ParentBoosterUSA
We Know Booster Clubs

Changing Your Fiscal Year with the IRS

We are often asked "How do I change my nonprofit organization's fiscal year?" The following is a brief guide to changing your organization's fiscal year, including how to notify the IRS of the change.

What is a fiscal year?

A fiscal year is the twelve-month period on which the organization tracks its income and expenses. Many organizations use a calendar year, January 1 – December 31, as their accounting period. Other organizations base their fiscal year on the budget cycle of another organization. For example, if the organization receives grants from the federal government, it might use the same fiscal year as the federal government, September 1 – August 31. You can find more background about fiscal years in our blog, Changing Your Fiscal Year.

Why do you need to notify the IRS?

Nonprofit, tax-exempt organizations must file an annual tax return, IRS Form 990N, 990EZ, or 990. This tax return must be filed by the 15th day of the 5th month following the end of the organization's fiscal year. For example, if the fiscal year ends December 31, the IRS Form 990 return is due by May 15th of the next year. The IRS uses the fiscal year that it has on record for the organization to determine if the Form 990 return is timely filed. If the IRS has the wrong dates, it may determine that your organization failed to timely file its 990 return and revoke your organization's tax-exempt status.

Search the IRS records for your organization's fiscal year.

If you don't know the fiscal year the IRS has on record for your organization, it can be found by looking your organization up using the IRS Tax-Exempt Organization Search database. Search by your organization's EIN (employer identification number) or name. Then pull up the most recently filed IRS 990-series return and note the fiscal year listed.

When should you change the fiscal year?

They say timing is everything and that is true for fiscal years. A fiscal year is changed at the start of an accounting period. For example, if your organization currently uses a calendar year, January 1 – December 31, and wants to change its fiscal year to September 1 – August 31, the first new fiscal year begins January 1. The first new fiscal year, however, will end on August 31, the ending date of the new accounting period. This results in a short tax year the first year after the change of January 1 – August 31. The next tax year will be a full twelve-month fiscal year period beginning September 1 and ending August 31. Here's another look at this example.

EXAMPLE OF ACCOUNTING PERIODS FOR A FISCAL YEAR CHANGE

CURRENT FISCAL YEAR	YEAR 1 AFTER CHANGE (the "short year")	YEAR 2 AFTER CHANGE
January 1, 2021 - December 31, 2021	January 1, 2022 – August 31, 2022	September 1, 2022 – August 31, 2023

Notify the IRS of a fiscal year change.

There are three ways to notify the IRS that your organization has changed its fiscal year. You may need or want to notify the IRS using more than one of these methods.

1. IRS Form 990-series return

First, notify the IRS of a fiscal year change by writing "**Change in Accounting Period**" in big bold letters on the top of the first IRS Form 990 that you file after the accounting period change. In the prior example, the fiscal year change will be noted on the IRS Form 990 for the short year of January 1, 2022 - August 31, 2022.

2. Written notice

We also recommend that a written notice of the fiscal year change be sent to the IRS. You may use regular mail or fax. Always use a traceable method to send notices to the IRS, or keep evidence that a fax went through successfully.

The notice may state:

Dear IRS Service Agent:

I write with regard to [ORGANIZATION NAME], [ORGANIZATION EIN]. We request that you change our organization's tax year end to [NEW MONTH], effective immediately.

For any questions regarding this tax year change, please contact me at: [PHONE NUMBER].

Thank you for your prompt attention to this matter.

Sincerely,

[YOUR NAME], [BOARD POSITION]
[PHONE NUMBER]
[ORGANIZATION MAILING ADDRESS]

Mail the notice to:

Internal Revenue Service
1973 North Rulon White Boulevard
Attn: EO Entity
MS 6273
Ogden, UT 84201

Or fax the notice to (801) 620-6236.

3. IRS Form 1128, Application to Adopt, Change, or Retain a Tax Year

IRS rules also require nonprofit, tax-exempt organizations to file IRS Form 1128 if the organization is changing its fiscal year for the second time within a ten (10) year period.

4. Call the IRS

Finally, you may call the IRS on 877-829-5500 to confirm that the IRS received and recorded the fiscal year change. The IRS only will speak to an officer or member of the board of directors, or representative authorized by a power of attorney that the IRS has on file.

Need help?

Changing an organization's fiscal year is not an everyday task. In addition, many folks simply don't like to deal with numbers, tax forms, or the IRS. If that's the case, Parent Booster USA is here to help!

About Parent Booster USA

The only organization of its kind in the US, Parent Booster USA is about helping school support organizations (parent teacher organizations, high school booster clubs and other school fundraising groups) handle the state and federal government paperwork required of fundraising groups.

Founded in 2004 by an attorney skilled in nonprofit and tax law, Parent Booster USA has more than 4,000 member organizations in 48 states with a 95% annual renewal rate. We provide peace of mind for parent volunteers, school administrators and school district leadership.

Disclaimer: This guide is for general information and is not intended to provide legal or accounting advice specific to your organization. If you or your organization need legal or accounting advice, please engage a licensed professional by written agreement and have them review your organization's situation in detail.

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