

The NEW Form 990

What Tax-Exempt Organizations Need to Know

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The Basics of the New Form 990

The IRS has redesigned the Form 990 and its accompanying instructions for the 2008 tax year (returns filed in 2009). The 2008 Form 990 includes a core form to be completed by all organizations, and schedules to be completed depending on an organization's type and activities.

The Form 990 is an important document for federal and state governments, tax-exempt organizations and the public. Each year, approximately 550,000 organizations file a Form 990 or Form 990-EZ with the IRS.

The IRS uses the Form 990 as the primary tax compliance tool for tax-exempt organizations. Most states rely on the form for charitable and other regulatory oversight, and to satisfy state income tax filing requirements for organizations claiming exemption from state income tax.

The Form 990 is a public document that is made available by filing organizations, the IRS, and others. The public, state regulators, media, researchers, and policymakers rely on the 990 to obtain information about the tax-exempt sector and individual organizations, helping to ensure transparency.

New Filing Requirements for 2008 Tax Year

To provide many smaller organizations additional time to adapt to the new form, the IRS is phasing in, over a three-year period, the requirement to file the new form. For the 2008 tax year:

- Organizations must file the new 990 for the 2008 tax year if they have either gross receipts of \$1 million or more, or total assets of \$2.5 million or more
- Organizations can choose Form 990 or 990-EZ if they have gross receipts greater than \$25,000 and less than \$1 million and assets less than \$2.5 million
- Very small tax-exempt organizations—those with gross receipts of \$25,000 or less—should submit a new electronic form called the 990-N, or e-Postcard.

For more information about the 990, 990-EZ and 990-N, visit www.irs.gov/charities.

Reasons for Redesign

The Form 990 had not been significantly revised since 1979. The old form failed to reflect the changes in tax law and the increasing size, diversity and complexity of the exempt sector. Further, it no longer adequately served the Service's tax compliance mission or met the transparency and accountability needs of the states, public, and communities these organizations served.

To fix these shortcomings, the IRS extensively revised the format and content of the form based on three guiding principles: enhancing transparency, promoting tax compliance, and minimizing burden on the filing organization.

Allowing Organizations to Tell Their Story

The IRS asked the tax-exempt community for input to ensure that the new Form 990 reflects the diversity and complexity of their operations today. Tax-exempt organizations consistently answered that they wanted to "tell their story" up front and throughout the form. The 2008 Form 990 adopts these recommendations. A new summary

page provides a snapshot of financial, governance, and operational information. There are also numerous opportunities provided throughout the form and schedules for organizations to provide narrative information, and Schedule O, Supplemental Information to Form 990, was added to allow organizations to supplement responses provided elsewhere on the form.

New Governance Section

The new form includes a section on governance, which consists of three parts – composition of the organization's governing body, its governance and management policies, and its disclosure practices. This section helps to determine whether the organizations have policies in place that will help them stay compliant with the law. An organization should consider its own facts and circumstances, including its size, type and culture, when considering whether to adopt or revise its policies and practices.



Revised Reporting of Compensation And Insider Transactions

The 2008 form significantly revises the reporting of executive compensation and transactions with interested persons. All organizations still must list their officers, directors, trustees, and key employees, regardless of whether they were compensated, and report compensation paid by the organization and related organizations to such persons. But the 2008 instructions provide new definitions of these terms, so reporting of particular persons may differ from 2007 and earlier years. In addition, the 2008 form extends the reporting of compensation paid to the organization's five highest compensated individuals, and five highest paid independent contractors, beyond charities (as was previously the case) to all filing organizations. The reporting threshold for the top five highest compensated employees and highest paid independent contractors was raised from \$50,000 to \$100,000.

The new form revises reporting of excess benefit transactions, loans, grants and other financial assistance, and business transactions involving interested persons. These must be listed in new Schedule L, Transactions with Interested Persons.

More Schedules, Fewer Attachments

The Form 990 has 16 schedules. An organization completes only the schedules that apply to it. Many of these schedules replace "unstructured attachments," which were required by the old form. Some of these schedules replace parts of the 2007 Schedule A, Organization Exempt Under Section 501(c)(3), which has been streamlined to focus exclusively on an organization's public charity status and public support. Organizations that previously filed Schedule A should review the filing requirements for new Schedules A, C, E, and R, to determine whether they must complete any of these schedules.

Other new schedules include:

- Schedule C, Political Campaign and Lobbying Activities
- Schedule F, Statement of Activities Outside the United States
- Schedule H, Hospitals
- Schedule K, Supplemental Information on Tax-Exempt Bonds
- Schedule M, Noncash Contributions
- Schedule R, Related Organizations and Unrelated Partnerships

Minimize Reporting Burden

The redesigned Form 990 has eliminated or revised reporting of many items to reduce reporting burden for many organizations, through use of reporting thresholds and exceptions. This includes reporting by type rather than by transaction in some cases, and the elimination of attachments or schedules in others. The various tools contained in the new instructions, such as the glossary and sequencing list, also should help minimize reporting burden associated with the new form.

Transition Relief for Schedules for Hospitals and Tax Exempt Bonds

The Schedule H, Hospitals, and Schedule K, Supplemental Information on Tax-Exempt Bonds, are significantly more detailed. Organizations required to complete either of these schedules for 2008 are only required to complete one part for each schedule: Part V, Facility Information, for Schedule H, and Part I, Bond Issues, for Schedule K. Completing the other parts of these schedules are optional for 2008 but are required beginning with the 2009 tax year.

Next Steps

Organizations that must file the 2008 Form 990 should begin reviewing the new form and instructions and prepare for the 2009 filing season by taking the following steps:

- Determining whether the organization may file Form 990-EZ for 2008
- Identifying the organization's related organizations required to be listed on Schedule R
- Identifying the organization's officers, directors, trustees, and potential key employees and top 5 highest compensated employees
- Reviewing the new governance questions, which generally must be answered based on policies and practices in place on or before the last day of the 2008 tax year
- Identifying the schedules the organization will likely be required to complete

Where to Go for Help

Please visit the IRS Web site at www.irs.gov/charities for the new Form 990 and instructions, as well as other helpful materials at www.stayexempt.org.