Tax-Exempt and Government Entities Division, said that the IRS is trying to change the process so that improperly submitted paper returns are rejected when filed. If an organization files an incorrect or incomplete return, the return will be sent back to the filer, and the filer will need to submit a new return by the due date to avoid late penalties.

The new rule will likely motivate more organizations to file their returns with the IRS electronically. The change in policy may also cause more organizations that file paper returns to be exposed to late-filing penalties. Electronic filing allows for much faster turnaround time when resubmitting a return with the IRS than sending a paper return in mail.

The IRS hopes the change will take effect January 1, 2018.

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