



This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

How Will a Georgia Nonprofit Organization Be Affected if its 501(c)(3) Status is Revoked?¹

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Many nonprofit organizations are concerned that they may face increased federal government scrutiny of their tax-exempt status. There have been a number of recent executive orders and presidential memorandums that could impact how organizations are viewed by federal agencies. These developments may place some nonprofits at greater risk of audits which, in the most severe cases, could jeopardize an organization's 501(c)(3) status. While it is not yet clear whether or how this increased scrutiny will occur, this legal alert explains some of the consequences for an organization whose 501(c)(3) status has been revoked.

1. What is 501(c)(3) status?

It is important to distinguish between an organization's "nonprofit status" and its "501(c)(3) status." Nonprofit status is an incorporation status governed by state law, while "501(c)(3) status" is a designation under the Internal Revenue Code ("IRC") indicating that an organization is exempt from federal income tax.

Organizations with 501(c)(3) status are divided into two categories: public charities and private foundations. Public charities are typically supported by members of the general public or by the government, while private foundations are usually supported by one or a small number of individuals or families. Most organizations must file an application with the Internal Revenue Service ("IRS") to obtain 501(c)(3) status, although there are exceptions for certain types of religious organizations. This article focuses on 501(c)(3) public charities incorporated in Georgia.

2. What are the benefits of being a 501(c)(3) public charity?

A 501(c)(3) public charity does not pay federal corporate income tax on mission-related revenue. Some donors may be able to deduct contributions to the organization from their federal, state, and local income or corporate taxes. It is also easier for private foundations to make grants to public charities than to organizations that don't have that status.

¹ This article is based on the May 12, 2025 article »[How Will a NY Nonprofit Organization Be Affected if its 501\(c\)\(3\) Status Is Revoked?](#)« by the Nonprofit Resiliency Network, co-founded by the Lawyers Alliance for New York and New York Lawyers for the Public Interest.

Dated 3/26/2026

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3. Potential Impacts of Executive Orders on 501(c)(3) Organizations

Although the rules for maintaining 501(c)(3) status have not changed, nor can such status be directly revoked by executive order, recent executive orders and presidential memorandums signal a potential shift toward increased scrutiny of nonprofit organizations, with possible implications to their 501(c)(3) status. This is especially true for organizations involved in advocacy, public policy work, or other educational activities—particularly those working in politically sensitive areas. These actions suggest that the government may take a closer look at how nonprofits operate, how they are funded, and whether their activities align with current federal policies. Future executive orders may also raise questions regarding a nonprofit’s 501(c)(3) status. Nonprofits may need to pay closer attention to their structure, funding sources, and compliance practices to ensure that their activities align with federal and state law.

4. What steps can a nonprofit take if the federal government proposes to revoke its 501(c)(3) status?

Usually, when the IRS wants to revoke an organization’s 501(c)(3) status, it starts by initiating an audit and examining the organization’s documents and activity records.² If the IRS determines that the organization should no longer qualify for tax-exempt status, it will send by USPS mail a Letter 3611 proposing revocation. The organization will have 30 days to file an administrative appeal with the IRS Independent Office of Appeals.³ The organization’s tax-exempt status remains in effect during the audit and the administrative appeals process. If the IRS administrative appeals process ends in agreement with the revocation, the organization has several options for appealing the revocation in federal court. Depending on which option the organization uses, it may be able to retain some benefits of 501(c)(3) status throughout the court proceeding.⁴

There is an exception to the lengthy revocation process under Section 501(p) which immediately suspends an organization’s tax-exempt status if it is designated as a terrorist organization, engaging in terrorist activities, or supporting terrorism.⁵ In light of the recent executive orders,

² I.R.C. § 7428(a)(1)(A).

³ See IRS Pub. 892, <https://www.irs.gov/pub/irs-pdf/p892.pdf>.

⁴ For instance, if the organization seeks a declaratory judgment in the federal Court of Claims, Tax Court or U.S. District Court for the District of Columbia, unless and until that court determines that the organization is not entitled to 501(c)(3) public charity status, charitable donations of less than \$1,000 from individuals or married couples will remain tax deductible, and private foundations can continue treating the organization as a 501(c)(3) public charity. IRC 7428(c); Rev. Proc. 2018-32.

⁵ For a detailed description of suspension under § 501(p), see McCarthy, Suthammanont, & Waalkes, Examining.the.Authority.for.Suspending.Tax_Exempt.Status.under.Section.501(p)?TaxNotes (Dec. 22, 2025), <https://www.taxnotes.com/tax-notes-federal/exempt-organizations/examining-authority-suspending-tax-exempt-status-under-section-501p/2025/12/22/7tdjj>.

there is concern that more organizations could be characterized as supporting terrorist organizations, which may result in loss of tax-exempt status and potential criminal investigation by the Department of Justice.⁶

Another way 501(c)(3) status can be lost is through the automatic revocation process. This revocation is not related to the activities of the organization. Rather, an organization required to file an annual report with the IRS (such as Form 990, 990-EZ or 990-N) will lose its tax-exempt status if it fails to file that report for three years in a row. The IRS will issue Notice CP120A, by USPS mail to an organization's last known address to notify it of its loss of tax-exempt status.⁷ The IRS also provides the [Tax Exempt Organization Search](#) that lists an organization's status online. An organization that has lost its 501(c)(3) status through automatic revocation can apply for reinstatement, which in some instances may be retroactive to the date of revocation, as discussed in the PBPA Podcast episode [What To Do If Your Nonprofit's 501\(c\)\(3\) Status Is Revoked](#). The process for regaining 501(c)(3) status could be affected by changes in administrative policy with respect to certain types of operations and activities.

4. Does an organization simply disappear after its 501(c)(3) status is revoked?

No. Most 501(c)(3) organizations are formed as nonprofit corporations. In Georgia, a nonprofit corporation is formed by filing articles of incorporation with the Georgia Secretary of State (SOS), with a statement that the corporation is organized pursuant to the Georgia Nonprofit Corporation Law.⁸ If the IRS revokes the organization's federal 501(c)(3) status, the organization still exists as a legal entity unless it is dissolved.

A nonprofit corporation can voluntarily dissolve, which involves approval of a plan of dissolution by the incorporators or board of directors followed by filing articles of dissolution with the SOS.⁹ Alternatively, the SOS may initiate an administrative dissolution if the corporation fails to comply with certain state filing or registration requirements.¹⁰

5. What are the tax consequences for a Georgia nonprofit if its 501(c)(3) status is revoked?

A nonprofit that loses its 501(c)(3) federal tax-exempt status must start paying federal income taxes. It may also need to start paying federal unemployment tax (known as "FUTA"). The organization will also need to start filing Form 1120, "U.S. Corporation Income Tax Return," and start paying tax on its net income.

⁶ Id.

⁷ IRM 7.20.4.2(2).

⁸ Ga. Code. § 14-3-202.

⁹ Ga. Code. § 14-3-1401.

¹⁰ Ga. Code. § 14-3-1420

Depending on where the organization is located, it may have to start paying some state and local taxes as well. Here are some considerations for organizations located in Georgia:

- Georgia State Corporate Income Tax: A Georgia organization with 501(c)(3) status is also exempt from Georgia corporate income tax pursuant to Ga. Code § 48-7-25. If the IRS revokes the organization's federal tax-exempt status, the Georgia Department of Revenue may take steps to revoke the organization's Georgia corporate income tax exemption. Revocation of Georgia corporate income tax exemption applies retroactively to the date of the disqualifying event that resulted in the loss of federal tax-exempt status (i.e., when the organization received notice from the IRS of its 501(c)(3) status revocation).¹¹ The organization must immediately notify the Georgia Commissioner of Revenue in writing of the occurrence of the disqualifying event or upon receipt of a notice of intent to terminate its exempt status by the IRS.¹²
- Georgia Property Tax Exemption: Georgia exempts organizations owning certain types of property from payment of property tax on that property if the organization has 501(c)(3) status and uses the property for a qualifying purpose, as further outlined in [this 2014 PBPA article](#). Since Georgia property tax exemptions expressly require an organization to have 501(c)(3) status, revocation of that federal tax-exempt status also results in the loss of the Georgia property tax exemption.
- Georgia Sales Tax Exemption: Georgia provides some exemptions from sales and use tax for purchases of tangible personal property made by qualifying nonprofits. Generally, the nonprofit organization must have 501(c)(3) status or be tax-exempt under the Internal Revenue Code. The purchases must be for the organization's exempt purpose, and the organization must have obtained an exemption determination letter from the Georgia Department of Revenue, as further outlined in [this 2016 PBPA article](#).¹³ Because Georgia sales and use tax exemption expressly requires a nonprofit organization to have 501(c)(3) status or other federal tax-exempt status, revocation of that federal tax-exempt status also results in the loss of the Georgia sales tax exemption.
- Georgia State Unemployment Tax (SUTA): Like other Georgia employers, nonprofit organizations must participate in Georgia unemployment insurance coverage if they meet specific employment criteria (essentially, if it employs four or more individuals in each of 20 different weeks during a calendar year, whether or not such weeks were

¹¹ Ga. Code § 48-7-25(b)(2)(B).

¹² Id.

¹³ Ga. Code § 48-8-3.

consecutive). As described in the 2015 PBPA article [Unemployment Insurance for Nonprofit Organizations](#), nonprofits can participate in coverage by making regular contributions into the Georgia unemployment tax system, or can elect to make payments in lieu of contributions through the “reimbursable” method under which the organization reimburses the state for actual unemployment benefits paid. This method can provide certain organizations with significant cost savings. The Georgia law that governs the “reimbursable” method defines eligible nonprofit organizations as entities holding 501(c)(3) status. Thus, a loss of such status also results in a loss of the ability to elect use of the “reimbursable” method.

7. Can an organization receive grants from private foundations after losing 501(c)(3) status?

The IRC allows private foundations to provide grants directly to organizations without 501(c)(3) status if the foundation exercises a higher level of scrutiny called “expenditure responsibility.” Essentially, the foundation must conduct an extra level of investigation before making the grant, use a grant agreement containing certain requirements (including the requirement that the grant must be used for 501(c)(3)-permissible purposes), and obtain a report from the grantee at the end of the grant period. See IRS guidance [for specific requirements for expenditure responsibility](#).

If the IRS has revoked an organization’s tax-exempt status based on a finding that the organization was engaged in activities inconsistent with 501(c)(3) status, a private foundation will likely have to exercise an even higher level of scrutiny than usual before making an expenditure responsibility grant to that organization. The foundation will have to require the recipient not use the grant for activities to which the IRS objected. Before making the grant, the foundation will have to ensure that the recipient has a governance structure and compliance systems that are adequate to ensure that the grantee will comply with the grant agreement.

8. Can an organization receive government grants after losing 501(c)(3) status?

An organization whose 501(c)(3) status is revoked may be eligible for some government grants and ineligible for others. This will depend on the statutes governing the particular grant programs, administrative agency regulations, and policies or guidelines of the government agency administering the grant program. Many grants from Georgia state agencies require grantees to have 501(c)(3) status.

9. Can an organization whose 501(c)(3) status is revoked get a fiscal sponsor?

An organization may be able to retain some benefits of its former 501(c)(3) status by working with a fiscal sponsor that has 501(c)(3) status. The fiscal sponsor could accept tax deductible contributions, as well as grants from private foundations, government, and other sources, and



use those contributions to carry out the mission and activities of the organization that has lost its tax-exempt status. There are many different ways this could be arranged, because there are many different models of fiscal sponsorship.

However, some fiscal sponsors may worry that they would put their own 501(c)(3) status at risk if they sponsor organizations that have had their 501(c)(3) status revoked. The fiscal sponsor will have to require the revoked organization not to use the grant for the activities to which the IRS objected. Before making the grant, the fiscal sponsor should ensure that the revoked organization has a governance structure and compliance systems that are adequate to ensure compliance with the sponsorship agreement.