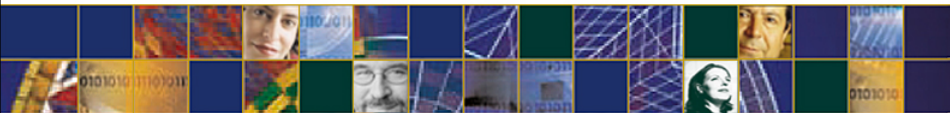



The Revised Form 990


An Introduction Workshop


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Overview

Steven Miller, Commissioner of the IRS' Tax Exempt and Government Entities Division – “we needed a Form 990 that reflects the way this growing sector operates in the 21st century”








Overview

The redesign of Form 990 is based on three guiding principles:


1. Enhancing transparency to provide the IRS and the public with a realistic picture of the organization
2. Promoting compliance by accurately reflecting the organization's operations so the IRS may efficiently assess the risk of noncompliance
3. Minimizing the burden on filing organizations




Overview



- Form 990 Discussion Draft – released on June 14, 2007 for public comment (90 day period)
- IRS received approximately 700 emails with over 3,000 pages of written comments
- Final Forms were released in December, 2007 and draft instructions were released April 7, 2008
- Final Instructions for the forms were released August 19, 2008
- The new Form 990 is effective for full and first years beginning on or after Jan. 1, 2008 (returns filed in 2009)


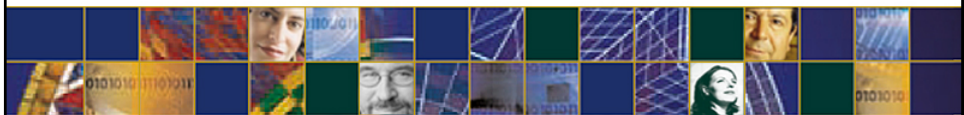




Phase-in period



- An organization can choose to file Form 990-EZ if it satisfies both the gross receipts and total assets tests listed below
- Form 990-EZ has been modified and some of the new schedules implemented in Form 990 will be adopted to the Form 990-EZ to replace certain current attachments


Tax Year	Gross Receipts	Total Assets
2008	> \$25k and < \$1 million	less than \$2.5 million
2009	> \$25k and < \$500k	less than \$1.25 million
2010	> \$50k and < \$200k	less than \$500k

Form 990-N

- Beginning for years ended on or after 12/31/2007, small (gross receipts < \$25,000) tax exempt organizations not required to file Form 990 or 990-EZ must file Form 990-N (the e-Postcard)
- Threshold will increase to \$50,000 in 2010
- Tax-exempt status will be revoked as of the filing date of the third year if the filing requirement is not met for 3 consecutive years








Form 990-N

Exceptions:



1. organizations included in a group return
2. private foundations required to file Form 990-PF
3. section 509(a)(3) supporting organizations required to file Form 990 or 990-EZ
4. churches, their integrated auxiliaries and conventions or associations of churches




How to File The 990-N

Report Organization's:



1. legal name,
2. other names used,
3. mailing address,
4. website (if applicable),
5. employer identification number,
6. name and address of principal officer,
7. annual tax period,
8. statement that still a "small" organization,
9. statement of termination (if applicable).





Sample 990-N


Tax Period: 2007 (05/01/2007 - 04/30/2008)	Organization has terminated: No
Employer Identification Number (EIN): 33-0882209	Gross receipts are normally \$25,000 or less: Yes
Legal Name and Mailing Address: ACCOUNTING SOCIETY UNIVERSITY OF SAN DIEGO School of Business Administration 5998 Alcalá Park San Diego, CA 921102492 United States	Website URL: Principal Officer's Name and Address: Mark Judd University of San Diego School Business Administration 5998 Alcalá Park San Diego, CA 921102492 United States
Other names the organization conducts business under (Doing Business As):	



How to File The 990-N

To file go to: <http://epostcard.form990.org>
(a free website hosted by the Urban Institute)

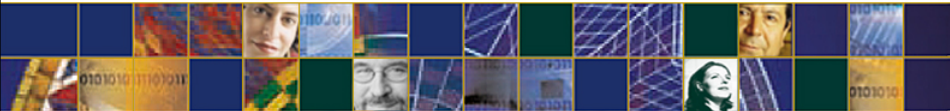
To search organizations who have filed 990-N's go to:
<http://www.irs.gov/app/ePostcard/>






DON'T THROW AWAY YOUR **TAX-EXEMPT** STATUS


Small tax-exempt organizations have a new filing requirement. For details go to www.irs.gov/eo



Form 990-EZ


- Currently, essentially unchanged from the 2007 version.
- In addition to the 4-page core form, organizations filing form 990-EZ must also file schedules A, B, C, E, G, L and N, if applicable.
- Questions have been added to help identify which schedules are required.






Form 990


The revised 990 has expanded from 9 to 11 pages in the core form and from 2 to 16 supplemental schedules.

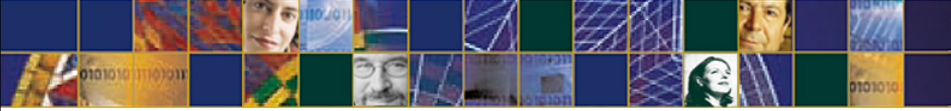


Only file those supplemental schedules that apply to your organization.



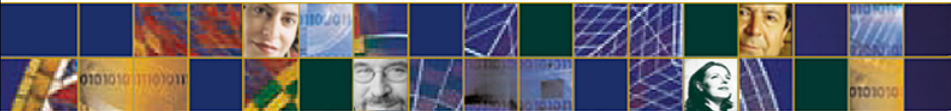

Redesigned Form 990 - Organization	
Forms	
Core 990	Parts I and II - Summary and Signature Block Part III - Statement of Program Service Accomplishments Part IV - Checklist of Required Schedules Part V - Statements Regarding Other IRS Filings and Tax Compliance Part VI - Governance, Management and Financial Reporting Part VII - Compensation of Officers, Directors, Trustees, Key Employees and Other Highest Compensated Employees or Independent Contractors Parts VIII-XI - Statements of Revenues and Expenses, Balance Sheet
Schedule A	Public Charity Status and Public Support - 990 EZ
Schedule B	Schedule of Contributors - 990 EZ
Schedule C	Political Campaign and Lobbying Activities - 990 EZ
Schedule D	Supplemental Financial Statements
Schedule E	Schools - 990 EZ
Schedule F	Statement of Activities Outside the United States
Schedule G	Supplemental Information Regarding Fundraising or Gaming Activities - 990 EZ
Schedule H	Hospitals
Schedule I	Supplemental Information on Grants and Other Assistance to Organizations, Governments, and Individuals in the United States
Schedule J	Compensation Information
Schedule K	Supplemental Information on Tax Exempt Bonds
Schedule L	Transactions with Interested Persons
Schedule M	Non-Cash Contributions
Schedule N	Liquidation, Termination, Dissolution, or Significant Disposition of Assets - 990 EZ
Schedule O	Supplemental Information to Form 990
Schedule R	Related Organizations and Unrelated Partnerships






Form 990 – Core (cont.)

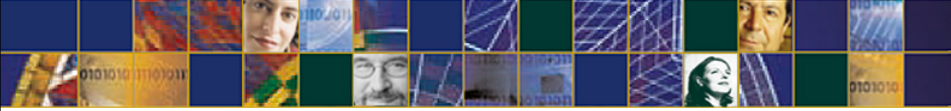
- Highlights – Top of page 1
 - 1) d/b/a in box C
 - 2) Name and address of principal officer
 - 3) Year of formation
 - 4) State of Legal Domicile



Form 990 – Core (Part I and II)

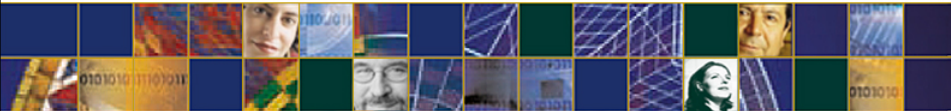

- Part I Summary - this is completely new!
- The final version was streamlined from the draft
- Comparative amounts reported
- Questions to note:
 - 1) #6 – total number of volunteers (this number can be estimated)
 - 2) #7 – unrelated business revenue
- Part II – the signature block was moved from the last page of the form to Page 1







Form 990 – Core (Part III)


- Statement of Program Service Accomplishments – new format
- This was moved from the last page in the draft
- Items to note:
 - 1) Questions #2 and #3
 - 2) Code: Final decision on how to use has not been made (not required for 2008)
 - 3) Schedule O – this will be used for the reporting/providing of additional information



Form 990 – Core (Part IV)

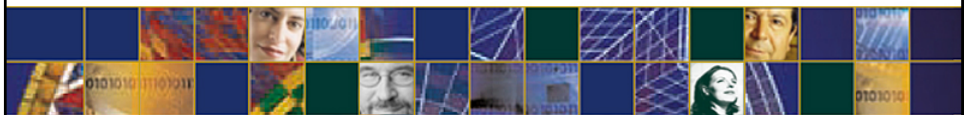

- Checklist of Required Schedules (new)
- Provides a comprehensive list of triggers to the Form 990 schedules making it easier for an organization to determine which schedules must be completed





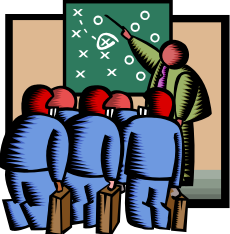
Form 990 – Core (Part V)

- Statements Regarding Other IRS Filings and Tax Compliance
- Purpose: alert tax-exempt organizations to other potential filing requirements and compliance issues
- The form is organized by listing questions applicable to all filers first then by questions applicable to specific types of filers




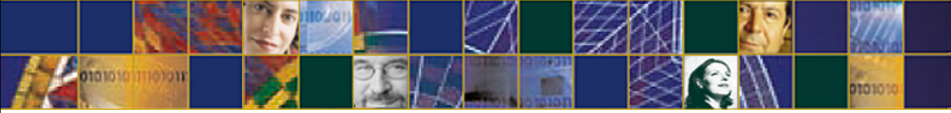
Form 990 – Core (Part VI)

- Governance, Management and Disclosure
- IRS thought process: an independent BOD increases the chance an organization is in compliance with applicable federal tax laws



- Schedule O can be used to provide explanations or additional information to answers of the various questions

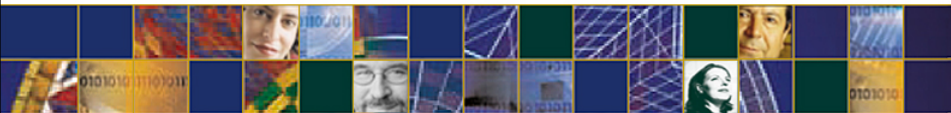





Form 990 – Core (Part VI)

The Header of Part VI says:


“Sections A, B, and C request information about policies not required by the Internal Revenue Code.”




Form 990 – Core (Part VI)

The Instructions for Part VI say:

“Even though governance, management, and disclosure policies and procedures generally are not required under the Internal Revenue Code, the IRS considers such policies and procedures generally to improve tax compliance. The absence of appropriate policies and procedures may lead to opportunities for **excess benefit transactions**, inurement, operation for non-exempt purposes, or other activities inconsistent with exempt status.”







Form 990 – Core (Part VI)



The Instructions for Part VI also say:


“Whether a particular policy, procedure, or practice should be adopted by an organization may depend upon the organization’s size, type, and culture. Accordingly, it is important that each organization consider the governance policies and practices that are most appropriate for that organization in assuring sound operations and compliance with the tax law.”



Form 990 – Core (Part VI)



Do not expect grantors, newspaper reporters, etc. to read the Header or the Instructions!





Form 990 – Core (Part VII)


- Compensation – formerly reported in Part V-A and B and Schedule A
- Rationale: tax compliance and transparency
- Private benefit and inurement – excess benefit transactions
- Compensation **MUST** be reported for ALL officers, directors, trustees and key employees regardless of the amount




Form 990 – Core (Part VII)

We now have new definitions:

- Generally a **key employee** makes in excess of \$150,000 in reportable compensation and has responsibilities over the organization as a whole or manages a discrete segment of the organization that represents 10% or more of the activities, assets, income or expenses.
- **Reportable Compensation** is the compensation reported in box 5 of the W-2 or box 7 of the 1099 filed for the calendar year ending in or with the period covered by the 990 return.







Form 990 – Core (Part VII)


We now have new definitions:


- The term “**Officer**” includes those designated as such by the organization’s documents (president, treasurer, etc.) as well as the organization’s top management official (i.e. CEO or Exec. Dir.) and top financial official (i.e. CFO or controller).
- A **former** officer, director, key employee, etc. is anyone who has held that position within the last 5 years.
- Threshold for reporting **Highest Compensated Employees** or **Highest Compensated Independent Contractors** increased from \$50,000 to \$100,000.



Form 990 – Core (Part VII)

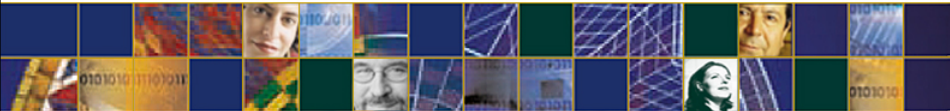

- Schedule J may be required if “yes” was answered for either
 - Line 3, compensation in excess of \$10,000 paid to a former officer, director, trustee, key employee, or highest compensated employee.
 - Line 4, compensation to any person listed in Section A over \$150,000.
 - or Line 5 any person listed in Section A who received any compensation from an unrelated organizations for services rendered to the reporting organization.
- Schedule J-2 is a continuation sheet for Part VII, Section A, Line 1a






Form 990 – Core (Part VIII)


- Revenue – combines Part I and Part VII (Analysis of Income Producing Activities) from the current form
- No predetermined descriptions for program service revenue
- Fundraising activities are reported separately



Form 990 – Core (Part IX)



- Functional expenses – Moved from Part II (current form)
- Detail required for 501(c)(3) and 501(c)(4) organizations
- Items to Note: Line 11 – fees for services to non-employees, Line 12, Line 14, Line 18, Line 21, Line 23 and Line 24








Form 990 – Core (Part X)


- Balance Sheet – moved from Part IV
- Items to note:
 - 1) Lines 5 and 6 and Line 22 trigger Schedule L
 - 2) Line 14 - Intangible assets (new)
 - 3) Line 15 – Other assets and Line 21 – Escrow account liability are reported on Schedule D

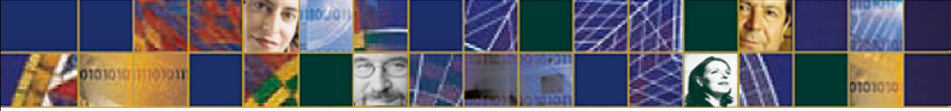


Form 990 – Core (Part XI)

- Financial Statements and Reporting – this is a new section
- Line 2 – report the level of assurance for the organization’s financial statements and if there is an audit committee
- Line 3 – Single audit requirement

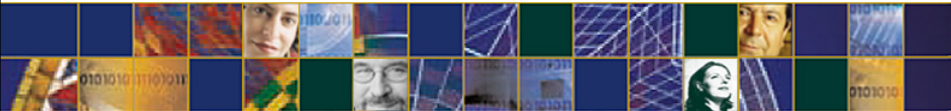

  





Schedule A


- Public Charity Status and Public Support – required for all 501(c)(3)'s including Form 990-EZ filers
- Certain information previously reported on Sch. A was moved to either the core Form 990 or a new schedule (i.e. compensation is on Part VII of the Core 990 and on Schedule J)

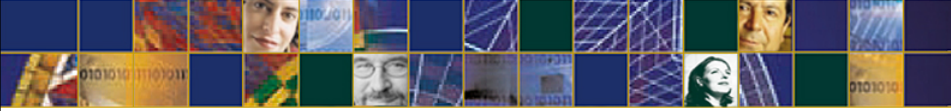


Schedule A

Public Support calculations have changed

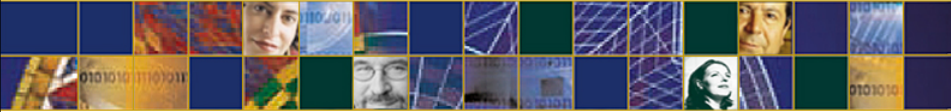

- Added the current year
- Must be calculated on the same method of accounting used for the rest of the 990.
- Prior year's information will need to be recalculated the first time for accrual filers who followed the rules and did the calculation on the cash method.
- Now makes it clear if the organization passes the mathematical tests – ***or not!***






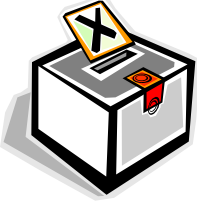
Schedule B

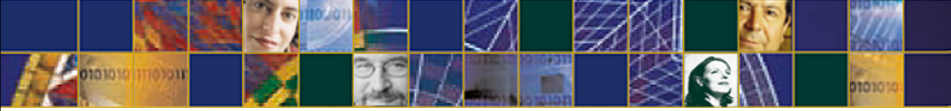
- Schedule of Contributors – all organizations must file unless an exception is met
- The thresholds have not changed – The general rule is \$5,000 or more in cash/noncash contributions from one donor
- Noncash contributions are also reported on Schedule M



Schedule C

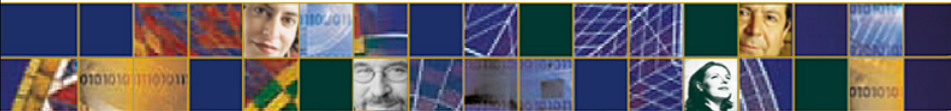

- Political Campaign and Lobbying Activities
- Current Form 990 – Part VI, other information (Line 85a and Line 89a)
- Required if organization answers “yes” to any of the following questions
 - 1) Form 990, Part IV, Line 3
 - 2) Form 990, Part IV, Line 4
 - 3) Form 990, Part IV, Line 5






Schedule D

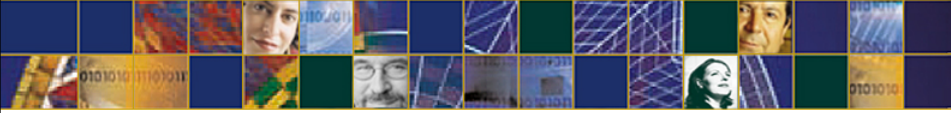
- Supplemental Financial Information
- Required if organization answers “yes” to Form 990, Part IV, Lines 6-12
- Part III - Collections
- Part VI thru Part X, details of assets and liabilities, stem from Form 990, Part X (balance sheet)



Schedule D (cont)

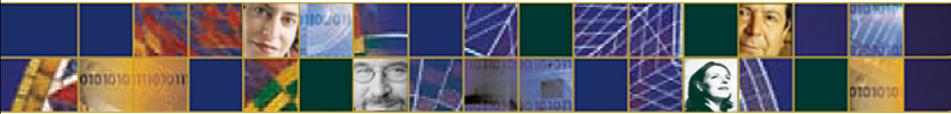

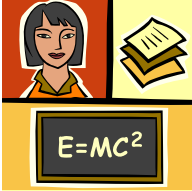
- Part XI thru Part XIII are required if a “yes” answer was given on Form 990, Part IV, Line 12
- Part XII and Part XIII were part of the old Form 990
- The text of the footnote from the organization’s financial statements regarding its FIN 48 tax liability must be reported in the supplemental information







Schedule E

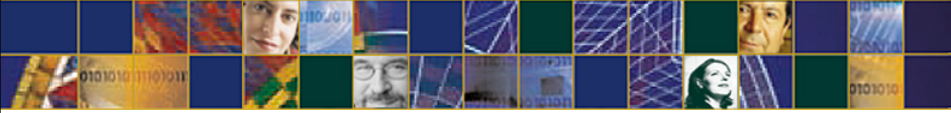
- Schools
- This information was previously reported on Form 990, Schedule A



Schedule F

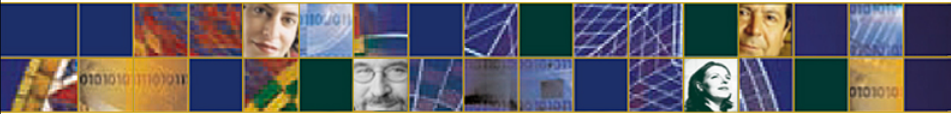


- Activities outside the U.S.
- Required if the organization had revenues or expenses from these activities > \$10,000
- Complete Part II if assistance was given to any one organization > \$5,000
- Complete Part III if the aggregate amount of all assistance to individuals was > \$5,000






Schedule G

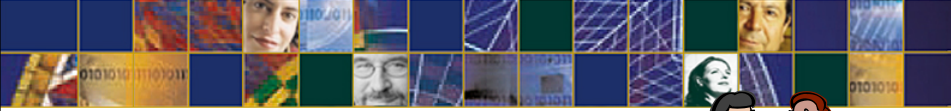
- Fundraising and Gaming Activities
- This schedule may require additional accounting by an organization
- Generally, this form must be completed if fundraising income was >\$15,000
- Disclosure of fundraisers paid > \$5,000
- Event and gaming activities are itemized separately




Schedule H

- Hospitals
- Rationale – increasing complexities within the NFP hospital sector and need to distinguish from for-profit hospitals
- A facility licensed or certified by the state as a hospital.
- Only Part V will be required for 2008 – all other parts will be optional

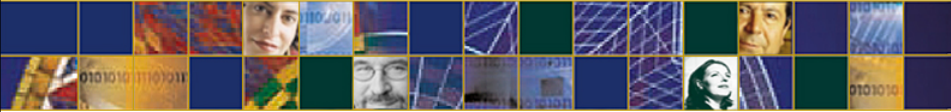





Schedule I




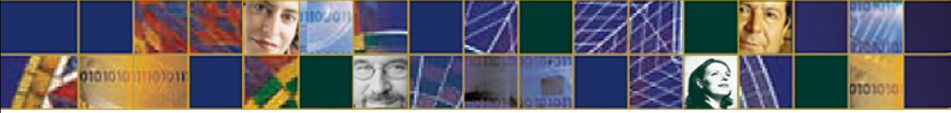
- Grants
- Similar to Schedule F, but for assistance provided to organizations within the U.S.
- Required if the organization reported > \$5,000 on Form 990, Part IX Line 1 or Line 2
- Complete Part II if assistance given to any one recipient (govt. or organization) was > \$5,000
- Complete Part III if the aggregate amount of all assistance to individuals was > \$5,000



Schedule J

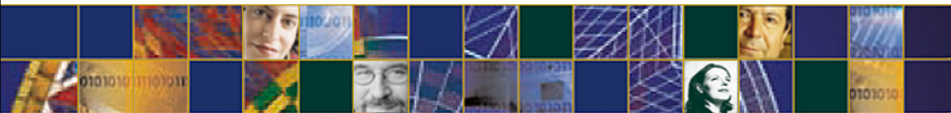

- Compensation
- Note the inclusion of former officers, directors and key employees and the disclosure of other compensation, such as compensation paid by unrelated organizations
- Items to note:
 - 1) All Lines in Part I
 - 2) Part II – columns (c) and (d)







Schedule K


- Tax Exempt Bonds
- The current form requires a schedule to be attached, if applicable
- Required if:
 - 1) the outstanding principal amount at year-end is >\$100,000
 - 2) the debt was issued after 12/31/02
- Only completion of Part I is required for 2008



Schedule L






- Transactions with Interested Persons
- Purpose: increase transparency relating to transactions between the organization and insiders
- The completion of this schedule is required if “yes” is answered on Form 990, Part IV Lines 25 through 28






Schedule M


- Non-cash Contributions
- Rationale: the current form gathers minimal information in this area (Schedule B)
- Required if the organization:
 - 1) received non-cash contributions > \$25,000
 - 2) received contributions of art or other collection items regardless of value



Schedule N

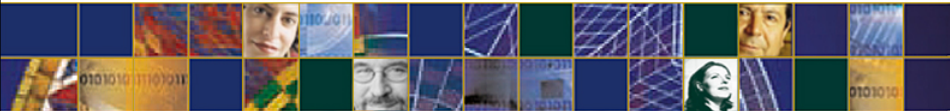

- Liquidation, Termination, Dissolution or Significant Disposition of Assets
- Rationale: allow the IRS to assess compliance with tax laws and ensure assets are used for tax-exempt purpose following the termination
- Current Form 990 requires the attachment of a schedule if applicable






Schedule O

- Supplemental Information
- Rationale: e-filing limits the ability of an organization to attach PDF documents
- Provides one location in the return for additional information



Schedule R

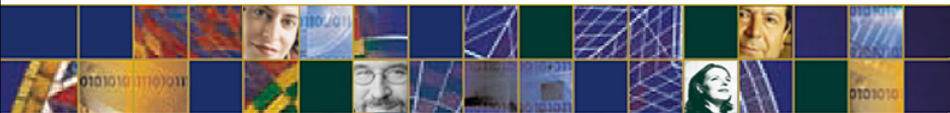
- Related Organizations
- Rationale: capture additional information and improve transparency - i.e. compliance with exempt purpose and private benefit as well as private inurement and excess benefit issues for 501(c)(3)'s
- Part V is required in the current version of Form 990 for all 501(c)(3)'s in Schedule A






Recommendations to organizations


1. Form a panel with appropriate members of management (CFO, Development officer, HR) and the Board (Treasurer, Executive and/or Compliance Committee Chair) to review the new 990 in detail.



Recommendations to organizations

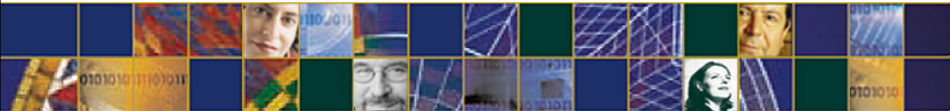

2. Solicit assistance as needed from CPA and/or legal counsel.
3. Identify areas and questions that the organization should focus on (i.e. What new policies should be adopted? Is the organization in compliance with applicable laws? Do we have the necessary information?)






Recommendations to organizations

4. Identify and prioritize action steps
5. Allocate resources (human and financial) to implement action steps.
6. Implement the necessary changes



Additional Information

- <http://www.irs.gov/charities/index.html> (general)
- <http://www.irs.gov/charities/article/0,,id=185561,00.html> (forms and instructions)
- <http://www.arizonanonprofits.org>
- <http://www.cbiz.com/nfp/>
- Brenda Blunt 602-264-6835



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Questions?

