

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**Purpose of this Background Paper**

This Background Paper provides a summary of the new 2008 Form 990 and its instructions, effective for 2008 tax years (returns filed beginning in 2009). It also outlines the transition relief available for smaller organizations for 2008 and 2009 tax years, which allows many smaller organizations to file Form 990-EZ rather than the new Form 990 for such years, and summarizes the new reporting requirements for small organizations required to file Form 990-N.

The following is a list of the materials contained in this Background Paper, with references to the page numbers where you will find the related discussion.

- Overview of Changes to 2007 Form 990 (page 1)
- Filing Requirements for Most Smaller Organizations: Form 990-EZ and Form 990-N (page 3)
- Listing of 2008 Core Form Parts I through XI (page 3)
- Listing of 2008 Schedules A through O, R (page 4)
- Summary of the revised instructions, Glossary and appendices for the 2008 Form 990 (page 6)
- Comparison of 2008 Core Form, Parts I through XI, to 2007 Form (page 8)
- Descriptions of each part of the core form, Heading and Parts I through XI, with each separate description explaining the part's purpose, rationale and overview, key points, and effect on reporting (pages 8 through 27)
- Descriptions of each schedule (A through O, R) (pages 27 through 62), with each separate description explaining the schedule's purpose, applicable Form 990 Part IV checklist trigger question(s), rationale and overview, key points, and effect on reporting

*This Background Paper is intended to summarize information contained in the 2008 Form 990 and instructions. If there is an inconsistency between a description contained in this Background Paper and the actual form or instructions, the form or instructions govern.*

**Overview of Changes to 2007 Form 990**

The Form 990 has been redesigned effective for 2008 tax years (returns filed in 2009 and later). The new 2008 Form 990 consists of an 11-page, 11-part core form that is required to be completed by all organizations that file the form, and schedules to be completed by those organizations that satisfy the applicable requirements for each schedule.

The following paragraphs provide a brief summary of some major changes and features of the new form, and an outline of the new core form and schedules. This summary does not describe all of the new features or changes. Some of the information previously required by the 2007 Form 990 has been eliminated or revised, and the 2008 Form 990 requires information not previously required by the prior form. Some information previously required of only certain types of

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

organizations now is required of all types of organizations completing the form. The organization should carefully review the new form and instructions in order to make sure it satisfies the new form's reporting requirements. See the IRS website at [www.irs.gov](http://www.irs.gov) and click on the Charities & Non-Profits tab for more information.

Some areas of major changes in reporting requirements from the 2007 Form 990 include a new governance section and substantial revisions to the reporting of the organization's compensation of officers, directors, trustees, key employees, and highest compensated employees. For example, Part VI, *Governance, Management, and Disclosure*, is a new section that asks questions about the organization's governance structure, policies and practices. The IRS considers such policies and practices for which information is sought generally to improve tax compliance. Part VII, *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*, also contains important changes, including new definitions of officer and key employee applicable to all organizations, and the extension of reporting compensation paid to the top five highest compensated employees and top five independent contractors from organizations described in section 501(c)(3) or 4947(a)(1), as was previously the case, to all organizations filing the Form 990, such as social welfare organizations, business leagues, trade associations, and social clubs. This additional compensation information is needed to more effectively administer the laws regarding inurement, exempt purpose, and private benefit, as applicable to these organizations.

Other areas of significant change include determination of public charity status and public support; supplemental financial statement reporting; and fundraising, special events and gaming. Schedule A has been revised to emphasize reporting by charities of their public charity status and public support. Schedule D contains new reporting requirements for organizations maintaining donor advised funds or other similar funds or accounts; conservation organizations; museums and other organizations maintaining collections; credit counseling organizations and others holding funds in escrow or custodial arrangements; and organizations maintaining endowments. Schedule G requires reporting of certain information regarding arrangements with professional fundraisers, special events, and gaming activities.

Other new schedules include those for reporting foreign activities (Schedule F); hospitals (Schedule H); tax exempt bonds (Schedule K); transactions with interested persons (Schedule L); non-cash contributions (Schedule M); and related organizations (Schedule R).

**Filing Requirements for Most Smaller Organizations: Form 990-EZ and Form 990-N**

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

*Form 990-EZ Filing Requirements for 2008-2010.* Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, may be filed by most organizations with gross receipts and total assets below certain amounts. For the 2008 tax year, most organizations with gross receipts less than \$1,000,000 and total assets less than \$2,500,000 may choose to file the Form 990 or Form 990-EZ. (For the 2007 tax year, these amounts were less than \$100,000 gross receipts and \$250,000 total assets.) Similarly, most organizations with gross receipts less than \$500,000 and total assets less than \$1,250,000 may choose to file the Form 990 or Form 990-EZ for the 2009 tax year. Beginning with the 2010 tax year, most organizations with gross receipts less than \$200,000 and total assets less than \$500,000 may file either the Form 990 or Form 990-EZ.

Although Form 990-EZ was not redesigned for 2008, some changes have been made so that certain information previously required to be submitted as attachments will now be reported on schedules. Organizations that file Form 990-EZ (2008) must review the instructions for Schedules A, B, C, E, G, L, and N to determine whether they must report any of their activities or information on those schedules.

*New annual electronic filing requirement for small tax-exempt organizations.* Most small tax-exempt organizations (those normally with annual gross receipts up to \$25,000) now must file new Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ. See the IRS website at [www.irs.gov](http://www.irs.gov) and click on the Charities & Non-Profits tab for more information.

**Listing of 2008 Core Form Parts I through XI**

The 2008 Form 990 core form, which is required to be completed by all organizations, consists of the following eleven Parts:

- Part I, *Summary*, which provides certain important information regarding the organization's mission, activities, and current and prior years' financial results;
- Part II, *Signature Block*, which contains the signature of an organization's officer and, if applicable, paid preparer;
- Part III, *Statement of Program Service Accomplishments*, which requires reporting of the organization's new, ongoing and discontinued exempt purpose achievements and related revenue and expenses;
- Part IV, *Checklist of Required Schedules*, to be used by the organization to determine which schedules it must complete and file with the IRS as part of the Form 990;
- Part V, *Statements Regarding Other IRS Filings and Tax Compliance*, to be used by the organization to report its compliance with other federal tax reporting and substantiation requirements;

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Part VI, *Governance, Management, and Disclosure*, which requires information regarding the organization's governing body and management, policies, and disclosure practices;
- Part VII, *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*, to report compensation paid such persons by the organization and related organizations that is reported on Forms W-2 and 1099-MISC, and certain other compensation;
- Part VIII, *Statement of Revenue*, Part IX, *Statement of Functional Expenses*, and Part X, *Balance Sheet*, which comprise the financial statements of the organization for federal tax reporting purposes; and
- Part XI, *Financial Statements and Reporting*, to report information regarding the organization's accounting methods and its compiled, reviewed, or audited financial statements.

Parts I, IV, VI and XI are new. Part VII is significantly revised from 2007. Parts II, III, V, and VIII through X generally request information required by the 2007 form.

**Listing of 2008 Schedules A through O, R**

The 2008 Form 990 contains 16 schedules to be completed by those organizations that satisfy the requirements applicable to a particular schedule. These schedules replace the prior form's schedules and attachments that previously had to be prepared and formatted by the filing organization. The following is a list and brief description of the new form's schedules:

- Schedule A, *Public Charity Status and Public Support*, to be completed by organizations described in section 501(c)(3) and 4947(a)(1) to provide information relevant to their status as public charities, including satisfaction of applicable public support tests on an ongoing basis;
- Schedule B, *Schedule of Contributors*, to be completed by organizations to provide information regarding contributions they report as revenues;
- Schedule C, *Political Campaign and Lobbying Activities*, to be completed by organizations that conduct political campaign activities, organizations described in section 501(c)(3) and 4947(a)(1) that conduct lobbying activities, and organizations subject to section 6033(e) notice and reporting requirements and potential proxy tax on certain membership dues, assessments and similar amounts;
- Schedule D, *Supplemental Financial Statements*, to be completed by organizations to supplement certain balance sheet information, as well as conservation organizations, museums and other organizations maintaining collections, credit counseling organizations and others holding funds in escrow or custodial arrangements, and organizations maintaining endowments, donor advised funds, or other similar funds or accounts;

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Schedule E, *Schools*, which is the private school questionnaire previously contained in former Schedule A;
- Schedule F, *Statement of Activities Outside the United States*, to report the organization's activities conducted outside the United States;
- Schedule G, *Supplemental Information Regarding Fundraising or Gaming Activities*, which requires reporting by organizations that reported certain amounts of professional fundraising expenses, revenue from fundraising events, and revenue from gaming activities;
- Schedule H, *Hospitals*, to be completed by organizations that operate one or more facilities licensed, registered or similarly recognized as a hospital under state law;
- Schedule I, *Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.*, to report grants and other assistance provided by the organization to others within the United States;
- Schedule J, *Compensation Information*, to be completed by organizations to provide more detailed compensation information for certain of the officers, directors, trustees, key employees, and highest compensated employees listed in Part VII of the core form, and report certain information regarding the organization's compensation practices and arrangements;
- Schedule K, *Supplemental Information for Tax Exempt Bonds*, to be completed by organizations with outstanding tax-exempt bond liabilities;
- Schedule L, *Transactions with Interested Persons*, to be completed by organizations that engage in certain types of relationships or transactions with interested persons, including excess benefit transactions, loans, grants or other financial assistance, and other financial or business transactions or arrangements;
- Schedule M, *Non-Cash Contributions*, to report contributions other than cash received by the organization;
- Schedule N, *Liquidation, Termination, Dissolution or Significant Disposition of Assets*, to report major dispositions of assets by the organization;
- Schedule O, *Supplemental Information to Form 990*, to be used by organizations to provide supplemental information to describe or explain the organization's responses to questions contained in the core form or Schedules; and
- Schedule R, *Related Organizations and Unrelated Partnerships*, to provide information regarding the organization's relationships with other exempt and taxable organizations.

As described below, Schedules B and E request information unchanged from 2007. The 2007 Schedule A was substantially revised and separated into various parts that are now contained in Schedules A, C, E, and R. Schedules C, G, I, L, and N generally require information required by the 2007 form in

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

unstructured attachments. Schedules D, F, H, J, K, M, O, and R are mostly or entirely new.

Many of the schedules or parts of schedules contain reporting exceptions or thresholds which may apply to exempt an organization from having to complete that schedule or part of a schedule. Organizations should complete Part IV, *Checklist of Required Schedules*, to determine which of these schedules they must file as part of the Form 990. Schedules P and Q are reserved for future use.

**Summary of the revised instructions, Glossary and appendices for the 2008 Form 990**

The Form 990 instructions have been revised for 2008. The 2008 Form 990 instructions generally follow the format used for the 2007 form, including general instructions as well as specific instructions for each part or schedule.

However, the 2008 instructions contain many new features. The new instructions include a sequencing list to help organizations determine the order in which to complete various portions of the form (see General Instruction C), revised general and specific instructions for the core form and schedules, a Glossary of key terms, and a compensation table to help organizations determine where, when and how to report most types of compensation paid to officers, directors, trustees, key employees, and highest compensated employees (see Specific Instructions for Part VII). The new instructions also contain new appendices for reporting requirements and guidance regarding group returns (see Appendix E), and for organizations to report activities conducted indirectly through joint ventures and disregarded entities (see Appendix F).

General Instructions. The following is a list of the items contained in the General Instructions:

- A. Who Must File
- B. Organizations Not Required to File Form 990
- C. Sequencing List to Complete the Form
- D. Accounting Periods and Methods
- E. When, Where, and How to File
- F. Extension of Time to File
- G. Amended Return/Final Return
- H. Failure-to-File Penalties
- I. Group Return
- J. Requirements for a Properly Completed Form 990

Glossary. The Glossary contains definitions of key terms used in the core form and/or schedules. The instructions generally employ a convention of highlighting

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

in bold a term defined in the Glossary the first time it appears in a part, schedule, or line item in the instructions. In general, a term that is used only once in the instructions, or that is unique to a particular line item or schedule, is defined in the particular line item or schedule rather than in the Glossary.

Appendices. The following is a list of items contained in the Appendices:

- A. Exempt Organizations Reference Chart
- B. How to Determine Whether an Organization's Gross Receipts are Normally \$25,000 (or \$5,000) or Less
- C. Special Gross Receipts Test for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations
- D. Public Inspection of Returns
- E. Group Returns; Reporting Information on Behalf of the Group
- F. Disregarded Entities and Joint Ventures; Inclusion of Activities and Items
- G. Section 4958 Excess Benefit Transactions
- H. Forms and Publications To File or Use
- I. Use of Form 990, or Form 990-EZ, to Satisfy State Reporting Requirements

**Comparison of 2008 Core Form, Parts I through XI, to 2007 Form**

The 2008 Form 990 core form incorporates significant revisions to the 2007 Form 990. Significant changes include:

- A new summary page on page 1
- Signature block moved to page 1 (Part II) from the end of the form
- Movement of the statement of program service accomplishments to Part III on page 2
- A checklist of required schedules in Part IV that allows the organization to determine which schedules it must complete
- Consolidation of federal tax compliance questions in Part V
- A new governance section in Part VI
- Revised reporting of compensation of officers, directors, trustees, key employees, and the top 5 highest compensated employees and independent contractors in Part VII
- Movement of financial statements to pages 9 through 11, and new financial reporting questions in Part XI

**HEADING – ITEMS A THROUGH M**

**Purpose**

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

The heading on page 1 requires information specific to the filing organization, including name (legal and “doing business as/DBA”), address, EIN, contact information, tax year, gross receipts, and information regarding the organization’s status under federal tax law and state law.

**Rationale and Overview**

New items were added to the heading to provide helpful information regarding the organization’s status as an entity or trust under state law, how long it has been in existence, and the particular state law governing its nonprofit status and internal affairs.

**Key Points**

- Item C now contains a line for the organization’s “doing business as” name (d/b/a), and the instructions explain how to report multiple DBAs
- Items H and I for group returns were streamlined by eliminating the questions for number of affiliates and whether this is a separate return being filed by an affiliate
- New items include Items K, L, and M, for type of organization under state law (corporation, trust, association, or other), year of formation, and state of legal domicile, respectively.
- 2007 Heading Item F (accounting method) was moved to 2008 Part XI, line 1
- 2007 Items K (gross receipts normally less than \$25,000) and M (check if not required to attach Schedule B, Schedule of Contributors) were eliminated
- 2007 Item L (gross receipts) was moved to 2008 Item G

**Effect on Reporting**

None.

**PART I AND PART II – SUMMARY (NEW) & SIGNATURE BLOCK**

**Purpose**

Part I, *Summary*, summarizes key information reported elsewhere in the return. Part II, *Signature Block*, contains the signature lines and related information for the organization’s officer, and paid preparer (if applicable), that sign the form.

**Rationale and Overview**

The 2007 Form 990 did not contain a summary of key information. The 2008 Form 990 front page Summary was added to provide an easy-to-use snapshot of the organization’s key financial, governance, and operational information, including a two-year comparison of key financial results. The signature block was moved to the first page in order to easily determine which persons signed the return certifying under penalties of perjury they have examined the return and believe it to be true, correct, and complete.



**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**Key Points**

- Line 1 requests a description of the organization's mission or most significant activities (new)
- Lines 3 and 4 request the number of the organization's governing body voting members, and the number that are independent (new)
- Lines 5 and 6 request information regarding the organization's number of employees (as reported for employment tax purposes) and volunteers (new)
- Line 7 requires certain unrelated business income information (new)
- Lines 8 through 22 require financial information for the current and prior year
  - Lines 10 (investment income), 16a (professional fundraising expenses), and 16b (total fundraising expenses) request information not previously highlighted on the form
- Eliminated the reference to the paid preparer's SSN in the identifying number box on the form to encourage the use of preparer taxpayer identifying numbers (PTINs) by paid preparers required to provide this information (see instructions to Part II, which explain that if the paid preparer's SSN is included on the form, it will be made publicly available because the IRS does not have the statutory authority to redact this information)
- Added a third party designee question which, if checked, authorizes the IRS to contact the paid preparer (instead of the organization) regarding the return for a limited time period

**Effect on Reporting**

Most of the information on this page is derived from other parts of the form so the effect on reporting is expected to be minimal. Line 6 (number of volunteers) and lines 7a and b (unrelated business income tax) are not drawn from elsewhere on the Form 990, but the expected burden is minimal as an organization does not need to establish or modify recordkeeping systems to answer these questions.

**PART III - STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS**

**Purpose**

Part III requires reporting regarding the organization's program services and exempt purpose achievements.

**Rationale and Overview**

Most of this information is required on the 2007 Form 990, Part III. This part requires an organization to describe its mission, program services and accomplishments, and changes in program services, in a narrative format, and

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

provide certain direct revenue and expense information regarding its largest program services.

**Key Points**

- Placement within the form. This part was moved from page 3 of the 2007 Form 990 to page 2.
- Consolidation of various portions of 2007 form. To streamline the form, new Part III eliminates the 2007 form's Parts VII (Analysis of Income Producing Activities) and VIII (Relationship of Activities to the Accomplishment of Exempt Purposes). Instead of requiring revenue information by type, as was required in former Part VII, the new Part III requires reporting of direct revenue (generally revenue other than contributions) for each of the listed program services.
- Line 1 requires a description of mission, and replaces the 2007 question regarding an organization's primary exempt purpose (2007 Part III introduction)
- Changes in activities. Lines 2 and 3 obtain information on new or discontinued program services, as well as significant changes in how the organization conducts its program services. They replace the 2007 form's line 76, which requested information about changes in activities.
- Activity codes. The 2008 form contemplates the use of activity codes in future years to numerically capture information about activities which would provide improved research capabilities for the IRS and public researchers. The IRS is considering various options, including using the National Taxonomy of Exempt Entities (NTEE codes). The IRS will work with the sector and public researchers to determine the optimal code system that will satisfy the research needs of the IRS and public researchers. Because this decision has not yet been made, the activity code fields will not be available or required for 2008 tax years.
- Additional Information. The column for program service expenses was eliminated to provide additional space for narrative explanations, although expenses are still reported here. Additional information regarding program services may be reported on Schedule O, *Supplemental Information to Form 990*.

**Effect on Reporting**

Most of the information in this part was required in the 2007 Form 990, so the effect on reporting burden is expected to be minimal. Some additional burden may result from providing information regarding new, altered, or discontinued activities.

**PART IV - CHECKLIST OF REQUIRED SCHEDULES (NEW)**

**Purpose**

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

Part IV is used to determine which schedules the organization must complete.

**Rationale and Overview**

Part IV provides a comprehensive list of all “triggers” to the form’s schedules, so that an organization determines which schedules it must complete by answering these questions. Locating all of these questions in one place should make it easier for the organization to determine which schedules to complete, and provide the IRS and other users of the form a snapshot of various types of activities or relationships the organization might be involved in, including its public charity status, contributors, political campaign or lobbying activities, foreign activities, fundraising or gaming, hospitals, grant making, certain compensation arrangements, tax-exempt bonds, transactions with interested persons, non-cash contributions, major dispositions of assets, and relationships with other organizations.

**Key Points**

- The sequence of the questions follows the sequence of the schedules (A through O, R) and the parts within the schedules.
- The organization should review the instructions to the particular Part IV line item and related schedule or part of a schedule to determine whether it satisfies a reporting threshold or exception which exempts it from having to complete a schedule or part of a schedule.
- If a Part IV question only pertains to a particular part of a schedule (e.g., line 25a for Part I of Schedule L), an organization that checks “yes” to that question does not necessarily have to complete the other parts of the schedule. That will depend upon the organization’s responses to the applicable questions relating to those other parts.
- Because all organizations must provide supplemental information on Schedule O, *Supplemental Information to Form 990*, to satisfy the reporting requirements of Part VI, *Governance, Management, and Disclosure*, Part IV does not contain a checklist question for that schedule.

**Effect on Reporting**

In the past, a missing Schedule A or B has been the most common cause of Form 990 post-filing correspondence from the IRS. The new checklist should help reduce post-filing correspondence from the IRS, and reduce instances of incomplete filings that could result in the imposition of penalties.

**PART V - STATEMENTS REGARDING OTHER IRS FILINGS AND TAX COMPLIANCE**

**Purpose**

Part V lists numerous federal tax compliance requirements applicable to organizations. Questions 1 through 6 apply to all organizations. Questions 7

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

through 12 apply to certain organizations, as stated in the headings of each question.

**Rationale and Overview**

Part V alerts the organization to potential federal tax compliance and filing obligations beyond filing the Form 990 annual information return, and collects important federal tax compliance information in one place. These questions pertain to employment taxes, information returns, backup withholding, unrelated business income tax, foreign bank account reporting, prohibited tax shelter transaction reporting, substantiation and reporting of contributions, donor advised funds, and special requirements applicable to organizations described in section 501(c)(7) or (c)(12) and section 4947(a)(1) non-exempt charitable trusts. Many of these questions were included in the 2007 form.

**Key Points**

- Line 2a replaces the 2007 form's line 90b (number of employees), and Lines 1 and 2 ask for new information regarding employment tax, Form 1099 reporting, and certain withholding requirements
- Line 7 consolidates a number of questions regarding deductible contributions under section 170(c), several of which are new
  - Lines 7c and 7d (regarding Form 8282 filings), 7g (Form 8899 information reporting for contributions of qualified intellectual property), and 7h (Form 1098-C information reporting for contributions of cars, boats, and airplanes), are new

**Effect on Reporting**

The effect on reporting will depend upon the organization's knowledge of the issues raised. Completion of this part should alert some organizations to their other federal tax reporting obligations, and perhaps reduce burden and increase compliance in those areas. Those questions relating to specific organizations have been clearly labeled in the form and instructions to minimize reporting burden on most filers.

**PART VI - GOVERNANCE, MANAGEMENT AND DISCLOSURE (NEW)**

**Purpose**

Part VI requires information regarding an organization's governing body and management, policies, and disclosure practices. This information includes how and by whom an organization is governed, its governance and management policies and practices, certain relationships between or among its governing and management officials, and how the organization makes certain important information available to its constituents.

**Rationale and Overview**

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

Part VI is new and must be completed by each organization. The IRS considers the existence of an independent governing body and well-defined governance and management policies and practices generally to improve tax compliance.

The heading to Part VI and the introduction to Part VI's Specific Instructions state that this part asks for information regarding policies and practices that are not required by federal tax law. The Part VI instructions also state that whether a particular policy, procedure or practice should be adopted by an organization may depend upon the organization's size, type and culture, and that it is important that each organization consider which policies and practices are most appropriate for that organization in assuring sound operations and compliance with the tax law.

Several of the questions were required by the 2007 form, but were moved to the governance section. These include new lines 1a (formerly Part V-A, line 75a, regarding the number of board members who could vote); line 2 (formerly Part V-A, line 75b (family or business relationships between governing officials)); line 4 (formerly line 77, changes to organizational documents); line 12 (formerly Part V-A, line 75d, written conflict of interest policy); line 17 (formerly line 90a, list of states with which a copy of the Form 990 is filed); and line 20 (formerly line 91a, contact person and address for the organization's books and records).

### **Key Points**

- In general, each question applies to a particular time or period within the tax year, or for the entire tax year, rather than as of the filing date of the return (the instructions provide this information for each line).
- Definitions applicable to Part VI
  - The Glossary contains definitions of governing body, voting member, independent voting member, officer, director/trustee, key employee, family relationship, business relationship, and conflict of interest policy.
    - The definition of independent voting member is determined based on a three part test, which looks to whether the person or a family member has an employment or independent contractor relationship with the organization or a related organization, or is involved in a transaction or relationship that is reportable (or would be reportable by a related organization if it filed the Schedule L) on Schedule L, *Transactions With Interested Persons*.
  - The definitions of governing documents, material diversion, member, conflict of interest, whistleblower policy, document retention and destruction policy, and joint venture policy are contained in the relevant Part VI line instructions.
- Section A, Governing Body and Management, generally asks questions regarding how the organization is governed, and by whom. For example,

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

it asks about the organization's voting members of its governing body (line 1b replaces 2007 line 75a), whether it has members, and any delegation of significant governance or management duties to others.

- Section A also asks questions about certain procedural aspects of the organization's governance and management, including any significant changes to its organizational documents (line 4 replaces 2007 line 77), and documentation of governing body and committee meetings or actions.
- Board review of the Form 990. Line 10 asks whether the Form 990 is provided to the governing body before it is filed with the IRS, and directs all organizations to describe in Schedule O the process (if any) the organization uses to review the form before or after it is filed with the IRS.
- Other Section A questions address possible misuse of assets (line 5 regarding material diversion of assets) and the potential for conflicts due to an official's relationship with other officials (line 2, regarding business or family relationships among the organization's governing or management officials, replaces 2007 line 75b)
- The instructions provide an express reasonable efforts process that the organization may rely on to determine which of its voting members are independent, and whether any of its governing or management officials have family or business relationships with each other, and provides an example of what constitutes reasonable efforts in those instances.
- Section B, Policies, asks whether the organization has written conflicts of interest (line 12 replaces 2007 line 75d), whistleblower, document retention and destruction, or joint venture policies, and what process it used to determine the compensation of its top management official, other officers, and key employees.
- Section C, Disclosure. The questions regarding public disclosure of documents have been separated so that those documents subject to public inspection requirements under the Internal Revenue Code are listed in question 18, and those not subject to public inspection requirements are listed in question 19.
- Use Schedule O, *Supplemental Information to Form 990*, to provide supplemental information as required for the above items, or as otherwise desired.

### **Effect on Reporting**

The questions regarding family and business relationships among officers, directors, trustees, and key employees, and whether a voting member is independent, will require the organization to obtain such information each year from other persons. The instructions describe an express reasonable efforts process that the organization may rely on to make these determinations, which should alleviate much of the reporting burden regarding these questions. Most of

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

the other questions should be easily answered by a person familiar with the organization's governing instruments, policies, and practices, without having to undertake significantly more due diligence. However, the narrative responses required for many of the questions will impose some additional information gathering burden, especially for large organizations with multiple facilities, locations, or operating units, and with diverse policies and practices that vary throughout the organization.

**PART VII - COMPENSATION OF OFFICERS, DIRECTORS, TRUSTEES, KEY EMPLOYEES, HIGHEST COMPENSATED EMPLOYEES, AND INDEPENDENT CONTRACTORS**

**Purpose**

Part VII, Section A requires the listing of an organization's current officers, directors, and trustees, regardless of whether they are compensated, the organization's top 20 highest paid key employees who received over \$150,000, and its top 5 other highest compensated employees who received over \$100,000 ("top 5 HCEs"), as well as certain persons who had served in such capacities in the previous five years. It also requires reporting of compensation paid such persons by the organization or by a related organization. The organization should use Schedule J-2 as a continuation sheet to list persons and report compensation for which additional space is required to complete Part VII, Section A.

Part VII, Section B, requires the listing and reporting of compensation of the organization's top 5 highest paid independent contractors that received more than \$100,000 from the organization.

**Rationale and Overview**

Accurate and complete reporting of executive compensation by exempt organizations has been a concern of the IRS and the public. The 2007 Form 990 (Parts V-A and V-B) required compensation reporting regarding current and former officers, directors, trustees, and key employees (collectively referred to herein as "ODTKEs") by all types of reporting organizations. In addition, Schedule A, Part I, required charities (but not other organizations) to report the compensation of their top 5 highest compensated employees who received over \$50,000 and who were not also an ODTKE. The 2007 form's compensation reporting generally involves one of three types: current year payments (column (C)), contributions to employee benefit plans and deferred compensation (column (D)), and expense account and other allowances (column (E)). In the past, there has been a lack of uniformity and considerable confusion regarding how, when and where to report various types of compensation.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

This compensation reporting is separate from the aggregate compensation expense reporting required in the organization's Statement of Functional Expenses. The compensation reporting for particular individuals is intended to provide necessary information for tax compliance and transparency purposes, whereas the financial statement expense reporting shows aggregate compensation under the organization's method of accounting and for its reporting year (calendar or fiscal year).

The 2007 Schedule A, Parts II-A and II-B, also required charities (but not other organizations) to list and report compensation of the top 5 highest paid independent contractors for professional services and for other services, respectively.

The 2008 form attempts to serve two primary purposes in the compensation area: (1) simplify and obtain more uniform basic compensation reporting from all organizations, regardless of type or size, in Part VII of the core form; and (2) in some instances, obtain additional detailed information regarding a listed person's compensation and the organization's compensation practices, particularly in those cases where the organization has compensated one or more persons above certain amounts. Along these lines, the 2008 Form 990 Part VII, Section A consolidates the compensation portions of the 2007 Form 990 Parts V-A and V-B (for current and former officers, directors, trustees, and key employees), applicable to all filing organizations, and Schedule A, Part I (for top 5 HCEs), previously applicable only to charitable organizations. New Part VII, Section B of the 2008 form, which replaces the 2007 Schedule A, Parts II-A and II-B, requires independent contractor reporting for all filing organizations (not just charities), but limits it to the five highest paid, whether for professional or for other services. In addition, the threshold amount for reporting the top 5 HCEs and independent contractors for all organizations is increased from \$50,000 to \$100,000.

The 2008 Form 990 also contains a new Schedule J, *Compensation Information*, to report detailed compensation information for those individuals listed in Part VII whose compensation exceeded certain amounts. Part VII and Schedule J make compensation reporting more objective by requiring calendar year reporting based on compensation reported on Forms W-2 (Box 5) and 1099-MISC (Box 7), and should simplify compensation reporting for most organizations that will not have to file a related Schedule J.

The instructions to Part VII and to Schedule J contain definitions of important terms that are intended to provide greater clarity and promote uniform reporting of compensation on the form.

### **Key Points**



**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Section A requires the organization to list its current year and former (using a five-year lookback period) officers, directors, trustees, key employees, and five highest compensated employees
  - Section A provides a checkbox for those organizations that did not compensate any officer, director, trustee, or key employee for the year
- Top 5 HCE reporting by non-charities (new). Required compensation reporting by non-charities is expanded to include listing and reporting compensation for the non-charity's top 5 highest compensated employees that receive over \$100,000.
- Definitions of officer, director or trustee, and key employee
  - An officer is determined by reference to the organization's state law and governing documents, but always includes the organization's top management official (CEO, Executive Director, or equivalent) and top financial official (CFO or equivalent) (this is new)
  - A director or trustee generally is determined by reference to the organization's state law and governing documents
  - A key employee is an employee of the organization (including an ODTKE of a disregarded entity) who satisfies all of the following three requirements (this is new)
    - Had reportable compensation from the organization and related organizations exceeding \$150,000 for the calendar year (the "\$150,000 Test"); and
    - Had or shared responsibilities over the entire organization or over at least 10% of the organization's activities (measured by various means, as described more fully in the instructions) (the "Responsibility Test"); and
    - Was one of the 20 employees who satisfied the \$150,000 Test and the Responsibility Test with the highest reportable compensation from the organization and related organizations for the calendar year (the "Top 20 Test").
  - The instructions provide special rules for determining whether an officer, director, trustee or employee of a disregarded entity is an ODTKE or top 5 HCE of the organization
- Definitions of reportable compensation and other compensation (these are new). Part VII, and as described below, Schedule J, *Compensation Information*, require reporting of two types of compensation – "reportable compensation," determined by reference to amounts reportable on a person's Form W-2 (generally Box 5, but Box 1 for those without Medicare wages) or Form 1099-MISC (Box 7). Special rules apply to determine which types and amounts of compensation must be reported as other compensation.
  - Reportable compensation: All reportable compensation paid by the filing organization must be reported. In general, only reportable compensation paid by a related organization that is \$10,000 or

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- greater per related organization (the \$10,000-per-related-organization exception) must be reported (if so, report the entire amount).
- Other compensation. Other compensation includes certain compensation types and amounts that are not reported on the current year's Form W-2 or 1099-MISC. A \$10,000-per-item exception allows an organization (the filing organization or a related organization) to disregard certain amounts of other compensation.
    - Except as described below, the organization must report certain nontaxable fringe benefits as other compensation only if they exceed a \$10,000 per item, per organization threshold.
    - The amount of retirement plan benefits, health plan benefits, and nonqualified deferred compensation, however, must be reported as other compensation, regardless of whether paid by the filing organization or by a related organization (i.e., the \$10,000-per-related-organization exception applicable to reportable compensation does not apply to other compensation). The organization may estimate the amounts relating to retirement plan, health plan, and nonqualified deferred compensation, if actual amounts are not readily available.
    - In general, nonqualified deferred compensation is reported at the time the services are rendered, rather than when vested or paid (see examples in the instructions)
    - Other compensation does not include certain "disregarded benefits" as described in the instructions, or nontaxable expense reimbursements.
  - Reporting of compensation paid by filing organization and by related organizations. Part VII requires reporting of compensation paid by the filing organization and by a related organization to the persons required to be listed as an ODTKE or top 5 HCE of the filing organization. A person who receives compensation from a related organization but who does not constitute an ODTKE or top 5 HCE of the filing organization need not be listed in Part VII or Schedule J.
    - The instructions provide the organization an express reasonable efforts process it may use to determine the compensation paid by a related organization, and gives an example of what constitutes reasonable effort in these circumstances.
  - Persons required to be listed (current and former)
    - All current ODTKEs and top 5 HCEs, as described above, which includes all officers, directors, and trustees who served at any time during the tax year, as well as employees who satisfied the 3-prong key employee test or the top 5 HCE test described above for the calendar year ending with or within the organization's tax year

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- All former officers or key employees, using a five year lookback period, who received more than \$100,000 of reportable compensation from the organization and related organizations
- All former directors or trustees, using a five year lookback period, who received, in their capacity as a former director or trustee, more than \$10,000 of reportable compensation from the organization and related organizations
- A person who was a top 5 HCE in one of the 5 prior years, but only if the person was no longer employed by the organization during the calendar year, received \$100,000 reportable compensation, and would have been a top 5 HCE for the calendar year if still an employee (A special 2008 transition rule applies for non-(c)(3) organizations in this context, who were not required to report top 5 HCEs prior to 2008.)
- Fiscal year or calendar year reporting. Part VII and Schedule J require calendar year Form W-2 and Form 1099-MISC reporting for all Form 990 filers, regardless of their tax year. The form no longer permits fiscal year organizations to elect to report an individual's compensation amounts in Part VII or Schedule J on a fiscal year basis. Fiscal year organizations are required to use fiscal year reporting, however, to report aggregate compensation in Part IX, *Statement of Functional Expenses*. Organizations are not required to reconcile compensation reported in Part VII for individuals with compensation for such individuals that is included in aggregate compensation reported in Part IX, *Statement of Functional Expenses*.
- Compensation from certain unrelated organizations. The IRS is aware that some organizations have attempted to structure compensation arrangements through unrelated organizations to circumvent the prior form's reporting of executive compensation paid by the filing organizations and its related organizations. This has been attempted by arranging for compensation to be paid by organizations that do not fit within the definition of a related organization but with which the filing organization has some connection or relationship. New Part VII, Section B, line 5 addresses this potential abuse by requiring the reporting of compensation paid by an unrelated organization to certain persons for services rendered to the filing organization pursuant to an arrangement that the filing organization knows to exist. The instructions contain examples regarding this reporting requirement.
- Safety and security of listed persons. Part VII does not require reporting of personal addresses of the organization's officers, directors, trustees, key employees, and top 5 HCEs, and permits the organization to provide an alternative mailing address or physical location for those individuals who cannot be reached at the organization's address (report this in Part VI, line 11).

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Schedule J. Certain persons listed in Part VII, Section A, line 1, may also have to be listed in Schedule J, *Compensation Information*, Part II. Part VII instructions contain a chart explaining which persons must be reported in Part VII, Section A and which must be reported in Schedule J, Part II.
- Compensation table in instructions. Part VII instructions contain a compensation table that may be useful in determining where, when and how to report various types of compensation on Part VII or on Schedule J
- Must report the number of individuals (officers, directors, trustees, and employees) in line 1b who received more than \$100,000 reportable compensation from the organization.
- Section B, Independent Contractors.
  - The organization must report the name, address, description of services, and compensation amount for the top 5 highest paid independent contractors that received more than \$100,000 from the filing organization.
  - It also must report in line 2 the number of independent contractors who received more than \$100,000 compensation from the organization.

**Effect on Reporting**

The new form dramatically changes the reporting of executive compensation paid by exempt organizations and their related organizations. The use of Form W-2 and Form 1099-MISC to report compensation on Part VII for all organizations should reduce the compensation reporting burden for most charities and many other organizations regarding most persons required to be listed. Organizations other than section 501(c)(3) organizations will have new reporting requirements for their five highest compensated employees (other than officers, directors, trustees and key employees) and for the five highest paid independent contractors, although the reporting amounts have doubled from \$50,000 to \$100,000. The various reporting thresholds, and the ability to use estimates or an express reasonable efforts process in some cases, should minimize the reporting burden for many organizations. Organizations with persons whose compensation exceeds the Schedule J reporting amounts, however, will have additional burden associated with providing the information requested on Parts I through III of Schedule J.

**PART VIII - STATEMENT OF REVENUE**

**Purpose**

All organizations must complete Part VIII, Column (A), Total Revenue, to report their gross receipts for all sources of revenue. Organizations other than section 527 organizations must complete Columns (B) through (D) to report related or exempt function revenue, unrelated business revenue, and revenue excluded from tax under sections 512 through 514.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**Rationale and Overview**

Part VIII requires reporting of revenue in three categories – contributions, gifts, grants, and other similar amounts; program service revenue; and other revenue. This part generally reports the same types of revenue, by line, as Part I, lines 1 through 12, of the 2007 Form 990. However, the 2008 form's Part VIII combines the Statement of Revenue (2007 Form 990, Part I) with the Analysis of Income Producing Activities (2007 Form 990, Part VII); provides a new breakdown of contributions required to be reported on line 1; separates the reporting of former line 3 (membership dues and assessments) between line 1 contributions and line 2 program service revenue; and eliminates certain unstructured attachments that were required for the 2007 form.

**Key Points**

- Line 1a-f breaks down contributions and similar amounts into six types – amounts received from federated campaigns, the portion of membership dues that comprise contributions, the portion of amounts from fundraising events that comprise contributions, contributions from related organizations, government grants, and all other contributions
  - Line 1g requires the organization to report the amount of non-cash contributions included in lines 1a through 1f, which is relevant to determining whether the organization must complete Schedule M, *Non-Cash Contributions*
- Line 2 breaks out program service revenue items into multiple lines, similar to 2007 Part VII, line 93 reporting
- Membership dues and assessments previously reported on line 3 of the 2007 form now must be split out between line 1 and line 2, based on the respective portions that represent contributions and program service revenue. The separate line for membership dues and assessments has been eliminated.
- Line 3 combines 2007 lines 4 and 5, dividends and interest, although tax-exempt interest is separately reported on new line 4
- Royalties are separately listed on line 5
- Amounts reported on lines 8 and 9, for fundraising events and gaming, respectively, are relevant to determining whether the organization must complete Schedule G, *Supplemental Information Regarding Fundraising or Gaming Activities*. These items were combined in 2007 line 9.
- As was the case for the 2007 form, certain costs are to be reported in Part VIII to reduce gross revenue amounts to net revenue amounts, rather than as expenses in Part IX, *Statement of Functional Expenses*. These include certain rental expenses (line 6b), cost or other basis and sales expenses relating to sales of assets other than inventory (line 7b), direct expenses relating to fundraising events and gaming activities (lines 8b and 9b), and cost of goods sold (line 10b)

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Unstructured attachments previously required to detail the sale of non-publicly traded securities, sale of publicly traded securities, and sale of assets other than inventory, were eliminated (2007 lines 8a through 8d)

**Effect on Reporting**

Combining the 2007 Part I, Statement of Revenue with the Part VII, Analysis of Income Producing Activities, eliminating unrelated business income exclusion codes, and eliminating the related Part VIII, Relationship of Activities to Exempt Purpose, should reduce overall reporting burden for many organizations. Eliminating the attachments for sales of securities and sales of other assets also will reduce burden. Reporting contributions by the new sub-categories for line 1 may result in additional recordkeeping for some organizations.

**PART IX - STATEMENT OF FUNCTIONAL EXPENSES**

**Purpose**

All organizations must complete Part IX, Column (A), to report total expenses. Section 501(c)(3) and (c)(4) organizations and section 4947(a)(1) nonexempt charitable trusts also must complete Columns (B) through (D) to provide functional expense breakdowns between program service, management and general, and fundraising expenses, for most listed expense items.

**Rationale and Overview**

The 2007 form required organizations described in section 501(c)(3) or (c)(4) to breakout reported expenses by functional category (program service, management and general, fundraising), for most listed expense items. Other organizations reported all expenses, but were not required to provide a breakdown by function. The new Part IX does not alter these reporting rules. However, Part IX does make some changes to the types of expenses that are to be reported in this part, particularly with respect to grants paid, fees paid to non-employees, information technology, payments to government officials, payments to affiliates, and insurance.

**Key Points**

- Grants and other assistance to persons within the United States are reported on lines 1 and 2, and grants and other assistance to persons outside the United States are reported on line 3; this breakdown of grants paid differs from the 2007 breakdown
- Lines 4 through 10 (2007's lines 24 through 29) are generally unchanged, although 2007's lines 25b and 25c are combined in line 6
- Line 11 requires reporting of non-employee fees by certain types; it retains the separate reporting of legal, accounting, and professional fundraising fees from the 2007 form, lines 30 through 32, but also requires separate

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- reporting of management fees, lobbying, investment management fees, and other fees
- Other new items include lines 12 (advertising and promotion), 14 (information technology), 15 (royalties), 18 (a new separate line for payments of travel or entertainment expenses for public officials), and 23 (insurance)
    - New for 2008: Travel or entertainment expenses for public officials need not be reported here unless in the aggregate they exceed \$1,000 per official (the \$200 separate expense reporting requirement was eliminated)
  - Line 13 (office expenses) encompasses supplies, telephone, postage and shipping, equipment rental and maintenance, and certain printing and publication costs, that were separately reported on the 2007 form, lines 33 through 35, 37, and 38
  - Line 21 (payments to affiliates) is used to report amounts previously reported on line 16 of the 2007 form
  - Eliminated the attachments required in 2007 for benefits paid to members (line 4 of new form) and payments to affiliates (line 21 of new form)

**Effect on Reporting**

The impact from these changes on reporting burden is expected to be minimal. Some additional burden during the first year associated with some of the new expense items should be offset by the consolidation of certain office expense items. The elimination of certain unstructured attachments should reduce burden for some organizations.

**PART X - BALANCE SHEET**

**Purpose**

All organizations are required to complete Part X, *Balance Sheet*, to report their assets, liabilities, and net assets or fund balances.

**Rationale and Overview**

Part X is similar to Part IV of the 2007 Form 990, although it provides for separate reporting of program-related investments and intangible assets, and combines the reporting of all land, buildings and equipment on a single line. Part X also separates secured mortgages and notes payable from unsecured notes and loans payable. Much of the detail previously required in unstructured attachments has been eliminated (see Schedule D, *Supplemental Financial Statements* and related instructions).

**Key Points**

- Reclassified and reordered certain of the 2007 lines reporting assets and liabilities

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Eliminated the 2007 form's separate reporting of land, buildings and equipment held for investments (line 55) from that held for other purposes (line 57), and combined them in a single line 10a
- Added line 13, investments-program related, to separate it from other assets (formerly included in line 58)
- Added line 14, Intangible Assets
- Added line 21 for escrow account liability
- Separated mortgages and other notes payable (2007 line 64b) into secured and unsecured amounts (lines 23 and 24, respectively), and eliminated the related attachments
- See new Schedule D, *Supplemental Financial Statements*, which requires reporting of certain balance sheet detail by types of assets (rather than asset-by-asset, as was required in 2007), as well as new reporting of certain federal income tax liabilities, FIN 48 information, and liabilities to related organizations.

**Effect on Reporting**

The changes to Part X and the simplified Schedule D reporting of certain assets and liabilities are expected to reduce reporting burden for many organizations when compared to the 2007 form's balance sheet, as certain items are no longer required to be reported separately in attachments or schedules, and other items may be reported by asset types rather than on an asset-by-asset basis. Some organizations may experience additional burden, however, in establishing reporting of their intangible assets and escrow liabilities for the first time.

**PART XI - FINANCIAL STATEMENTS AND REPORTING (NEW)**

**Purpose**

Part XI is used to report the organization's method of accounting and other information regarding its compiled, reviewed, or audited financial statements.

**Rationale and Overview**

This part is new. It requests information regarding whether the organization's financial statements were compiled, reviewed, or audited by an independent accountant; whether it has an audit committee; and whether it is required to undergo an audit or audits under the Single Audit Act of 1984, as amended in 1996, and OMB Circular A-133, because of its receipt of federal contract awards.

**Key Points**

- Line 1 regarding accounting method was moved from 2007 form Heading Item F on page 1
- Line 2 asks whether the organization's financial statements were compiled, reviewed, or audited by an independent accountant, and whether the organization has an audit or similar committee



**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Instructions define independent accountant for purposes of Part XI, generally by reference to an independence standard promulgated by the Public Company Accounting Oversight Board (PCAOB), the American Institute of Certified Public Accountants (AICPA), or by a similar body
- Added question 3 regarding OMB Circular A-133 audits of organizations that receive federal contract awards
- A method of accounting other than cash or accrual, or a change in method of accounting, must be described in Schedule O

**Effect on Reporting**

Effect on reporting is expected to be minimal.

**SCHEDULE A (FORM 990 OR 990-EZ) – PUBLIC CHARITY STATUS AND PUBLIC SUPPORT**

**Purpose**

Schedule A is used by an organization described in section 501(c)(3), or a nonexempt charitable trust described in section 4947(a)(1), that files the Form 990 or 990-EZ to provide the required information regarding public charity status and public support. Note: This includes organizations described in sections 501(e), 501(f), 501(k), and 501(n).

**Applicable Part IV Checklist Trigger Question**

Form 990. Any organization that answered “yes” to line 1 must complete Schedule A.

Line 1. Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If “Yes,” complete Schedule A.

Form 990-EZ. No specific trigger question. Heading on page 1 states: Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

**Rationale and Overview**

The 2007 Form 990 Schedule A was required for all public charities and required information regarding numerous unrelated topics. These included information about compensation of independent contractors and top 5 highly compensated employees, the basis for an organization’s public charity status, a private school’s non-discrimination policies and practices, lobbying, specified activities posing compliance concerns, and transactions or relationships with non-charitable exempt organizations. The 2008 form transforms the Schedule A into one that focuses exclusively on the public charity status and public support of a section 501(c)(3) organization or 4947(a)(1) trust, with other parts of the 2007 Schedule A moved elsewhere to the core form or to other schedules.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**Key Points**

- Schedule A focuses exclusively on those items regarding an organization's status as a public charity or its public support
- Schedule A modifies the public support test by increasing the testing period from 4 to 5 years, including the current tax year, to simplify the process and allow for the elimination of the Form 8734 advance ruling process
- Parts II and III separate the public support tests for organizations described in section 170(b)(1)(A)(iv) and (vi) (Part II) and in section 509(a)(2) (Part III)
- Schedule A no longer is required to be reported on the cash method of accounting; the organization must complete Schedule A using its method of accounting used to complete the overall Form 990
  - For those organizations that use the accrual method of accounting, this will require a restatement of amounts reported in 2007 and prior years (from cash to accrual) when reporting amounts for those years in 2008 and later Schedules A
- The instructions clarify the treatment of membership dues as contributions or otherwise for purposes of Schedule A
- An organization that claims it is a public charity because it satisfies the 10% facts and circumstances test must explain why it meets this test on Part IV
- The alternative computation method for organizations experiencing substantial and material changes in support, other than from unusual grants, has been eliminated
- The instructions explain that organizations may request a Type I, II, or III determination letter from the IRS to determine its status as a supporting organization.
- Organizations completing Part II or Part III are to round to the nearest one hundredth decimal point to report its percentage of public support

**Effect on Reporting**

It is expected that moving the non-public charity status components of the Schedule A to Schedules C, E and R will reduce burden for many Form 990 and 990-EZ filers as organizations that do not conduct these activities will no longer have to report on these items. It is also expected that providing a single, uniform period for measuring public support, and the bifurcation of the public support test for section 170(b)(1)(A)(iv) or (vi) and 509(a)(2) organizations, will reduce burden. Requiring the Schedule A method of accounting to be the same as that used for the overall Form 990 also is expected to reduce recordkeeping and reporting burden.

**SCHEDULE B (FORM 990, 990-EZ, OR 990-PF) – SCHEDULE OF CONTRIBUTORS (UNCHANGED)**

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**Purpose**

Schedule B is used by organizations that file Form 990, 990-EZ, or 990-PF to provide information on contributions the organization reported on line 1 as revenue from contributions.

**Applicable Part IV Checklist Trigger Question**

Form 990. Any organization that answered “yes” to line 2 must complete Schedule B.

Line 2. Is the organization required to complete Schedule B, Schedule of Contributors?

Organizations must refer to the General Rule or the Special Rules in the instructions to Schedule B to determine whether they must complete Schedule B. The General Rule requires that every organization that received during the year \$5,000 or more in money or property from any one contributor must complete Schedule B. The Special Rules apply to organizations described in section 501(c)(3), (c)(7), (c)(8), or (c)(10).

Form 990-EZ. No specific trigger question. Box H on page 1 requires the organization to check the box if it is not required to attach Schedule B.

**Rationale and Overview**

Schedule B is required for 501(c)(3) organizations and certain other organizations that receive contributions exceeding certain amounts. It requires reporting of limited contributor and contribution information, including the name of the contributor, aggregate contributions, type of contribution, and description of property (for non-cash contributions).

**Key Points**

- Schedule B did not change from 2007
- The instructions provide a definition of contribution for Schedule B purposes that clarifies that it includes contributions whether or not they are for charitable purposes, including political contributions to a section 527 organization
- The instructions also clarify that for certain organizations, contributors include governmental units

**Effect on Reporting**

None.

**SCHEDULE C (FORM 990 OR 990-EZ) – POLITICAL CAMPAIGN AND LOBBYING ACTIVITIES**

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**Purpose**

Schedule C is used by section 501(c) and section 527 organizations that file Form 990 or 990-EZ to provide information on political campaign or lobbying activities.

**Applicable Part IV Checklist Trigger Questions**

An organization that answered “Yes” to Form 990, Part IV, lines 3, 4 or 5, or a section 501(c)(3) organization that answered “Yes” to Form 990-EZ, Part VI, lines 46 or 47, must complete the applicable parts of Schedule C relating to those lines.

- Line 3 (or line 46 of Form 990-EZ, Part VI). Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If “Yes,” complete Schedule C, Part I.
- Line 4 (or line 47 of Form 990-EZ, Part VI). 501(c)(3) organizations. Did the organization engage in lobbying activities? If “Yes,” complete Schedule C, Part II.
- Line 5. 501(c)(4), 501(c)(5), and 501(c)(6) organizations. Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? If “Yes,” complete Schedule C, Part III.

**Rationale and Overview**

The 2007 Form 990 requested the following information regarding political and lobbying activities:

- For 501(c)(3) organizations
  - Line 89a regarding tax imposed on 501(c)(3) organizations under sections 4911 and 4912 (influencing legislation and lobbying expenditures) and 4955 (political expenditures) (now Schedule C Parts II-A, II-B and I-B)
  - Schedule A, Parts VI-A and VI-B regarding lobbying expenditures for 501(c)(3) organizations (now Schedule C Parts II-A, II-B and I-B)
- For organizations not described in 501(c)(3)
  - Lines 85a through 85h regarding deductibility of dues paid to section 501(c)(4), (5) and (6) organizations and 6033(e) proxy tax (now Schedule C, Part III)

Schedule C consolidated the above information and incorporated it into a single schedule. In addition, Schedule C made the following changes:

- For Form 990 filers, extended reporting of political campaign activities to organizations not described in 501(c)(3)
- Added questions regarding transfers of funds between section 501(c) and section 527 organizations

**Key Points**

- Political Campaign Activities

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Part I-A (new for non-charities) is to be completed by all organizations (501(c) and 527) that engaged in direct or indirect political campaign activities. It requires a description of the activities, and reporting of political expenditures and volunteer hours (hours may be estimated using any reasonable method).
- Part I-B is to be completed by charities that engaged in direct or indirect political campaign activities. It requires reporting of the amount of excise tax incurred by the organization and its organization managers under section 4955, and stating whether the organization filed Form 4720 for the year and made a correction.
- Part I-C (new) is to be completed by organizations other than charities that engaged in direct or indirect political campaign activities. It requires reporting of amounts expended by the organization for section 527 exempt function activities and other related information. It further requires reporting of names, addresses, and EINs of all section 527 organizations to which payments were made, the amount paid from the filing organization's own internal funds, and the amount of political contributions received and promptly and directly delivered to a separate political organization.
- Lobbying
  - Part II-A is to be completed by charities that made the lobbying expenditure election under section 501(h) and engaged in lobbying activities. It requires reporting of information pertinent to determining whether the organization is in compliance with the election's requirements.
  - Part II-B is to be completed by charities that have not made the lobbying expenditure election under section 501(h) but engaged in lobbying activities. It asks various questions regarding the organization's lobbying activities during the year, and asks whether any such activity caused the organization not to be described in section 501(c)(3), the amount of section 4912 tax incurred by the organization and its organization managers, and whether it filed a Form 4720 for the year.
- Section 6033(e) notice and proxy tax
  - Part III-A is to be completed by organizations exempt under section 501(c)(4), (c)(5), or (c)(6) that received membership dues, assessments or similar amounts during the year, and that are subject to the section 6033(e) notice and reporting requirement and proxy tax. Such organizations may also be required to complete Part III-B. These parts require information regarding compliance with the section 6033(e) notice and proxy tax provisions applicable to such organizations.
- Part IV is required to be completed to supplement certain information required by Parts I, II, and III.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- The instructions explain that an organization having an ownership interest in a joint venture taxed as a partnership that conducts political campaign or lobbying activities must report its share of such activities on Schedule C

**Effect on Reporting**

The content of Parts I-B, II-A, II-B and III exist on the 2007 form and no additional burden is expected for these parts. Parts I-A and I-C will result in additional recordkeeping and reporting burden for organizations not described in 501(c)(3), because they were not required to report this information on the 2007 form.

**SCHEDULE D (FORM 990) – SUPPLEMENTAL FINANCIAL STATEMENTS**  
**(NEW)**

**Purpose**

Schedule D is used by an organization that files Form 990 to provide required reporting for donor advised funds and other similar funds or accounts, conservation easements, certain art and museum collections, escrow accounts and custodial arrangements, endowment funds, and supplemental financial information relating to the financial statements.

**Applicable Part IV Checklist Trigger Questions**

Any organization that answered “Yes” to Form 990, Part IV, lines 6 through 12, must complete the appropriate parts of Schedule D.

- Line 6. Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If “Yes,” complete Schedule D, Part I.
- Line 7. Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If “Yes,” complete Schedule D, Part II.
- Line 8. Did the organization maintain collections of works of art, historical treasures, or other similar assets? If “Yes,” complete Schedule D, Part III.
- Line 9. Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services, report an amount in Part X, line 21, or serve as a custodian for amounts not listed in Part X? If “Yes,” complete Schedule D, Part IV.
- Line 10. Did the organization hold assets in term, permanent, or quasi-endowments? If “Yes,” complete Schedule D, Part V.
- Line 11. Did the organization report an amount in Part X, lines 10 [land, buildings, and equipment], 12 [investments – other securities], 13 [investments – program related], 15 [other assets], or 25 [other liabilities]? If “Yes,” complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.
- Line 12. Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

accordance with GAAP? If “Yes,” complete Schedule D, Parts XI, XII, and XIII.

**Rationale and Overview**

The 2007 Form 990 requires numerous unstructured financial statement attachments that are not displayed in the form itself or in a formatted schedule. Most of the detail regarding these attachments is set forth in the instructions. Many organizations do not provide the currently required unstructured attachments. The 2008 form eliminates several of these attachments and Schedule D consolidates many of the others in one place. This is expected to increase compliance and standardize reporting in these areas.

Schedule D also incorporates existing or new reporting requirements for donor advised funds and other similar funds or accounts, conservation easements, escrow and custodial accounts, endowment funds, and certain art and museum collections, and the organization’s federal income tax liability (including its FIN 48 footnote disclosure). The schedule is organized so that its parts follow their order of appearance in the Part IV checklist in the core form, and the various asset tables have been streamlined to reduce reporting burden for various asset holdings, such as real property and financial investments.

**Key Points**

- Part I requires reporting of donor advised funds and other similar funds or accounts. The instructions explain what is meant by “other similar funds or accounts.”
  - Part I, lines 2 (contributions to), 3 (grants from), and 5 – 6 (certain notifications to donors, donor advisors, and grantees) require new information; lines 1 (number of accounts) and 4 (aggregate year end value) were required for charities for 2007
- Part II requires revised reporting of conservation easements; such information has been revised from that required by the 2007 instructions
- Part III (new) requires reporting of certain collection items, such as those maintained by museums and similar organizations, and relies on SFAS 116 for guidance regarding the meanings of terms used to complete Part III
- Part IV (new) requires information from credit counseling organizations, and other organizations maintaining escrow and custodial accounts, as defined in the Glossary
- Part V (new) requires information regarding an organization’s endowments, relying on SFAS 117 for the meanings of terms used to complete Part V. The instructions also provide a special instruction regarding the recently adopted SFAS 117-1 as it applies to those organizations subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Parts VI – IX require supplemental reporting of certain assets in four categories (land, buildings and equipment; other securities; program related investments; and other assets). These parts replace unstructured attachments for 2007 lines 54 – 58. Reporting thresholds of 5% of total assets apply to these asset categories (other than for land, buildings and equipment, which must be reported regardless of amount).
- Part X (new) requires information regarding the organization's federal income tax liability and certain other liabilities; it provides that an organization must separately report its total liability for federal income tax on the line provided, include its FIN 48 footnote in Part XIV, and separately report its liabilities to related organizations.
- Parts XI through XIII require financial statement reconciliations for organizations regarding their audited statements prepared in accordance with SFAS 117, but are optional for other organizations. Part XI, change in net assets, is new. Parts XII and XIII, reconciliations of revenues and expenses, replace 2007 Parts IV-A and IV-B.
- Part XIV requires reporting of supplemental information relating to the other parts of Schedule D.

**Effect on Reporting**

The new form simplifies certain balance sheet reporting for organizations of all types and sizes. Allowing organizations to report four asset categories (land, buildings, and equipment; other securities; program related investments; and other assets), on the basis of asset types, rather than on an asset-by-asset basis as was previously required, will reduce recordkeeping and reporting burden in these areas. Further, eliminating detailed reporting for loans, mortgages, and notes (payable or receivable) should also help reduce burden. However, the enhanced or new reporting for donor advised funds, conservation easements, collections held by museums and similar organizations, escrow and custodial accounts, and endowment funds, is expected to increase recordkeeping and reporting burden for those organizations that are significantly involved in such activities.

**SCHEDULE E (FORM 990 or 990-EZ) – SCHOOLS**  
**(UNCHANGED FROM 2007 SCHEDULE A, PART V, PRIVATE SCHOOL**  
**QUESTIONNAIRE)**

**Purpose**

Schedule E is used by organizations that file Form 990 or 990-EZ to report information on private schools.

**Applicable Part IV Checklist Trigger Question**



**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

An organization that answered “Yes” to Form 990, Part IV, line 13, or a section 501(c)(3) that answered “Yes” to Form 990-EZ, Part VI, line 48, must complete Schedule E.

- Line 13 (line 48 of Form 990-EZ). Is the organization [a] school as described in section 170(b)(1)(A)(ii)? If “Yes,” complete Schedule E.

**Rationale and Overview**

The 2007 Form 990, Schedule A, Part V, Private School Questionnaire, requests information regarding a private school’s non-discriminatory practices and policies. This information was moved from the Schedule A, which for 2008 focuses exclusively on public charity status and public support, to Schedule E. The information reporting and filing requirements regarding private schools have not changed from 2007.

**Key Points**

- Although this information has been moved from Schedule A to Schedule E, there are no changes to the filing requirements or questions to be answered.

**Effect on Reporting**

None.

**SCHEDULE F (FORM 990) – STATEMENT OF ACTIVITIES OUTSIDE THE UNITED STATES (NEW)**

**Purpose**

Schedule F is used by an organization to provide information on its activities conducted outside the United States.

**Applicable Part IV Checklist Trigger Questions**

An organization that answered “Yes” to line 14b, 15, or 16, must complete the appropriate parts of Schedule F.

- Line 14b. Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the U.S.? If “Yes,” complete Schedule F, Part I.
- Line 15. Did the organization report on Part IX, line 3 [grants and other assistance to governments, organizations and individuals outside the U.S.]) more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If “Yes,” complete Schedule F, Part II.
- Line 16. Did the organization report on Form 990, Part IX, line 3 [grants and other assistance to governments, organizations and individuals outside the U.S.]), more than \$5,000 of aggregate grants or assistance to

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

individuals located outside the United States? If “Yes, “ complete Schedule F, Part III.

**Rationale and Overview**

The 2007 Form 990 does not request meaningful information regarding the activities of exempt organizations outside the United States. Specific reporting of foreign activity is limited to Question 91 regarding foreign bank accounts and offices located outside the country, where the organization is required to provide the country in which the account or office is located, and lines 22a and 22b of Part II, *Statement of Functional Expense* (and Part III, *Statement of Program Service Accomplishments*), where the organization is required to check a box if foreign grants are included in the reported amounts. The attachments to 2007 Form 990, Part II, lines 22a, 22b and 23, grants and specific assistance to organizations and individuals, encompass but do not explicitly delineate foreign grant information.

Schedule F requests specific information about foreign activities from organizations that conduct fundraising, grant making, trade or business, or exempt activities outside the United States, or have accounts, offices, employees or other agents outside the country. The information, to be reported on a geographic region basis, is broken down into three categories: description of activities in Part I, and information regarding grants made to foreign organizations or governments (Part II) or grants or assistance to foreign individuals (Part III). For 2008 and until further notice, Part II does not require the name or EIN of a grantee that is a foreign entity. Part III does not require the names of grantees who are individuals.

**Key Points**

- The instructions identify nine geographic regions, and list the countries contained in each of the regions, for purposes of Schedule F reporting
- Volunteers are not treated as agents for purposes of determining whether an organization must complete Schedule F on the basis that it has agents outside the U.S.
- For purposes of Schedule F, “United States” is defined to mean the 50 states and the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the territories and possessions of the U.S. (including Guam, American Samoa, and the United States Virgin Islands)
- A foreign organization does not include any branch office, account, or employee of the filing organization located outside the U.S.
- Whether a person is outside the U.S. is determined at the time the grant is paid or distributed
- Part I, General Information on Activities Outside the United States

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Lines 1 and 2 request information regarding the methods used by the organization to select and substantiate grants and assistance and to monitor use of grant funds outside the U.S.
- Line 3 requires reporting of foreign activities by region, including the number of offices, agents or employees in the region, the activities conducted by type, and the total expenditures in the region
- Organizations report expenditures by region based on the method used to account for them on the organization's financial statements, and describe this method in Part IV
- Part II, Grants and Other Assistance to Organizations or Entities Outside the U.S.
  - Organizations are to report information by region, including the number of organizations or entities, amount of cash grants and other assistance, the purpose of a grant, and a description of any non-cash assistance
- Part III, Grants and Other Assistance to Individuals Outside the U.S.
  - Organizations are to report aggregate information by region, including the number of recipients, amount of cash grants and other assistance, the type of grant or assistance, and a description of any non-cash assistance

**Effect on Reporting**

Schedule F imposes reporting requirements which may result in new recordkeeping practices so additional burden is expected. Many large organizations commented that the burden will be greatest for them because they are most likely to have significant operations in multiple areas of the world. Allowing organizations to report Part I expenditures on the basis of their financial statement methods and practices will help to minimize burden. The \$10,000 threshold will eliminate the need for some smaller organizations to report on Part I of this schedule.

**SCHEDULE G (FORM 990 or 990-EZ) – SUPPLEMENTAL INFORMATION  
REGARDING FUNDRAISING OR GAMING ACTIVITIES**

**Purpose**

Schedule G is used by an organization that files Form 990 or 990-EZ to report professional fundraising services, fundraising events, and gaming.

**Applicable Part IV Checklist Trigger Questions**

Any organization that answered "Yes" to Form 990, Part IV, lines 17, 18 or 19, or entered an amount in Form 990-EZ, Part I, line 6 [gross revenue from special events and activities] must complete the appropriate parts of Schedule G. Form 990-EZ filers are not required to complete Part I, which relates to fundraising, but

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

may be required to complete Parts II and III, which relate to fundraising events and gaming.

- Line 17. Did the organization report more than \$15,000 on Part IX, line 11e [professional fundraising expenses]? If “Yes,” complete Schedule G, Part I.
- Line 18. Did the organization report more than \$15,000 total on Part VIII, lines 1c and 8a [contributions and gross income from fundraising events]? If “Yes,” complete Schedule G, Part II.
- Line 19. Did the organization report more than \$15,000 on Part VIII, line 9a [gross income from gaming activities]? If “Yes,” complete Schedule G, Part III.

### **Rationale and Overview**

The 2007 Form 990 and Form 990-EZ required an organization to attach schedules providing detail for the amounts entered for special events and gaming (Form 990, line 9 or Form 990-EZ, line 6). Because these were unstructured attachments, many organizations failed to provide the required information. Schedule G replaces these unstructured attachments by incorporating the information described in the form’s instructions, and asks new questions to collect information about professional fundraising, special events and gaming activities. Part I of the schedule involves fundraising practices, Part II involves special events (renamed “fundraising events”), and Part III involves gaming.

### **Key Points**

- Part I, Fundraising Activities (new)
  - Requires checkbox reporting in line 1 of certain solicitation activities
  - Requires information in line 2 regarding up to 10 of the organization’s agreements with professional fundraisers in connection with professional fundraising activities, including a description of the activity, the gross receipts from the arrangement, the amount paid to or retained by the organization and by the fundraiser, and whether the fundraiser had custody or control of the funds
    - The organization must describe in Schedule O, *Supplemental Information to Form 990*, how the organization distinguishes between amounts paid for professional fundraising services and for expense reimbursements, and whether the organization enters into arrangements that are exclusively expense reimbursement arrangements and not for services
  - Line 3 requires the organization to list all states in which it is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing
- Part II requires reporting of fundraising events similar to the “special events” reporting required by the 2007 form

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Part III requires reporting of gaming similar to that required by the 2007 form, but with additional questions regarding applicable state requirements and other matters

**Effect on Reporting**

Schedule G, Part I is not currently required and is expected to result in some additional reporting burden. A reporting threshold of \$5,000 per professional fundraising arrangement in Part I, line 2 should reduce the burden for some organizations regarding reporting of these arrangements.

The 2007 form imposed no thresholds for the unstructured attachments for Form 990, line 9 or Form 990-EZ line 6 (tables in Schedule G, Parts II and III). Schedule G uses a threshold of \$15,000 of revenues or expenses, as applicable, so some organizations will no longer need to provide this information beginning in 2008. The additional questions regarding gaming activities are expected to result in minimal burden.

**SCHEDULE H (FORM 990) – HOSPITALS (NEW)**

**Purpose**

Schedule H is used to report information by an organization that operates one or more facilities that are licensed, registered, or similarly recognized by a state as a hospital.

**Applicable Part IV Checklist Trigger Question**

An organization that answers “Yes” to line 20 must complete Schedule H.

- Line 20. Did the organization operate one or more hospitals? If “Yes,” complete Schedule H.

**Rationale and Overview**

The 2007 form does not provide for the reporting of community benefit activities or request important information regarding how nonprofit hospitals serve the public consistent with the privileges and benefits of tax exemption.

Schedule H is new. It includes six parts: Part I, Charity Care and Certain Other Community Benefits at Cost; Part II, Community Building Activities; Part III, Bad Debt, Medicare, & Collection Practices; Part IV, Management Companies and Joint Ventures; Part V, Facility Information; and Part VI, Supplemental Information.

The organization must file a single Schedule H that aggregates information from the following:

1. Hospitals directly operated by the organization.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

2. Hospitals operated by disregarded entities of which the organization is the sole member.
3. Other facilities or programs of the organization or any of the entities described in 1 or 2, even if provided by a facility that is not a hospital or if provided separately from the hospital's license.
4. Hospitals operated by any joint venture taxed as a partnership, to the extent of the organization's proportionate share (determined by reference to the ending capital account percentage) of the joint venture.

In the case of a group return filed by the organization, Schedule H includes hospitals operated directly by members of a group exemption that are included in the group return, hospitals operated by a disregarded entity of which a member included in the group return is the sole member, hospitals operated by a joint venture taxed as a partnership to the extent of the group member's proportionate share (determined in the manner described in paragraph 4, above), and other facilities or programs of a member included in the group return even if such facilities are not hospitals or if such programs are provided separately from the hospital's license.

Note that while information from all of the above sources is aggregated for purposes of Schedule H, the organization is required to list in Part V, Facility Information, each of its facilities that is required to be licensed, registered, or similarly recognized as a health care facility under state law, whether operated directly by the organization or indirectly through a disregarded entity or joint venture taxed as a partnership. In addition, the organization must report in Part VI summary information describing the number of other types of facilities for which it reports information on Schedule H (e.g., 2 rehabilitation clinics, 4 diagnostic centers).

Organizations are not to report information from foreign hospitals located outside the United States in Parts I, II, III, or V. Information from foreign joint ventures and partnerships must be reported in Part IV. Information concerning foreign hospitals and facilities may be described in Part VI.

The organization is not to report on Schedule H information from an entity that is organized as a separate legal entity from the organization and taxed as a corporation for federal income tax purposes, whether taxable or tax-exempt (except for members of a group exemption included in a group return filed by the organization), even if such entity is affiliated with or otherwise related to the organization (e.g., is part of an affiliated health care system).

**Key Points**

- Part I, Charity Care and Certain Other Community Benefits at Cost (Optional for 2008)

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Requires reporting of charity care policies, the availability of community benefit reports, and the cost of charity care and other community benefit programs
- Seven separate categories of community benefit are reportable in Part I: charity care at cost, unreimbursed Medicaid and other means-tested government programs, community health improvement services and community benefit operations, health professions education and training, subsidized health services, research, and cash and in kind contributions to community groups
- Community building activities, bad debt expense, and Medicare shortfalls (other than those relating to health professions education and training or subsidized health services) are to be separately reported in Parts II and III
- Part II, Community Building Activities (Optional for 2008)
  - Provides for reporting of the cost of various kinds of community building activities
- Part III, Bad Debt, Medicare, & Collection Practices (Optional for 2008)
  - Requires reporting of bad debt expense and Medicare shortfalls at cost, and other information relating to such items
  - Medicare shortfall reporting in Part III is limited to expenses reportable on Medicare cost reports, although other revenue and expense information for other Medicare programs may be reported in Part VI
  - Also requests certain information regarding the organization's debt collection practices
- Part IV, Management Companies and Joint Ventures (Optional for 2008)
  - Requires information regarding certain joint ventures and management companies in which the organization's officers, directors, trustees, key employees, and medical staff or employed physicians have an aggregate ownership percentage exceeding 10% of such entity
  - This is in addition to any related organization or joint venture reporting required in Schedule R
- Part V, Facility Information (Required for 2008)
  - The organization must separately list each facility that is licensed, registered, or similarly recognized by a state as a health care facility (hospital or otherwise)
  - The organization must provide a narrative description of other facilities for which items are otherwise reported on the Schedule H
- Part VI, Supplemental Information (Optional for 2008)
  - Requires information pertinent to determining how the organization is serving its communities, including community needs assessments, education of patients about eligibility for charity care and government assistance programs, relationships with others in

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

an affiliated system, and descriptions that supplement responses to the other parts of the schedule

**Transition Relief**

Schedule H will be phased in beginning in 2008. For 2008 tax years, only Part V, Facility Information, will be required to be completed so that basic identifying information regarding the organization's facilities is collected. All other parts of Schedule H are optional for 2008. The entire Schedule H must be completed for tax years beginning in 2009.

**Effect on Reporting**

The entire schedule is new and will increase reporting burden for most organizations required to complete the schedule. The transition relief will provide organizations additional time to modify existing reporting systems to comply with the new reporting requirements.

**SCHEDULE I (FORM 990) – GRANTS AND OTHER ASSISTANCE TO ORGANIZATIONS, GOVERNMENTS AND INDIVIDUALS IN THE UNITED STATES**

**Purpose**

Schedule I is used to provide information on grants or other assistance made by the organization during the year to organizations, governments, and individuals in the United States. (Grants or assistance made to persons outside the United States are reported on Schedule F, *Statement of Activities Outside the United States*.)

**Applicable Part IV Checklist Trigger Questions**

An organization that answered "Yes" to line 21 or 22 must complete Part I, and either Part II or Part III.

- Line 21. Did the organization report more than \$5,000 on Part IX, line 1 [grants and other assistance to governments and organizations in the U.S.]? If "Yes," complete Schedule I, Parts I and II.
- Line 22. Did the organization report more than \$5,000 on Part IX, line 2 [grants and other assistance to individuals in the U.S.]? If "Yes," complete Schedule I, Parts I and III.

**Rationale and Overview**

The 2007 Form 990 required an attachment to each of lines 22a, 22b, and 23 of Part II, *Statement of Functional Expense*, to report grants made and assistance provided to individuals and organizations. Schedule I consolidates these unstructured attachments so that all information relating to grants and other assistance to persons inside the United States is reported in one schedule. (Foreign grants and assistance are reported on Schedule F.) The schedule



**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

adopts an aggregate filing threshold of \$5,000 of grants or assistance to complete Schedule I. However, organizations required to complete Part II need not report grants or assistance made to a particular organization or government unless the amount per organization or government exceeds \$5,000.

**Key Points**

- Grants or other assistance does not include grants to affiliates that are not separately organized from the filing organization, or grants made to branch offices, accounts, or employees
- Part I lines 1 and 2 (new) request information regarding the organization's procedures regarding grant selection and substantiation and the monitoring of the use of grant funds
- Parts II and III require information similar to that required by the 2007 form (lines 22 and 23), including amount of cash grant or non-cash assistance, description of assistance, and identity, EIN, and address of the recipient (if an organization or government recipient)
- Part IV may be used to provide additional information if more space is required

**Effect on Reporting**

The new Part I questions regarding an organization's grant making procedures are expected to result in minimal additional burden. The 2007 form requires that an organization provide the information requested in Parts II and III of Schedule I by providing unstructured attachments. Thus, any additional reporting burden for these parts should be minimal.

**SCHEDULE J (FORM 990) – COMPENSATION INFORMATION (NEW)**

**Purpose**

Schedule J is used by an organization to report compensation information for certain officers, directors, trustees, key employees (collectively referred to as "ODTKEs"), and top 5 highest compensated employees ("top 5 HCEs") listed in Part VII, Section A, and information on certain of the organization's compensation practices. Schedule J-1 is used to report additional information for Part II of Schedule J.

Schedule J-2 is used as a continuation sheet to list persons and report compensation for which additional space is required to complete Part VII, Section A.

**Applicable Part IV Checklist Trigger Questions**

An organization that answered "Yes" to line 23 must complete Schedule J.

- Line 23. Did the organization answer "Yes" to questions 3, 4 or 5 of Form 990, Part VII, Section A? If "Yes," complete Schedule J.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Part VII, Section A, question 3. Did the organization list any former officer, director or trustee, key employee, or highest compensated employee in Section A? If “Yes,” complete Schedule J for such individual.
- Part VII, Section A, question 4. For any individual listed in Section A, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If “Yes,” complete Schedule J for such individual.
- Part VII, Section A, question 5. Did any person listed in Section A receive or accrue compensation from any unrelated organization for services rendered to the organization? If “Yes,” complete Schedule J for such person.

**Rationale and Overview**

Schedule J, *Compensation Information*, is used to report detailed compensation information for those individuals whose compensation from the filing organization and related organizations exceeded certain amounts as reported on the core form, and to provide certain information regarding the organization’s compensation practices.

Schedule J, Part I, *Questions Regarding Compensation*, requests information of all organizations required to complete Schedule J regarding certain benefit or expense arrangements (e.g., first class travel, club dues, use of personal residence), substantiation of certain expense reimbursement or allowance arrangements, methods used to establish compensation of the organization’s top management official, supplemental nonqualified retirement plans, and equity-based compensation arrangements. Organizations described in section 501(c)(3) or (c)(4) must also report information regarding certain contingent payment arrangements and certain payments with section 4958 excess benefit transaction implications.

Schedule J, Part II, *Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees*, requests detailed compensation information of all organizations by various categories (base compensation, bonus and incentive compensation, and other Form W-2 or 1099-MISC compensation, as well as deferred compensation and nontaxable benefits not reported on such forms) for each individual required to be listed on the schedule. The threshold for reporting a “current” individual’s compensation on Schedule J generally is whether the individual’s reportable compensation (Form W-2 or 1099-MISC) is greater than \$150,000. Lower reportable compensation threshold amounts apply for “former” directors or trustees (generally \$10,000 in the capacity as such) or officers, key employees, or top 5 HCEs (generally \$100,000).

**Key Points**

- Part I, Questions Regarding Compensation (new)

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- This part, which asks questions regarding compensation practices, is answered with respect to persons listed in Part VII, Section A (which generally is a broader group than those persons listed on Schedule J, Part II)
- Although some lines of Part I require information only of the filing organization, lines 3 through 6 may involve consideration of both the filing organization and related organizations
- Lines 5 through 8 are to be completed only by section 501(c)(3) and (c)(4) organizations
- Part II, Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
  - Not every person listed in Part VII, Section A is required to be listed in Schedule J, Part II; list in Part II only those persons who satisfy one of the Schedule J reporting thresholds
  - Part II requires the reporting of certain compensation amounts that are not necessarily required to be reported on Part VII, Section A (e.g., other compensation excludible from Part VII reporting due to \$10,000-per-item or per-related-organization exception)
  - Compensation must be reported in Part II if paid by the filing organization or by a related organization, and in some cases if paid by an unrelated organization (see Part VII, section A, line 5)
  - The compensation instructions to Part VII, including the compensation table, should be used to help determine the types and amounts of reportable compensation, deferred compensation, and nontaxable fringe benefits in Part II
  - Column (F) of Part II is used to report compensation that was reported in the current year's Form W-2 or 1099-MISC and that was also reported in a prior Form 990 for such individual (e.g., deferred compensation reported in a prior year's Form 990, but paid and reported on the Form W-2 for the current year)
- Supplemental Information
  - Part III is used to provide other information required by Part I
  - Schedule J-1, *Continuation Sheet for Schedule J*, is used to list additional information regarding persons listed on Schedule J
  - Schedule J-2, *Continuation Sheet for Form 990*, is used to list additional information for Part VII, Section A (not for Schedule J)
  - Schedule O is used to provide supplemental information regarding certain of the Part I questions

**Effect on Reporting**

Schedule J requires information which may result in new recordkeeping and reporting, both for reporting on the organization's compensation practices and for reporting compensation amounts, for those organizations required to complete Schedule J.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**SCHEDULE K (FORM 990) – SUPPLEMENTAL INFORMATION ON TAX-EXEMPT BONDS (NEW)**

**Purpose**

Schedule K is used to report certain information on outstanding liabilities associated with tax exempt bond issues.

**Applicable Part IV Checklist Trigger Questions**

Any organization that answered “Yes” to line 24a must complete Schedule K.

- Line 24a. Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, and that was issued after December 31, 2002? If “Yes,” answer 24b-24d and complete Schedule K.

**Rationale and Overview**

The 2007 Form 990 requires a schedule to be attached for line 64a, Tax-exempt bond liabilities. The line 64a instructions provide that for all bonds and obligations outstanding at any time during the year, the schedule must show for each separate issue:

- the purpose of the issue;
- the amount of the issue outstanding;
- the unexpended bond proceeds; and
- whether any portion of any bond-financed facility was used by a third party (other than a governmental unit or section 501(c)(3) organization), and, if so, the percentage of space used by the third party.

Schedule K, *Supplemental Information on Tax-Exempt Bonds*, replaces this unstructured attachment, and requires additional information reporting on bonds issued after 2002. This includes refunding bonds issued after 2002 to refund bonds issued before 2003, although Part III, *Private Business Use*, need not be completed with respect to such refunding bonds. Special transition rules apply for 2008, as described below.

**Key Points**

- the organization need not report bonds issued before 2003, or bonds with outstanding principal amounts of \$100,000 or less
- the organization may complete Schedule K with respect to any tax exempt liability using its tax year or any other 12-month period or periods selected by the organization and used consistently for an obligation; this means an organization may use different periods for different obligations, although it must report using other periods in Schedule O
- subject to the transition relief described below, Parts I through IV must be completed for bonds issued after 2002, except that Part III need not be

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

completed for refunding bonds issued after 2002 to refund bonds issued before 2003

- Part I, *Bond Issues* (Required for 2008), requires basic information regarding the bond issue
- Part II, *Proceeds* (Optional for 2008), requires information regarding the use of proceeds for each listed bond issue
- Part III, *Private Business Use* (Optional for 2008), requires information regarding private business use for each listed bond issue
- Part IV, *Arbitrage* (Optional for 2008), requires arbitrage information for each listed bond issue
- Use Schedule O to provide additional required or desired information

**Transition Relief**

Schedule K is effective for 2008 tax years. However, only Part I is required for 2008 so that an organization need only provide basic identifying information regarding outstanding bond issues. Parts II, III, and IV are optional for 2008 tax years. All parts must be completed beginning with 2009 tax years.

**Effect on Reporting**

Most of the information contained in Part I is required by the 2007 form so any additional reporting burden for this part should be minimal. The information contained in Parts II, III and IV was not previously reported on Form 990, and will impose additional reporting burden on those organizations that have borrowed through the use of tax-exempt bonds, even though much of this information is required for other purposes. The exception from Schedule K reporting of pre-2003 bond issues will mean that organizations are not required to annually provide information regarding those bond issues for purposes of Form 990 reporting going forward, although other applicable reporting and recordkeeping requirements will continue to apply for such issues. The exception from Part III reporting for certain refunding bonds will make it easier for organizations to comply with the overall Schedule K reporting requirements applicable to such bonds. The one year delay for most portions of the form will provide organizations an opportunity to put in place the systems needed to compile the information required to complete the schedule.

**SCHEDULE L (FORM 990 or 990-EZ) – TRANSACTIONS WITH INTERESTED PERSONS**

**Purpose**

Schedule L is used by an organization that files Form 990 or 990-EZ to provide information on certain financial transactions or arrangements between the organization and certain interested persons. It is also used to determine whether a voting member of the organization's governing body is an independent member for purposes of Part VI, *Governance, Management and Disclosure*, line 1b.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**Applicable Part IV Checklist Trigger Questions**

Section 501(c)(3) or (c)(4) organizations that answer “Yes” to Form 990, Part IV, line 25a or 25b, or to Form 990-EZ, Part V, line 40b (regarding excess benefit transactions), must complete Part I.

- Line 25a. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If “Yes,” complete Schedule L, Part I.
- Line 25b. Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? If “Yes,” complete Schedule L, Part I.
- 990-EZ line 40b. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If “Yes,” complete Schedule L, Part I.

All organizations that file Form 990 and answer “Yes” to Part IV, line 26, or that file Form 990-EZ and answer “Yes” to line 38a (regarding loans), must complete Part II.

- Line 26. Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization’s tax year? If “Yes,” complete Schedule L, Part II.
- 990-EZ line 38a. Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee or were any such loans made in a prior year and still unpaid at the start of the period covered by this return? If “Yes,” complete Schedule L, Part II and enter the total amount involved.

All organizations that file Form 990 and answer “Yes” to Part IV, line 27 (regarding grants) must complete Part III.

- Line 27. Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? If “Yes,” complete Schedule L, Part III.

All organizations that file Form 990 and answer “Yes” to Part IV, line 28a, 28b, or 28c (regarding business transactions) must complete Part IV.

- Line 28. During the tax year, did any person who is a current or former officer, director, trustee, or key employee:
  - a. Have a direct business relationship with the organization (other than as an officer, director, trustee, or employee), or an indirect business relationship through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Part VII, Section A)? If “Yes,” complete Schedule L, Part IV.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- b. Have a family member who had a direct or indirect business relationship with the organization? If “Yes,” complete Schedule L, Part IV.
- c. Serve as an officer, director, trustee, key employee, partner, or member of an entity (or a shareholder of a professional corporation) doing business with the organization? If “Yes,” complete Schedule L, Part IV.

**Rationale and Overview**

The 2007 Form 990 and 990-EZ required information of certain organizations regarding excess benefit transactions and loans with certain interested persons. In addition, Form 990, Schedule A, Part III, line 2 required certain information regarding direct and indirect business relationships with certain interested persons. Schedule L consolidates these separate reporting requirements in one schedule.

Section 501(c)(3) and (c)(4) organizations are required to provide the same information as in prior years regarding excess benefit transactions (Part I). Organizations previously required to provide certain information regarding loans to or from certain interested persons must report this information in Part II. Part III regarding grants or assistance to certain interested persons generally requests information previously required to be provided in unstructured attachments to lines 22b and 23. Part IV regarding direct and indirect business relationships replaces the 2007 Form 990 Schedule A, Part III, line 2 reporting requirements.

**Key Points**

- the instructions provide that a particular transaction or relationship is only to be reported in one part of the schedule, and indicate which part to report a transaction or relationship if it otherwise could be reportable in more than one part
- what constitutes an interested person differs for the various parts; refer to the instructions for each part to determine which persons must be reported for each part
- Part I, Excess Benefit Transactions (501(c)(3) and (c)(4) organizations only)
  - All excess benefit transactions must be reported, regardless of amount (same as for 2007 line 89b)
  - Instructions clarify that the identify of the disqualified person is to be reported, not just the person’s office or status as a disqualified person
- Part II, Loans to and from Interested Persons
  - All transactions of a type that must be reported are to be reported regardless of amount (i.e., no minimum reporting thresholds)
    - Exceptions apply, including an ordinary course of business exception

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Part II requires less information than was required in the 2007 form's attachments (lines 50 and 63) pertaining to loans to and from interested persons
- Part III, Grants or Assistance Benefitting Interested Persons
  - This part requires reporting of grants or other assistance that benefit an interested person, including the name and relationship of the person and the amount of the grant or assistance; this was generally required in the unstructured attachments relating to 2007 lines 22b and 23
  - All transactions of a type that must be reported are to be reported regardless of amount (i.e., no minimum reporting thresholds)
    - Exceptions apply, including for certain grants or awards made on a nondiscriminatory basis or to the person as a member of the charitable or other class intended to benefit from the program in furtherance of the organization's exempt purpose
  - For Part III, an interested person includes a substantial contributor; the instructions clarify that the identity of the substantial contributor is not to be reported on the schedule so that such information is not made public
    - The instructions define "substantial contributor" for this purpose as a person that contributed at least \$5,000 to the organization during the year and that is required to be reported by name on Schedule B
    - The instructions describe an express reasonable efforts process that the organization may rely on to provide information about a grant or assistance to an interested person, and provide an example of how this may be accomplished
- Part IV, Business Transactions Involving Interested Persons
  - This part requires reporting of certain business transactions between the organization and interested persons, and information including the name and relationship of the interested person, a description of the transaction and amount, and whether the transaction involves a sharing of the organization's revenues
  - Reporting is based on payments during the year, regardless of when the transaction was entered into
  - The instructions establish individual transaction and aggregate transaction thresholds
    - Payments with respect to a particular transaction must be reported if they exceed the greater of \$10,000 or 1% of the organization's revenue
    - Payments with respect to a particular person must be reported if the aggregate of all payments between the organization and the person exceed \$100,000 for the year



**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Compensation payments paid to a family member of certain persons must be reported if they exceed \$10,000
- The instructions allow flexibility to report transactions separately or aggregate them by type with respect to a person
- There is no ordinary course of business exception to Part IV reporting
- Reasonable efforts. The instructions describe an express reasonable efforts process that the organization may rely on to obtain information about a transaction with an interested person, and provide an example of how this may be satisfied.

**Effect on Reporting**

The current Forms 990 and 990-EZ generally require much of the same information requested in Schedule L. The required information to be reported for loans (Part II) has been reduced. Part III requests information on transactions previously required in unstructured attachments to lines 22b and 23. Part IV is not new for section 501(c)(3) organizations but replaces or is similar to Schedule A, Part III, line 2, and extends this reporting to all organizations. Many commentators expressed concern that the Part IV reporting of business transactions will be unduly burdensome. The new reporting thresholds and express reasonable efforts process provided for in the instructions were incorporated to address these concerns.

**SCHEDULE M (FORM 990) – NON-CASH CONTRIBUTIONS (NEW)**

**Purpose**

Schedule M is used to report the types of non-cash contributions of property received by the organization during the year.

**Applicable Part IV Checklist Trigger Questions**

An organization that answered “Yes” to lines 29 or 30 must complete Schedule M.

- Line 29. Did the organization receive more than \$25,000 in non-cash contributions? If “Yes,” complete Schedule M.
- Line 30. Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If “Yes,” complete Schedule M.

**Rationale and Overview**

The 2007 form does not capture information about an organization’s non-cash contributions, other than for certain contributions required to be reported on Schedule B. Schedule M collects aggregate annual information on the various types of non-cash property an organization receives, as well as certain

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

information regarding its non-cash contribution fundraising policies, practices, and substantiation.

**Key Points**

- Schedule M applies to all organizations, not just charities
- The organization does not report contributions of services or use of facilities on the schedule
- Contributions of property are to be reported regardless of whether they are deductible under section 170 as charitable contributions
- The organization must report for each type of property received the number of contributions, the revenue reported on Part VIII, line 1g (non-cash revenue amount), and the method used to determine revenue for the type of property
- To reduce burden, the number of contributions need not be reported for two types of property: books and publications, and clothing and household goods
- To reduce burden, the instructions provide that organizations generally may report the number of contributions based on number of items or number of gifts, determined in accordance with its recordkeeping practices. Special rules apply for securities.
- Museums and other organizations that maintain collections, and organizations that receive conservation easements, must complete Schedule M for contributions even if they do not report revenue for such contributions (as permitted by financial reporting standards)
- Lines 29 through 33 require reporting regarding the number of Forms 8283 received, gift acceptance policies, the use of third parties to solicit, process or sell non-cash contributions, and non-cash contributions for which revenue was not reported. Organizations are to use Part II to provide supplemental information regarding such items.

**Effect on Reporting**

Schedule M creates new reporting requirements which will likely result in new recordkeeping and reporting practices for those organizations that receive significant non-cash contributions. The reporting exceptions and thresholds, and the ability to report based on financial statement methods, should help reduce burden for many organizations.

**SCHEDULE N (FORM 990 or 990-EZ) – LIQUIDATION, TERMINATION, DISSOLUTION, OR SIGNIFICANT DISPOSITION OF ASSETS**

**Purpose**

Schedule N is used by an organization that files Form 990 or 990-EZ to provide information relating to going out of existence or disposing of more than 25% of its net assets, whether through a contraction, sale, exchange, or other disposition.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**Applicable Part IV Checklist Trigger Questions**

An organization that answered “Yes” to Form 990 Part IV, line 31, or to Form 990-EZ, line 36, must complete Schedule N, Part I.

- Form 990 line 31. Did the organization liquidate, terminate, or dissolve and cease operations? If “Yes,” complete Schedule N, Part I.
- Form 990-EZ line 36. Was there a liquidation, dissolution, termination, or substantial contraction during the year? If “Yes,” complete applicable parts of Schedule N.

An organization that answered “Yes” to Form 990 Part IV, line 32 must complete Schedule N, Part II.

- Form 990 line 32. Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets or undergo a substantial contraction? If “Yes,” complete Schedule N, Part II.

**Rationale and Overview**

The 2007 Form 990 required an organization to attach a statement if it answered yes to question 79, “Was there a liquidation, dissolution, termination, or substantial contraction during the year?” The 2007 Form 990-EZ line 36 required similar information. The reporting requirement did not extend to significant dispositions of assets other than substantial contractions, and thus did not include dispositions for consideration at fair market value.

Schedule N incorporates the information required by the 2007 reporting requirements, and requests additional information about major events such as major dispositions of assets even if the organization received full or partial consideration. The expanded reporting will provide information on whether the organization’s assets are used for exempt purposes following a termination, a conversion of an exempt organization into a for-profit organization, a significant disposition of assets after which the organization continues to exist, and similar transactions.

**Key Points**

- Schedule N is required of all filing organizations, not just section 501(c)(3) organizations
- Part I requires reporting of events involving the cessation of operations of the organization
- Part II involves other reporting of significant dispositions of assets (more than 25% of net assets), regardless of whether the organization receives fair market value in the transaction
- Both parts require reporting descriptions of the assets distributed or transaction costs incurred, the date and fair market value of the distribution or expenditure, the method of determining that value, and the EIN, name, address and type of entity of the recipient

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Transaction costs over \$10,000 must be separately reported
- Both parts require new reporting of arrangements between an officer, director, trustee, or key employee of the organization and a successor or transferee organization, such as a compensation or ownership arrangement, and compensation paid by the filing organization attributable to the event or transaction
- In the case of terminating events, Part I, lines 3 through 7 require new reporting regarding whether the assets were distributed in accordance with the organization's governing instruments, liabilities were satisfied in accordance with state law, and all appropriate state officials were notified
  - Special reporting applies for tax exempt bond liabilities
- Part II significant disposition events include taxable or tax-free sales or exchanges of assets; sales or contributions to establish or maintain an interest in a partnership, corporation or joint venture, regardless of whether section 351 or 721 applies; sales of assets by a joint venture in which the organization is a partner or member; reorganizations in which the organization is a surviving entity; and a contraction of assets resulting from a grant or charitable contribution to another organization
  - A change in composition of publicly traded securities in an organization's passive investment portfolio, a decrease in value due solely to market fluctuations, and transactions made in the ordinary course, are not required to be reported in Part II
- Report supplemental information in Part III

**Effect on Reporting**

Schedule N, Part II expands reporting for major dispositions that are not "substantial contractions" under the 2007 reporting requirements, and thus will increase reporting burden with respect to those transactions. For those transactions previously required to be reported, the enhanced reporting requirements could involve additional burden.

**SCHEDULE O (FORM 990) – SUPPLEMENTAL INFORMATION TO FORM 990 (NEW)**

**Purpose**

Schedule O is used to provide narrative information required for responses to specific questions on Form 990, and to explain the organization's operations or responses to various questions.

**Applicable Part IV Checklist Trigger Questions**

There is no Part IV checklist question. Schedule O is required to be completed by every organization for several Part VI questions (e.g., line 10, describe the organization's Form 990 review process, if any), and for other questions depending upon the organization's responses.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

**Rationale and Overview**

Schedule O was added to provide organizations the opportunity to supplement their responses to various questions.

**Key Points**

- Paper filing. Schedule O instructions provide that the organization is to use a heading to identify clearly the specific Part and line number that each response supports, and arrange the responses in sequential order based on the order in which the questions appear in the form.
- Electronic Filing. An electronic filer will have up to two 'pages' to respond to each question or item, and two additional 'pages' to provide other information not required by the form. This will result in a single attachment with each response separated by a specific line number on the form.
  - The 2008 form will not provide for attachment of PDF items for 2008 tax years. The IRS will continue to study the feasibility of these suggestions.
- The Schedule O instructions contain a list of items for which Schedule O reporting is required

**Effect on Reporting**

The impact on reporting caused by Schedule O will depend largely upon the organization's particular facts and circumstances regarding the required supplemental responses, and the extent to which the organization uses the schedule to supplement its other responses and provide information to describe its operations and activities.

**SCHEDULES P AND Q – RESERVED**

The form does not currently include a Schedule P or Q. They are reserved for possible future use.

**SCHEDULE R (FORM 990) – RELATED ORGANIZATIONS AND UNRELATED PARTNERSHIPS**

**Purpose**

Schedule R is used by an organization to provide information regarding its related organizations, on certain transactions with related organizations, and on certain unrelated partnerships through which the organization conducts significant activities.

**Applicable Part IV Checklist Trigger Questions**

Part I, Identification of Disregarded Entities. All organizations that answer "Yes" to line 33 must complete Part I.

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- Line 33. Did the organization own 100% of an entity disregarded as separate from the organization under Regulations section 301.7701-2 and 301.7701-3? If “Yes,” complete Schedule R, Part I.

Parts II, III, IV (Identification of Related Tax-Exempt Organizations, Related Organizations Taxable as a Partnership, and Related Organizations Taxable as a Corporation or Trust, respectively), and Part V, line 1 (Transactions with Related Organizations). All organizations that answer “Yes” to line 34 must complete Part II.

- Line 34. Was the organization related to any tax-exempt or taxable entity? If “Yes,” complete Schedule R, Parts II, III, IV, and V, line 1.

Part V, line 2 (Transactions with Related Organizations). All organizations that answer “Yes” to line 35 or 36 must complete Part V, line 2.

- Line 35. Is any related organization a controlled entity within the meaning of section 512(b)(13)? If “Yes,” complete Schedule R, Part V, line 2.
- Line 36. 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If “Yes,” complete Schedule R, Part V, line 2.

Part VI (Unrelated Organizations Taxable as a Partnership). All organizations that answer “Yes” to line 37 must complete Part VI.

- Line 37. Did the organization conduct more than 5 percent of its activities through an entity that is not a related organization and that is taxed as a partnership? If “Yes,” complete Schedule R, Part VI.

### **Rationale and Overview**

The 2007 Form 990, Part IX requires all organizations to provide information regarding disregarded entities and taxable subsidiaries (partnerships, limited liability companies, and corporations) more than 50% owned by the organization. The requested information includes the name of the organization, EIN, nature of activity, percentage ownership held by the organization, and the total income and assets of the related organization. The 2007 form does not require reporting of similar information for joint ventures or investments in for-profit organizations which are not controlled by the organization, even though the tax compliance concerns may be greater in many of those cases.

Part XI of the 2007 form requires information regarding transfers by all filing organizations to and from controlled entities within the meaning of section 512(b)(13).

Schedule A, Part VII of the 2007 form requires charities (but not other organizations) to provide certain information regarding transfers to and transactions and relationships with noncharitable exempt organizations, even if the organization is not controlled by the filing organization. This information

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

includes type of transfer or relationship, amount involved, name of the other organization, and a description of the transaction or relationship.

Schedule R was added to capture the increasingly complex organizational structures of tax-exempt organizations and improve transparency with respect to such structures. It contains separate parts for reporting the various types of tax entities (disregarded, exempt, tax partnership, tax corporation or trust) so that information specific to relationships with each type of tax entity can be reported in an organized manner. Required information for these parts generally includes the name of the related organization, a description of its primary activity, the state or country of domicile, certain ownership and financial information, and in the case of partnerships, information regarding disproportionate allocations and unrelated business income allocations. Schedule R also extends the 2007 form's Schedule A, Part VII reporting of various transfers from charities to all types of exempt organizations, although it eliminates this reporting with respect to tax-exempt transferees that were not controlled by the organization. Schedule R continues the reporting by all filing organizations of information regarding transfers to and from controlled entities within the meaning of section 512(b)(13).

Schedule R also adds new reporting for unrelated partnerships through which the organization conducts significant exempt, business, or investment activities. For this purpose, significant generally means activities that are more than 5% of the filing organization's gross revenue or total assets, whichever percentage is greater.

**Key Points**

- “Related organization” is generally defined by reference to a “more than 50%” control or ownership standard, and includes a parent-subsidiary, brother-sister, or supporting-supported organization relationship
  - Special control rules apply in the case of nonprofit entities and tax partnerships in which the organization is a general partner or managing member
- Part I, Identification of Disregarded Entities
  - Organization must list all disregarded entities and provide information regarding primary activity, domicile, share of income and assets, and direct controlling entity
- Part II, Identification of Related Tax-Exempt Organizations
  - Organization must list all related tax-exempt organizations, and provide information regarding primary activity, domicile, entity status, and direct controlling entity
- Part III, Identification of Related Organizations Taxable as a Partnership
  - Organization must list all related partnerships and limited liability companies taxed as a partnership, and provide information regarding primary activity, domicile, share of income and assets,

**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

- disproportionate and unrelated business income allocations (new), and direct controlling entity
- Organization must also state whether it is a general or managing partner and the predominant income of the partnership (related, unrelated, or investment) (new)
- Part IV, Identification of Related Organizations Taxable as a Corporation or Trust
  - Organization must list all related organizations taxable as a corporation or a trust, and provide information regarding primary activity, domicile, entity status, share of income and assets, percentage ownership, and direct controlling entity
- Part V, Transactions with Related Organizations
  - Line 1 requires check box reporting of transactions between the organization and related organizations listed in Parts II, III or IV (tax exempts, partnerships, corporations or trusts); the new check box reporting captures general transaction type information based on the flows of funds to or from the filing organization
  - Line 2 reporting is limited to (1) transactions with controlled entities within the meaning of section 512(b)(13) as required by section 6033(h), and (2) to 501(c)(3) filing organization transactions with a non-charitable related organization as required by 6033(b)(9)
    - Line 2 reporting of such transactions is required for each transaction type that exceeds \$50,000 per related organization (except for 512(b)(13) reportable payments which must be reported regardless of amount)
    - Descriptions of transaction and relationship are no longer required
  - No longer requires the reporting of certain transactions between section 501(c)(3)/4947(a)(1) organizations and tax-exempt organizations that are not related
- Part VI, Unrelated Organizations Taxable as a Partnership (new)
  - This part was added to collect information regarding investments in tax partnerships which are not controlled by the organization but through which the organization conducts activities constituting at least 5% of its total activities, measured by gross revenue or total assets, whichever is greater
- Special rules apply to members of a group exemption (see instructions to Schedule R and to Appendix E). In general, affiliates within a group exemption need not be reported as related organizations on Schedule R, but other related organizations are required to be reported

**Effect on Reporting**

Part I requires information similar to that required on the 2007 form for disregarded entities. Part II, regarding relationships with other exempt organizations, is new for non-charities, but generally tracks information



**Background Paper**  
**Forms 990, Moving From the Old to the New**  
**August 19, 2008**

previously required of charities. Parts III and IV regarding partnerships and corporations are required on the 2007 form, but also require new information. The Part V, line 1 checkbox reporting is new for non-charities, but does not involve detailed reporting of particular transactions or transaction types, so should not significantly affect reporting burden. The Part V, line 2 reporting is simplified from that required of organizations in 2007, both because of new reporting thresholds and less information having to be reported. (However, Part V reporting regarding section 512(b)(13) controlled entities is unchanged.) Part VI establishes new reporting requirements which may result in new or modified recordkeeping practices regarding investments in certain joint ventures.