



# Indiana Department of Revenue

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Income Tax Information Bulletin #17

Subject: Taxation and Filing Requirements of Nonprofit Organizations

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References: IC 6-3-2-2.8, IC 6-3-2-3.1

Replaces Bulletin #17, dated July 2022

Disclaimer: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

## Summary of Changes

Only nonsubstantive, technical changes have made to this bulletin. It has been primarily changed to reflect updated formatting.

## Introduction

All organizations are subject to the adjusted gross income tax unless the income is specifically exempted from taxation under the provisions of the Adjusted Gross Income Tax Act (Indiana Code 6-3-2-2.8 and 6-3-2-3.1). All nonprofit organizations will be subject to tax on income derived from unrelated trade or business as defined in Section 513 of the Internal Revenue Code.

## Recognition of Nonprofit Organizations

An organization will not be considered exempt from tax until it applies to and is approved to file as a nonprofit organization by the Indiana Department of Revenue. The organization must file Form NP-20A (Nonprofit Application for Sales Tax Exemption) within 120 days after the organization's formation. If federal nonprofit status has been granted by the Internal Revenue Service, a copy of the determination letter should accompany the NP-20A. For Indiana adjusted gross income tax purposes, the department will accept the exempt status determination by the Internal Revenue Service.

Unlike the Internal Revenue Service, the department will not approve an application for group exemption for affiliated groups. Each affiliate must apply separately for exemption. International,

national, state, or similar governing bodies may submit one set of Articles of Incorporation, Constitution, Bylaws, and similar information requested by the department on behalf of affiliated groups within the state. However, each affiliate is required to file a separate application and submit a copy of its Constitution, Bylaws, etc., if different from the information submitted by its governing body.

After considering the application and information submitted, the department will notify each organization whether it should file as an exempt organization. If an organization's application to file as a nonprofit organization is denied, it may file a formal protest with the department's legal division. If a protest is filed, an administrative hearing shall be scheduled to allow the organization to present additional evidence relevant to its application. All protests should be directed to:

Indiana Department of Revenue  
Attn: Legal Division  
PO Box 1104  
Indianapolis, Indiana 46206-1104

## Unrelated Business Income

All nonprofit organizations are subject to adjusted gross income tax on their unrelated business income. "Unrelated business income," as defined in IRC Section 513, means income from a trade or business regularly carried on by the organization which is not substantially related to the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption. A trade or business activity is regularly carried on when it manifests a frequency and continuity and is pursued in a manner generally similar to comparable commercial activities of nonexempt organizations. The trade or business is not substantially related to an organization's exempt purpose when it does not contribute importantly to the achievement of that purpose other than by the mere production of income.

An exempt organization receiving unrelated business income will compute its taxable income in the same manner as that of any other taxpayer receiving business income, except that business deductions may be taken only in so far as they are directly related to the production of taxable income. For more information on "unrelated business income" and the computation of unrelated business taxable income, please refer to Internal Revenue Service Publication 598.

For taxable years beginning after December 31, 2017, IRC § 512(a)(6) requires that nonprofits with two or more unrelated trades or businesses compute the income from the trades or businesses separately. If the federal taxable income from a trade or business is less than zero prior to application of the specific \$1,000 exemption for the nonprofit, the income of that trade or business is considered to be zero for that year.

If a nonprofit has two or more lines of business and one or more lines of businesses has positive or zero federal taxable income for a taxable year, Indiana adjusted gross income will be determined by including the modifications applicable to the lines of businesses that positive or zero federal taxable income for a taxable year. In some cases, the Indiana-specific modifications

may generate an Indiana net operating loss. If this occurs, the Indiana net operating loss is not subject to the federal rules related to cross-business application of net operating losses.

If a nonprofit has two or more lines of business and one or more lines of businesses has a federal net operating loss for a taxable year, the loss and any Indiana modifications related to those lines of business will be suspended until the nonprofit is permitted to use the net operating loss to offset income from that trade or business. Further, the portion of the Indiana modifications applicable to that trade or business that were previously suspended shall be recognized in the proportion of federal net operating loss used. For purposes of determining when a net operating loss is considered to be used, Indiana will not permit the carryback of net operating losses otherwise permitted under federal law.

*Example #1:* For 2022, a nonprofit has three trades or businesses, with all income apportioned to Indiana. Business A has \$50,000 federal taxable income and a bonus depreciation modification of -\$60,000 (in other words, a bonus depreciation deduction). Business B has \$200,000 federal taxable income and no modifications. Business C has a \$100,000 federal taxable loss and a bonus depreciation addback of \$40,000.

For Indiana purposes, Business A has an Indiana net operating loss. However, because Business A had federal taxable income required to be added to Business B's federal taxable income, the federal taxable income reported for Indiana purposes is \$250,000, and the bonus depreciation of -\$60,000 attributable to Business A is included in Indiana adjusted gross income. However, Business C's loss of \$100,000 and bonus depreciation addback will be suspended until Business C recognizes a gain for federal purposes

*Example #2:* For 2023, assume the same facts as the preceding example, except that Business C has \$50,000 of federal taxable income and a bonus depreciation modification of -\$10,000. Business C uses \$50,000 of federal net operating loss (or would have used the loss had the loss not been carried back for federal purpose). Business C's 2023 income and modification will be added into those of Businesses A and B. In addition, Business C will report \$50,000 of loss from 2022 and a bonus depreciation addback of \$20,000 ( $\$40,000 \times \$50,000$  federal loss used divided by \$100,000 overall loss for 2022).

## Filing Requirements

In addition to filing a Form NP-20A, the organization must **also** file an annual report with the department. Through calendar year 2022, the NP-20 will be due on or before the fifteenth (15<sup>th</sup>) day of the fifth (5<sup>th</sup>) month following the close of the taxable year. After 2022, a new report will be filed instead, Form NP-20R, the Nonprofit Organization's Report. The due date of the return is based on the last two digits of the organization's federal employer identification number (FEIN). Form NP-20R will be due on:

- May 15, 2024, if the organization does not have a FEIN or the FEIN ends in 00 through 24.
- May 15, 2025, if the organization's FEIN ends in 25 through 49.
- May 15, 2026, if the organization's FEIN ends in 50 through 74.

- May 15, 2027, if the organization’s FEIN ends in 75 through 99.

After the date shown above, the organization must file Form NP-20R by May 15 every fifth year.

**NOTE:** For the 2022 calendar year, neither the NP-20 nor the NP-20R needs to be filed in 2023.

If the organization fails to file the annual report, the department will notify the organization of such failure. If the annual report is not filed within 60 days after receiving such notice, the organization’s exempt status will be canceled. The department may reinstate the organization’s exempt status if the organization shows by petition that the failure was due to excusable neglect.

Extensions of time to file are available and must be filed with the return if it is filed after the due date.

Forms relating to nonprofit organizations and their due dates are as follows:

Form	Description	Filing Dates
IT-6	Indiana Corporation Estimated Quarterly Income Tax Return. Required if the nonprofit organization’s income tax liability in any quarter exceeds \$250.	Due on the 20 <sup>th</sup> day of the 4 <sup>th</sup> , 6 <sup>th</sup> , 9 <sup>th</sup> , and 12 <sup>th</sup> months of the taxable year.
IT-20NP	Nonprofit Organization Unrelated Business Income Tax Return	Due on the 15 <sup>th</sup> day of the 5 <sup>th</sup> month following the close of the tax year (accounting year of the nonprofit organization)
NP-20A	Nonprofit Application for Sales Tax Exemption.	Due within 120 days after the nonprofit organization is formed.
NP-20	Nonprofit Organization’s Annual Report. Required by all nonprofit organizations.	Due on the 15 <sup>th</sup> day of the 5 <sup>th</sup> month following the close of the tax year (accounting year of the nonprofit organization).
NP-20R	Nonprofit Organization’s Report	Due on the 15 <sup>th</sup> day of the 5 <sup>th</sup> month every five years (based on the schedule above).
NFP-1	Nonprofit Tax Registration Certificate.	Issued by the department upon approval of application.

These forms can be filed using the department’s online e-services portal, called the Indiana Taxpayer Information Management Engine (INTIME), by visiting [intime.dor.in.gov](http://intime.dor.in.gov). The department

will allow nonprofit organizations to attach copies of their annual federal reports and returns to the Indiana annual report, Form NP-20 or NP-20R. Form NP-20 or NP-20R will serve as a cover document and must be signed by an authorized person. Completed federal forms 990, 990PF, 4720, and 5500-C can serve as attachments.

## Other Taxes

Registration of a nonprofit organization does not relieve the organization from liability for other taxes or from other reporting requirements.

Special provisions apply to nonprofit organizations with respect to sales tax. Certain purchases made by nonprofit organizations are exempt from sales tax. Sales tax must be collected and remitted to the department on sales made by nonprofit organizations unless certain limitations are met. For further information, please refer to [Sales Tax Information Bulletin #10](#), available online at [in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/](http://in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/).

## Miscellaneous Information

Other tax information bulletins that discuss the application of tax to nonprofit organizations are identified below and available online at [in.gov/dor/legal-resources/tax-library/information-bulletins/](http://in.gov/dor/legal-resources/tax-library/information-bulletins/).

<u>Information Bulletin #</u>	<u>Subject</u>
11 (Income Tax)	Indiana Corporate Estimated Income Tax Payments
7 (Sales Tax)	Application of Sales Tax to Meals and Banquets
11 (Sales Tax)	Application of Sales Tax to Nonprofit Organizations
20 (Sales Tax)	Auctions/Casual Sales Exemption Rules
41 (Sales Tax)	Sales Tax Application to Furnishing of Accommodations

Questions concerning the taxation of nonprofit organizations can be mailed to: Indiana Department of Revenue, Tax Administration Division, Indiana Government Center North, PO Box 7206, Indianapolis, Indiana 46207, using the INTIME customer chat function, or by calling (317) 232-0129. Forms are available on the department's website at [in.gov/dor/tax-forms/](http://in.gov/dor/tax-forms/).

If you have any questions concerning this bulletin, please contact the Tax Policy Division at [taxpolicy@dor.in.gov](mailto:taxpolicy@dor.in.gov).



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