

The Redesigned Form 990

Reason for Redesign



Since the Form 990's last redesign in 1979, the tax-exempt sector has undergone tremendous growth and experienced significant change in virtually all aspects of operations.

The current Form 990 has not kept pace with changes in the sector and the law. Because of its history of ad hoc revisions, the current form neither adequately describes the filing organization nor provides a basis for comparing an organization with its peers. Some of the most common complaints regarding the current Form 990 include (1) the questions and instructions often are unclear; (2) some questions are not applicable to all organizations required to file the form; (3) many of the questions and parts are not arranged in a logical sequence; and (4) the form fails to provide a complete picture of the reporting organization.

Availability of Redesigned Form

The IRS anticipates using the form for the 2008 tax year (returns filed in 2009).

Guiding Principles of Redesigned Form:

The redesign of Form 990 is based on three guiding principles: enhancing transparency, promoting tax compliance, and minimizing the burden on the filing organization.

- Enhancing transparency means providing the IRS and its stakeholders with a realistic picture of the organization and its operations, along with the basis for comparing the organization to similar organizations.

- Promoting compliance means the form must accurately reflect the organization's operations and use of assets, so the IRS may efficiently assess the risk of noncompliance.
- Minimizing the burden on filing organizations means asking questions in a manner that makes it relatively easy to fill out the form, and that do not impose unwarranted additional recordkeeping or information gathering burdens to obtain and substantiate the reported information.

Format of Redesigned Form

The redesigned Form 990 consists of a 10-page core form to be completed by each Form 990 filer. In addition, the redesigned form's 15 schedules are designed to require reporting of information only from those organizations that conduct particular activities.

Most organizations will not experience a material change in burden, while those with complicated compensation arrangements, related entity structures, and activities that raise compliance concerns, may see an increase in the effort required to provide information.

Among the highlights of the new form are the following:

- A summary page providing the organization's identifying information and a snapshot of the organization's key financial, compensation, governance, and operational information.
- A portion of the form requiring governance information including the composition of the board, and certain other governance and financial statement practices.
- Schedules that will focus reporting on certain areas of interest to the public and

the IRS: fundraising, compensation, hospitals, tax exempt bonds and non-cash charitable contributions.

- Some organizations (\$150,000 plus compensation) would be required to complete a new Schedule J, “Supplemental Compensation Information,” that the IRS said would seek new information “to break down the reporting of an individual’s executive compensation into multiple components, including regular wages and salary, incentive compensation, deferred compensation, fringe benefits, and expense allowances or reimbursements.”
- Charities would also have to provide information about their obligations for employment taxes, excise taxes, and unrelated business income taxes (which organizations must pay on commercial operations not related to their tax-exempt purposes).
- Nonprofit organizations would have to describe their “most significant program service accomplishment” for the year.
- A new Schedule G, “Supplemental Information Regarding Fundraising Activities,” would ask organizations if they raised money through mail, e-mail, and other solicitations and to provide details about any relationships with people or groups that help them raise money. Charities that raised money through special events and gambling would have to provide additional details about their fund-raising activities.
- A new Schedule D, “Supplemental Financial Statements,” would ask detailed questions about organizations that have conservation easements, maintain donor-advised funds, or maintain

collections of “art, historical treasures, and similar assets.” The schedule has a section that would require organizations with endowments to provide detailed information about them over five years.

- A proposed Schedule K, “Supplemental Information on Tax-Exempt Bonds,” would seek to gather new information about the use and investment of proceeds and organizations’ relationships with outside advisers.
- Other schedules would focus on gathering additional information from hospitals; groups with related organizations; charities that receive noncash contributions, and groups that conduct activities outside the United States.

Concerns



The most controversial part of the proposed form may be a section that asks specific questions about whether organizations follow certain management and governance policies

and practices. For example, charities are asked if they have policies on conflicts of interest, whistleblowers, and how long to keep documents and when to get rid of them.

The IRS hopes the questions will promote greater accountability among charities. Officials of the tax agency said they do not plan to impose penalties on organizations that lack such policies, but warn that charities without them run a greater risk of being audited.

For Additional Information:

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