

1992



Department of the Treasury Internal Revenue Service

Instructions for Form 990EZ

Short Form Return of Organization Exempt From Income Tax

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) charitable trust (For organizations with gross receipts of less than \$100,000 and total assets of less than \$250,000 at end of year.)

(Section references are to the Internal Revenue Code unless otherwise indicated.)

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws.

The times needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

Table with 5 columns: Form, Recordkeeping, Learning about the law or the form, Preparing the form, Copying, assembling, and sending the form to the IRS. Rows include 990EZ and Sch. A (Form 990).

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to both the Internal Revenue Service, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the Office of Management and Budget, Paperwork Reduction Project (1545-1150), Washington, DC 20503. DO NOT send the form to either of these offices. Instead, see General Instruction H for information on where to file it.

General Instructions

Note: An organization's completed Form 990EZ (except for the schedule of contributors) is available for public inspection as required by section 6104. Some members of the public rely on Form 990EZ as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes the organization's programs and accomplishments.

Section 501(c)(3) organizations and section 4947(a)(1) charitable trusts must also attach a completed Schedule A (Form 990) to their Form 990EZ (or Form 990).

Purpose of Form.—Form 990EZ, an annual information return, is a shortened version of Form 990, Return of Organization Exempt From Income Tax. It is designed for use by small tax-exempt organizations and nonexempt charitable trusts to provide the IRS with the information required by section 6033. This form may be used to transmit elections that are required to be submitted to the IRS, such as the election to capitalize costs under section 266.

Contents Page
• General Instructions 1-5
A. Who Must File 1
B. Exempt Organization Reference Chart 2
C. Organizations Not Required To File 2
D. Forms and Publications To File or Use 2

Contents Page
E. Use of Form 990EZ To Satisfy State Reporting Requirements 3
F. Other Forms as Partial Substitutes for Form 990EZ 3
G. Accounting Period Covered 4
H. When and Where To File 4
I. Extension of Time To File 4
J. Amended Return/Final Return 4
K. Penalties 4
L. Public Inspection of Completed Exempt Organization Returns and Approved Exemption Applications 4
M. Disclosures Regarding Certain Information and Services Furnished 5
N. Disclosures Regarding Certain Transactions and Relationships 5
O. Erroneous Backup Withholding 5
P. Group Return 5
Q. Organizations in Foreign Countries and U.S. Possessions 5
• Specific Instructions 5
• Part I—Statement of Revenue, Expenses, and Changes in Net Assets or Fund Balances 6
• Part II—Balance Sheets 10
• Part III—Statement of Program Service Accomplishments 10
• Part IV—List of Officers, Directors, Trustees, and Key Employees 11
• Part V—Other Information 11

A. Who Must File.—

1. IMPORTANT NOTE: Gross receipts and total assets requirements.—Except for those types of organizations listed in General Instruction C, an annual return on Form 990 (or Form 990EZ) is required from every organization exempt from tax under section

501(a). This includes foreign organizations and cooperative service organizations described in sections 501(e) and (f), and child care organizations described in section 501(k). See General Instruction C.

Organizations whose annual gross receipts are normally more than \$25,000 must file Form 990 (or Form 990EZ). An organization may file Form 990EZ, instead of Form 990, if it meets BOTH of the following requirements: its gross receipts during the year were less than \$100,000 AND its total assets (line 25, column (B) of Form 990EZ) at the end of the year were less than \$250,000. If the organization fails to meet either of these conditions, it may not file Form 990EZ. Instead, the organization must file Form 990. See General Instruction C11.

2. Section 4947(a)(1) nonexempt charitable trust.—Any nonexempt charitable trust (described in section 4947(a)(1)) not treated as a private foundation is also required to file Form 990 (or Form 990EZ) if its gross receipts are normally more than \$25,000. See General Instruction A1 for Form 990EZ eligibility requirements. See General Instruction D7 for information regarding possible relief from filing Form 1041, U.S. Fiduciary Income Tax Return.

3. Exemption application pending.—If the organization's application for exemption is pending, check the box in item G at the top of page 1 of the return and complete the return.

4. If the organization received a Form 990 Package.—If the organization is not required to file Form 990EZ because the organization's gross receipts are normally not more than \$25,000 (see General Instruction C11), we ask that the organization file anyway if we sent it a Form 990 Package with a preaddressed mailing label. Attach the label to the name and address space on the return (see Specific Instructions). Check the box in item J in the area above Part I to indicate that the organization's gross receipts are not more than \$25,000; sign the return; and send it to the service center for the organization's area. The organization does not have to complete Parts I through V of the return. By following this instruction, it will help us to update our records, and we will not have to contact the organization later to ask why no return was filed. If the organization files a return this way, it will not be mailed a Form 990 Package in later years and need not file Form 990 (or Form 990EZ) again until its gross receipts normally exceed the \$25,000 minimum or it terminates or undergoes a substantial contraction as described in the instructions for line 36.

5. Effect on contributions.—Organizations that are eligible to receive tax-deductible contributions are listed in Publication 78, Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986. An organization may be removed from this listing if our records show that it is required to file Form 990 (or Form 990EZ), but it does not file a return or advise us that it is no longer required to file. However, contributions to such an organization may continue to be deductible by the general public until the IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

## B. Exempt Organization

### Reference Chart.—

### I.R.C. section

|   |                   |
|---|-------------------|
| *Corporations Organized Under Act of Congress . . . . .   | 501(c)(1)         |
| Title Holding Corporations . . . . .  | 501(c)(2)         |
| *Organizations—Charitable, Religious, Educational, Scientific, etc. . . . .   | 501(c)(3)         |
| Civic Leagues and Social Welfare Organizations . . . . .  | 501(c)(4)         |
| Labor, Agricultural, and Horticultural Organizations . . . . .  | 501(c)(5)         |
| Business Leagues, etc. . . . .  | 501(c)(6)         |
| Social and Recreation Clubs . . . . .   | 501(c)(7)         |
| Fraternal Beneficiary and Domestic Fraternal Societies and Associations . . . . .   | 501(c)(8) & (10)  |
| Voluntary Employees' Beneficiary Associations . . . . .   | 501(c)(9)         |
| Teachers' Retirement Fund Associations  | 501(c)(11)        |
| Benevolent Line Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc. . . . . | 501(c)(12)        |
| Cemetery Companies . . . . .  | 501(c)(13)        |
| State Chartered Credit Unions, Mutual Reserve Funds . . . . .   | 501(c)(14)        |
| Mutual Insurance Companies or Associations . . . . .  | 501(c)(15)        |
| Cooperative Organizations To Finance Crop Operations . . . . .  | 501(c)(16)        |
| Supplemental Unemployment Benefit Trusts . . . . .  | 501(c)(17)        |
| Employee Funded Pension Trusts (created before 6/25/59) . . . . .   | 501(c)(18)        |
| Organizations of Past or Present Members of the Armed Forces . . . . .  | 501(c)(19) & (23) |
| Prepaid Group Legal Services Plans . . . . .  | 501(c)(20)        |
| *Black Lung Benefit Trusts . . . . .  | 501(c)(21)        |
| Withdrawal Liability Payment Funds . . . . .  | 501(c)(22)        |
| Title Holding Corporations or Trusts . . . . .  | 501(c)(25)        |
| *Religious and Apostolic Associations . . . . .   | 501(d)            |
| Cooperative Hospital Service Organizations . . . . .  | 501(e)            |
| Cooperative Service Organizations of Operating Educational Organizations . . . . .  | 501(f)            |
| Child Care Organizations . . . . .  | 501(k)            |

\*See General Instruction C.

### C. Organizations Not Required To File.—

**Note:** Organizations not required to file this form with the IRS may nevertheless wish to use it to satisfy state reporting requirements. For details, see General Instruction E.

The following types of organizations exempt from tax under section 501(a) do not have to file Form 990 (or Form 990EZ) with the IRS:

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group), or an internally supported, church-controlled organization described in Rev. Proc. 86-23, 1986-1 C.B. 564.

2. A school below college level affiliated with a church or operated by a religious order.

3. A mission society sponsored by, or affiliated with, one or more churches or church denominations, if more than half of the society's activities are conducted in, or directed at persons in, foreign countries.

4. An exclusively religious activity of any religious order.

5. A state institution whose income is excluded from gross income under section 115.

6. An organization described in section 501(c)(1). Section 501(c)(1) organizations are

corporations organized under an Act of Congress that are:

a. Instrumentalities of the United States, and

b. Exempt from Federal income taxes.

7. A private foundation exempt under section 501(c)(3) and described in section 509(a). (Required to file Form 990-PF, Return of Private Foundation.)

8. A black lung benefit trust described in section 501(c)(21). (Required to file Form 990-BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.)

9. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. (See Form 5500, Annual Return/Report of Employee Benefit Plan.)

10. A religious or apostolic organization described in section 501(d). (Required to file Form 1065, U.S. Partnership Return of Income.)

11. An organization whose annual gross receipts are normally \$25,000 or less is not required to file; however, see General Instruction A4.

(a) **Calculating gross receipts.**—The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses. Gross receipts are the sum of lines 1, 2, 3, 4, 5a, 6a, 7a, and 8 of Part I. Gross receipts can also be calculated by adding back the amounts on lines 5b, 6b, and 7b to the total revenue reported on line 9.

For example: On line 9 of its Form 990EZ for 1992, Organization M reported \$50,000 as total revenue. M added back the costs and expenses it had deducted on lines 5b (\$2,000); 6b (\$1,500); and 7b (\$500) to its total revenue of \$50,000 and determined that its gross receipts for the tax year were \$54,000.

(b) **Acting as agent.**—If a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from collecting them, the local chapter should not include the premiums in its gross receipts. The parent lodge should report them instead. The same treatment applies in other situations in which one organization collects funds merely as an agent for another.

(c) **\$25,000 gross receipts test.**—An organization's gross receipts are considered normally to be \$25,000 or less if the organization is:

(1) Up to a year old and has received, or donors have pledged to give, \$37,500 or less during its first tax year;

(2) Between one and three years old and averaged \$30,000 or less in gross receipts during each of its first two tax years; or

(3) Three years old or more and averaged \$25,000 or less in gross receipts for the immediately preceding three tax years (including the year for which the return would be filed).

## D. Forms and Publications To File or Use.—

1. **Schedule A (Form 990).**— Organization Exempt Under Section 501(c)(3) (Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Charitable Trust. Filed with Form 990EZ for a section 501(c)(3) organization that is not a private foundation (including an organization described in section 501(e), 501(f), or 501(k)). Also filed with Form 990EZ for a section 4947(a)(1) charitable trust not treated as a private foundation. An organization is not required to file Schedule A (Form 990) if its gross receipts are normally \$25,000 or less. See General Instruction C11.

2. **Forms W-2 and W-3.**—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

3. **Form 940.**—Employer's Annual Federal Unemployment (FUTA) Tax Return.

4. **Form 941.**—Employer's Quarterly Federal Tax Return. Used to report social security, Medicare, and income taxes withheld by an employer and social security and Medicare taxes paid by an employer.

If income, social security, and Medicare taxes that must be withheld are not withheld or are not paid to the IRS, a 100% penalty may apply. The penalty is 100% of such unpaid taxes.

The 100% penalty may be imposed on all persons (including volunteers) who are determined by the IRS to be responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so.

5. **Form 990-T.**—Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of \$1,000 or more from business unrelated to the organization's exempt purpose.

6. **Form 990-W.**—Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

7. **Form 1041.**—U.S. Fiduciary Income Tax Return. Required of section 4947(a)(1) charitable trusts that also file Form 990 (or 990EZ). However, if such a trust does not have any taxable income under Subtitle A of the Code, it can file either Form 990 (or Form 990EZ) and need not file Form 1041 to meet its section 6012 filing requirement. If this condition is met, check the box for question 42 on page 2 of Form 990EZ and do not file Form 1041, but complete Form 990EZ in the normal manner. A section 4947(a)(1) charitable trust that normally has gross receipts of not more than \$25,000 (see General Instruction C11) and has no taxable income under Subtitle A must complete only the following items in the heading of Form 990EZ:

### Item

A. Fiscal year (if applicable);

B. Name and address;

C. Employer identification number; and

F. Section 4947(a)(1) charitable trust box.

Also, complete question 42 and the signature block on page 2.

8. **Form 1096.**—Annual Summary and Transmittal of U.S. Information Returns.

9. **Form 1099 Series.**—Information returns for reporting payments such as dividends,

interest, miscellaneous income (including medical and health care payments and nonemployee compensation), original issue discount, patronage dividends, real estate transactions, acquisition or abandonment of secured property, and distributions from annuities, pensions, profit-sharing plans, and retirement plans.

**10. Form 1120-POL.**—U.S. Income Tax Return for Certain Political Organizations.

**11. Form 1128.**—Application To Adopt, Change or Retain a Tax Year.

**12. Form 2758.**—Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns.

**13. Form 4506-A.**—Request for Public Inspection or Copy of Exempt Organization Tax Form.

**14. Form 4720.**—Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code. Section 501(c)(3) organizations that file Form 990 (or Form 990EZ), as well as the managers of these organizations, use this form to report their tax on political expenditures and certain lobbying expenditures.

**15. Form 5500 or 5500-C/R.**—Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series forms specified below. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

The forms required to be filed are:

**Form 5500.**—Annual Return/Report of Employee Benefit Plan. Used for each plan with 100 or more participants.

**Form 5500-C/R.**—Return/Report of Employee Benefit Plan. Used for each plan with fewer than 100 participants.

**16. Form 5768.**—Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.

**17. Form 8282.**—Donee Information Return. Required of the donee of "charitable deduction property" who sells, exchanges, or otherwise disposes of the property within two years after receiving the property.

Also, the form is required of any successor donee who disposes of charitable deduction property within two years after the date that the donor gave the property to the original donee. It does not matter who gave the property to the successor donee. It may have been the original donee or another successor donee. For successor donees, the form must be filed only for any property that was transferred by the original donee after July 5, 1988.

**18. Form 8300.**—Report of Cash Payments Over \$10,000 Received in a Trade or Business. Used to report cash amounts in excess of \$10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162). However, if the organization receives a charitable cash contribution in excess of \$10,000, it is not subject to the reporting requirement since the funds were not received in the course of a trade or business.

**19. Form 8822.**—Change of Address. Used to notify the IRS of a change in mailing address that occurs after the return is filed.

**20. Publications.**—

**Publication 525.**—Taxable and Nontaxable Income.

**Publication 598.**—Tax on Unrelated Business Income of Exempt Organizations.

**Publication 910.**—Guide to Free Tax Services.

**Publication 1391.**—Deductibility of Payments Made to Charities Conducting Fund-Raising Events.

Publications and forms are available free at many IRS offices or by calling **1-800-TAX-FORM** (1-800-829-3676).

**E. Use of Form 990EZ To Satisfy State Reporting Requirements.**—Some states and local government units will accept a copy of Form 990EZ and Schedule A (Form 990) in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected.

If the organization intends to use Form 990EZ to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following:

**1. Determine state filing requirements.**—You should consult the appropriate officials of all states and other jurisdictions in which the organization does business to determine their specific filing requirements. "Doing business" in a jurisdiction may include any of the following: **(a)** soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; **(b)** conducting programs; **(c)** having employees within that jurisdiction; **(d)** maintaining a checking account; or **(e)** owning or renting property there.

**2. Monetary tests may differ.**—Some or all of the dollar limitations applicable to Form 990EZ when filed with the IRS may not apply when using Form 990EZ in place of state or local report forms. Examples of the IRS dollar limitations that do not meet some state requirements are the \$25,000 gross receipts minimum that creates an obligation to file with the IRS (see General Instruction C11), and the \$30,000 minimum for listing professional fees in Part II of Schedule A (Form 990).

**3. Additional information may be required.**—State or local filing requirements may require the organization to attach to Form 990EZ one or more of the following: **(a)** additional financial statements, such as a complete analysis of functional expenses or a statement of changes in financial position; **(b)** notes to financial statements; **(c)** additional financial schedules; **(d)** a report on the financial statements by an independent accountant; and **(e)** answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990EZ filed with the IRS.

Even if the Form 990EZ the organization files with the IRS is accepted by the IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if required information is not

provided, including any of the additional information discussed above, or if the state determines that the form was not completed in accordance with the applicable Form 990EZ instructions or supplemental state instructions. If so, the organization may be asked to provide the missing information or to submit an amended return.

**4. Use of audit guides may be required.**—To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, and grants on line 1 in Part I and program service expenses in Part III be reported in accordance with the AICPA industry audit guide, *Audits of Voluntary Health and Welfare Organizations* (New York, NY, AICPA, 1992), as supplemented by *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations* (New York, NY, National Health Council, Inc. (Washington, DC), 1988), and by *Accounting and Financial Reporting—A Guide for United Ways and Not-for-Profit Human Service Organizations* (Alexandria, Va., United Way Institute, 1989).

**5. Donated services and facilities.**—However, although reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by the three publications named above, many states and the IRS do not permit the inclusion of those amounts in Part I of Form 990EZ. The instructions in Part III(a) discuss the optional reporting of donated services and facilities.

**6. Amended returns.**—If the organization submits supplemental information or files an amended Form 990EZ with the IRS, it must also furnish a copy of the information or amended return to any state with which the organization filed a copy of Form 990EZ originally to meet that state's filing requirement.

If a state requires the organization to file an amended Form 990EZ to correct conflicts with Form 990EZ instructions, the organization must also file an amended return with the IRS.

**7. Method of accounting.**—Most states require that all amounts be reported based on the accrual method of accounting. See also Specific Instructions, item I.

**8. Time for filing may differ.**—The time for filing Form 990EZ with the IRS differs from the time for filing reports with some states.

**9. Public inspection.**—The Form 990EZ information made available for public inspection by the IRS may differ from that made available by the states. See the cautionary note for Part I, line 1, instruction D, Note (2).

**10. State registration number.**—Insert the applicable state or local jurisdiction registration or identification number in item D (in the heading on page 1) for each jurisdiction in which the organization files Form 990EZ in place of the state or local form. When filing in several jurisdictions, prepare as many copies as needed with item D blank. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

**F. Other Forms as Partial Substitutes for Form 990EZ.**—Except as provided below, the IRS will not accept any form as a substitute for one or more parts of Form 990EZ.

**1. Labor organizations.**—A labor organization that files **Form LM-2**, Labor Organization Annual Report, or the shorter **Form LM-3**, with the U.S. Department of Labor (DOL) can attach a copy of the completed DOL form to provide some of the information required by Form 990EZ. This substitution is not permitted if the organization files a DOL report that consolidates its financial statements with those of one or more separate subsidiary organizations.

**2. Employee benefit plans.**—An employee benefit plan may be able to substitute Form 5500, or Form 5500-C/R, for part of Form 990EZ. The substitution can be made if the organization filing Form 990EZ and the plan filing Form 5500 or 5500-C/R meet all the following tests:

a. The Form 990EZ filer is organized under section 501(c)(9), (17), (18), or (20);

b. The Form 990EZ filer and Form 5500 filer are identical for financial reporting purposes and have identical receipts, disbursements, assets, liabilities, and equity accounts;

c. The employee benefit plan does not include more than one section 501(c) organization, and the section 501(c) organization is not a part of more than one employee benefit plan; and

d. The organization's accounting year and the employee plan year are the same. If they are not, you may want to change the organization's accounting year, as explained in General Instruction G, so it will coincide with the plan year.

**Allowable substitution areas.**—Whether the organization files Form 990EZ for a labor organization or for an employee plan, the areas of Form 990EZ for which other forms can be substituted are the same. These areas are:

Part I, lines 10 through 16 (but complete lines 17 through 21).

Part II (but complete lines 25 through 27, columns (A) and (B)).

If the organization substitutes Form LM-2 or LM-3 for any of the Form 990EZ Parts or line items mentioned above, it must attach a reconciliation sheet to show the relationship between the amounts on the DOL forms and the amounts on Form 990EZ. This is particularly true of the relationship of disbursements shown on the DOL forms and the total expenses on line 17, Part I, of Form 990EZ. The organization must make this reconciliation because the cash disbursements section of the DOL forms includes nonexpense items. If the organization substitutes Form LM-2, be sure to complete a separate schedule of expenses.

**G. Accounting Period Covered.**—Base the organization's return on its annual accounting period (fiscal year) if one is established. If not, base the return on the calendar year.

A fiscal year should normally coincide with the natural operating cycle of the organization. The organization's fiscal year need not end on December 31 or June 30.

Use the 1992 Form 990EZ to report on a calendar-year 1992 accounting period or a fiscal year that began in 1992.

If the organization changes its accounting period, you may also use the 1992 form as the return for a short period (less than 12

months) ending November 30, 1993, or earlier.

In general, for the organization to change its accounting period, it must file timely a return on Form 990EZ for the short period resulting from the change. At the top of the short period return, write *Change of Accounting Period*. If the organization changed its accounting period within the ten-calendar-year period that includes the beginning of the short period, and it had a Form 990EZ (or Form 990) filing requirement at any time during that ten-year period, it must also attach a Form 1128 to the short period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

**H. When and Where To File.**—File Form 990EZ by the 15th day of the 5th month after the organization's accounting period ends.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after the change.

If the return is not filed by the due date (including any extension granted), attach a statement giving the reasons for not filing timely.

| If the principal office is located in—  | Send the return to the Internal Revenue Service Center below |
|---|--|
| Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee                | Atlanta, GA 39901  |
| Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, Wyoming   | Austin, TX 73301   |
| Indiana, Kentucky, Michigan, Ohio, West Virginia  | Cincinnati, OH 45999   |
| Alaska, California, Hawaii, Idaho, Nevada, Oregon, Washington   | Fresno, CA 93888   |
| Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont                                     | Holtsville, NY 00501   |
| Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin                         | Kansas City, MO 64999  |
| Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, any U.S. possession, or foreign country | Philadelphia, PA 19255                                       |

**I. Extension of Time To File.**—Use Form 2758 to request an extension of time to file.

**J. Amended Return/Final Return.**—To change the organization's return for any year, file a new return with the correct information that is complete in all respects, including required attachments. Thus, the amended return must provide all the information called for by the form and instructions, not just the new or corrected information. Write *Amended Return* at the top of the return.

The organization may file an amended return at any time to change or add to the information reported on a previously filed return for the same period. The organization must make the amended return available for public inspection for three years from the date of filing or three years from the date the original return was due, whichever is later.

Use Form 4506-A to obtain a copy of a previously filed return. You can obtain blank

forms for prior years by calling **1-800-TAX-FORM** (1-800-829-3676).

If the return is a final return, see the instructions for line 36, Part V, Other Information.

#### K. Penalties.—

**Against the organization.**—Under section 6652(c), a penalty of \$10 a day, not to exceed the lesser of \$5,000 or 5% of the gross receipts of the organization for the year, may be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause. The penalty begins on the due date for filing the Form 990EZ. The penalty may also be charged if the organization files an incomplete return or furnishes incorrect information. To avoid having to supply missing information later, be sure to complete all applicable line items; answer "Yes," "No," or "N/A" (not applicable) to each question on the return; make an entry (including a "-0-" when appropriate) on all *total* lines; and enter "None" or "N/A" if an entire part does not apply.

**Against responsible person(s).**—If the organization does not file a complete return or does not furnish correct information, the IRS will write to give the organization a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of \$10 a day, not to exceed \$5,000, unless he or she shows that not complying was due to reasonable cause. If more than one person is responsible, they are jointly and individually liable for the penalty.

There are also penalties—fines and imprisonment—for willfully not filing returns and for filing fraudulent returns and statements with the IRS (sections 7203, 7206, and 7207). There are also penalties for failure to comply with public disclosure requirements as discussed in General Instruction L. States may impose additional penalties for failure to meet their separate filing requirements.

#### L. Public Inspection of Completed Exempt Organization Returns and Approved Exemption Applications.—

##### Through the IRS.—

Forms 990, 990EZ, 990-PF, and certain other completed exempt organization returns are available for public inspection and copying upon request. Approved applications for exemption from Federal income tax are also available. The IRS, however, may not disclose portions of an application relating to any trade secrets, etc., nor can the IRS disclose the schedule of contributors required by Forms 990 and 990EZ (section 6104).

A request for inspection must be in writing and must include the name and address (city and state) of the organization that filed the return or application. A request to inspect a return should indicate the type (number) of the return and the year(s) involved. The request should be sent to the District Director (Attention: Disclosure Officer) of the district in which the requester desires to inspect the return or application. If inspection at the IRS National Office is desired, the request should be sent to the Commissioner of Internal Revenue, Attention: Freedom of Information Reading Room, 1111 Constitution Avenue, N.W., Washington, DC 20224.

Form 4506-A can be used to request a copy or to inspect an exempt organization return. There is a fee for photocopying.

#### Through the organization.—

**1. Annual return.**—An organization must, during the three-year period beginning with the due date (including extensions, if any), of the Form 990 (or Form 990EZ), make its return available for public inspection upon request. All parts of the return and all required schedules and attachments, other than the schedule of contributors to the organization, must be made available. Inspection must be permitted during regular business hours at the organization's principal office and at each of its regional or district offices having three or more employees. This provision applies to any organization that files Form 990 (or Form 990EZ), regardless of the size of the organization and whether or not it has any paid employees.

If an organization furnishes additional information to the IRS to be made part of its return, as a result of an examination or correspondence from the service center processing the return, it must also make that information part of the return it provides for public inspection.

If the organization does not maintain a permanent office, it must provide a reasonable location for a requester to inspect the organization's annual returns. The organization may mail the information to a requester. However, the organization can charge for copying and postage only if the requester gives up the right to a free inspection (Notice 88-120, 1988-2 C.B. 454).

Any person who does not comply with the public inspection requirement shall be assessed a penalty of \$10 for each day that inspection was not permitted, up to a maximum of \$5,000 with respect to any one return. No penalty will be imposed if the failure is due to reasonable cause. Any person who willfully fails to comply shall be subject to an additional penalty of \$1,000 (sections 6652(c) and 6685).

**2. Exemption application.**—Any section 501(c) organization that submitted an application for recognition of exemption to the Internal Revenue Service after July 15, 1987, must make available for public inspection a copy of its application (together with a copy of any papers submitted in support of its application) and any letter or other document issued by the Internal Revenue Service in response to the application. An organization that submitted its exemption application on or before July 15, 1987, must also comply with this requirement if it had a copy of its application on July 15, 1987. As in the case of annual returns, the copy of the application and related documents must be made available for inspection during regular business hours at the organization's principal office and at each of its regional or district offices having at least three employees.

If the organization does not maintain a permanent office, it must provide a reasonable location for the inspection of both its annual returns and exemption application. The information may be mailed. See the reference to Notice 88-120 in the discussion above for **Annual return**. The organization need not disclose any portion of an

application relating to trade secrets, etc., that would not also be disclosable by the IRS.

The penalties for failure to comply with this provision are the same as those discussed in **Annual return** above, except that the \$5,000 limitation does not apply.

**M. Disclosures Regarding Certain Information and Services Furnished.**—A section 501(c) organization that offers to sell or solicits money for specific information or a routine service for any individual that could be obtained by such individual from a Federal government agency free or for a nominal charge must disclose that fact conspicuously when making such offer or solicitation. Any organization that intentionally disregards this requirement will be subject to a penalty for each day on which the offers or solicitations are made. The penalty imposed for a particular day is the greater of \$1,000 or 50% of the total cost of the offers and solicitations made on that day which lacked the required disclosure.

**N. Disclosures Regarding Certain Transactions and Relationships.**—In their annual returns on Schedule A (Form 990), section 501(c)(3) organizations must disclose information regarding their direct or indirect transfers to, and other direct or indirect relationships with, other section 501(c) organizations (except other section 501(c)(3) organizations) or section 527 political organizations. This provision helps to prevent the diversion or expenditure of a section 501(c)(3) organization's funds for purposes not intended by section 501(c)(3). All section 501(c)(3) organizations must maintain records regarding all such transfers, transactions, and relationships. See General Instruction K, Penalties.

**O. Erroneous Backup Withholding.**—Recipients of dividend or interest payments generally must certify their correct taxpayer identification number to the bank or other payer on **Form W-9**, Request for Taxpayer Identification Number and Certification. If the payer does not get this information, it must withhold part of the payments as "backup withholding." If the organization was subject to erroneous backup withholding because the payer did not realize it was an exempt organization and not subject to this withholding, it can claim credit for the amount withheld. See the Instructions for Form 990-T if the organization had backup withholding erroneously withheld. Claims for refund must be filed within three years after the date the original return was due; three years after the date the organization filed it; or two years after the date the tax was paid, whichever is later.

**P. Group Return.**—If a parent organization wants to file a group return for two or more of its subsidiaries, it must use Form 990. The parent organization cannot use Form 990EZ. See the Instructions for Form 990 for filing a group return.

An affiliated organization covered by a group ruling may file a separate return instead of being included in the group return.

**Q. Organizations in Foreign Countries and U.S. Possessions.**—Report amounts in U.S. dollars and state what conversion rate you use. Combine amounts from within and outside the United States and report the total for each item. All information must be given in the English language.

## Specific Instructions

### Completing the Heading of Form 990EZ.—

The instructions that follow are keyed to items in the heading for Form 990EZ.

**Item A. Accounting period.**—Use the 1992 Form 990EZ to report on a calendar year or a fiscal year accounting period that began in 1992. Show the month and day the organization's fiscal year began in 1992 and the date the fiscal year ended. Refer to General Instruction G.

**Item B. Name and address.**—If we mailed the organization a Form 990 Package with a preaddressed mailing label, please attach the label in the name and address space on the organization's return. Using the label helps us avoid errors in processing the return. If any information on the label is wrong, draw a line through that part and correct it.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the P.O. box number instead of the street address.

**Item C. Employer identification number.**—The organization should have only one Federal employer identification number. If the organization has more than one and has not been advised which to use, notify the service center for its area (from the list in General Instruction H). State what numbers the organization has, the name and address to which each number was assigned, and the address of its principal office. The IRS will advise the organization which number to use. Section 501(c)(9) organizations must use their own employer identification number and not the number of their sponsor.

**Item D. State registration number.**—See General Instruction E10.

**Item E. Group exemption number.**—If the organization is covered by a group exemption letter, enter the four-digit group exemption number (GEN). Contact the central/parent organization if you are unsure of the GEN assigned.

**Item F. Type of organization.**—If the organization is exempt under section 501(c), check the applicable box and insert, within the parentheses, the number that identifies the type of section 501(c) organization the filer is. Refer to the chart in General Instruction B. If the organization is a section 4947(a)(1) charitable trust, check the applicable box and complete question 42. See General Instruction D1 and D7.

**Item G. Application pending.**—If the organization's application for exemption is pending, check this box and complete the return.

**Item H. Change of address.**—If the organization changed its address since the previous return was filed, check this box.

**Item I. Accounting method.**—Indicate the method of accounting used in preparing this return. Unless instructed otherwise, the organization should generally use the same accounting method on the return to figure revenue and expenses that it regularly uses to keep its books and records. To be acceptable for Form 990EZ reporting purposes, however, the method of accounting used must clearly reflect income.

If the organization prepares a Form 990EZ for state reporting purposes, it may file an identical return with the IRS even though the return does not agree with the books of account, unless the way one or more items are reported on the state return conflicts with the instructions for preparing Form 990EZ for filing with the IRS. For example, if the organization maintains its books on the cash receipts and disbursements method of accounting but prepares a state return based on the accrual method, it could use that return for reporting to the IRS. As another example, if a state reporting requirement requires the organization to report certain revenue, expense, or balance sheet items differently from the way it normally accounts for them on the books, a Form 990EZ prepared for that state is acceptable for the IRS reporting purposes if the state reporting requirement does not conflict with the Form 990EZ instructions. The organization should keep with its records a reconciliation of any differences between its books of account and the Form 990EZ it files.

Most states that accept Form 990EZ in place of their own forms require that all amounts be reported based on the accrual method of accounting. See General Instruction E.

**Item J. Gross receipts of \$25,000 or less.**—Check this box if the organization's gross receipts are normally not more than \$25,000. However, see General Instructions A4 and C11.

**Item K. Calculating gross receipts.**—Only those organizations with gross receipts of less than \$100,000 and total assets of less than \$250,000 at the end of the year can use the Form 990EZ. If the organization does not meet these requirements, it must file Form 990. See General Instruction C11(a).

**Public Inspection.**—All information the organization reports on or with its Form 990EZ, including attachments, will be available for public inspection, except the schedule of contributors required for line 1, Part I. Please make sure the organization's forms and attachments are clear enough to photocopy legibly.

**Signature.**—To make the return complete, an officer authorized to sign it must sign in the space provided. For a corporation, this officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation. For a trust, the authorized trustee(s) must sign.

Generally, anyone who is paid to prepare the return must sign it in the Paid Preparer's Use Only area. The paid preparer must complete the required preparer information and:

- Sign the return, by hand, in the space provided for the preparer's signature (signature stamps and labels are not acceptable).
- Give a copy of the return to the organization.

If you checked the box for question 42 on page 2 (section 4947(a)(1) charitable trust filing Form 990EZ instead of Form 1041), you must also enter the paid preparer's social security number or employer identification

number in the margin next to the paid preparer's space. Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

**Rounding Off To Whole Dollars.**—You may show money items as whole-dollar amounts. Drop any amount less than 50 cents and increase any amount from 50 through 99 cents to the next higher dollar.

**Completing All Lines.**—Unless the organization is permitted to use certain DOL forms or Form 5500 series returns as partial substitutes for Form 990EZ, do not leave any applicable lines blank or attach any other forms or schedules instead of entering the required information on the appropriate line on Form 990EZ. See General Instruction F.

**Assembling Form 990EZ.**—Before filing the Form 990EZ, assemble the package of forms and attachments in the following order:

- Form 990EZ
- Schedule A (Form 990). (The requirement to attach Schedule A (Form 990) applies to ALL section 501(c)(3) organizations and ALL section 4947(a)(1) charitable trusts.)
- Attachments to Form 990EZ
- Attachments to Schedule A (Form 990)

**Attachments.**—Use the schedules on the official form unless more space is needed. If you use attachments, please:

1. Show the form number and tax year;
2. Show the organization's name and employer identification number;
3. Clearly identify the Part or line(s) to which the attachments relate;
4. Include the information required by the form and use the same format as the form;
5. Follow the same Part and line sequence as the form; and
6. Use the same size paper as the form.

By following the above instructions for completing and assembling any attachments to the Form 990EZ and, where necessary, the Schedule A (Form 990), you will lessen the likelihood for correspondence regarding these attachments.

### Part I—Statement of Revenue, Expenses, and Changes in Net Assets or Fund Balances.—

All organizations filing Form 990EZ with the IRS or any state must complete Part I. Some states that accept Form 990EZ in place of their own forms may require additional information. See General Instruction E.

#### Line 1.—Contributions, gifts, grants, and similar amounts received.—

##### A. What is included on line 1.—

Report amounts received as voluntary contributions; that is, payments, or the part of any payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization.

Enter the gross amounts of contributions, gifts, grants, and bequests that the organization received from individuals, trusts, corporations, estates, affiliates, foundations, public charities, and other exempt organizations.

**(a) Contributions can arise from special events when an excess payment is received for items offered.**—Special fundraising activities such as dinners,

door-to-door sales of merchandise, carnivals, and bingo games can produce both contributions and revenue. Report as a contribution both on line 1 and on line 6a (within the parentheses) any amount received through a special event that is greater than the retail value of the merchandise or services furnished by the organization to the contributor.

This situation usually occurs when organizations seek support from the public through solicitation programs that are in part special fundraising events or activities and are in part solicitations for contributions. The primary purpose of such solicitations is to receive contributions and not to sell the merchandise at its fair market value (retail value) even though this might produce a profit.

For example, an organization announces that anyone who contributes at least \$40 to the organization can choose to receive a book worth \$16 retail value. A person who gives \$40, and who chooses the book, is really purchasing the book for \$16 and also making a contribution of \$24. The contribution of \$24, which is the difference between the buyer's payment and the \$16 retail value of the book, would be reported on line 1 and again on the description line of 6a (within the parentheses). The revenue received (\$16 retail value of the book) would be reported in the amount column on line 6a. Any expenses directly relating to the sale of the book would be reported on line 6b.

If a contributor gives more than \$40, that person would be making a larger contribution, the difference between the book's retail value of \$16 and the amount actually given. See also the line 6 instructions and Publication 1391.

*At the time of any solicitation or payment, organizations that are eligible to receive tax-deductible contributions should advise patrons of the amount deductible for Federal tax purposes.*

**(b) Contributions can arise from special events when items of only nominal value are offered.**—If an organization offers goods or services of only nominal value through a special event, report the *entire* amount received for such benefits as a contribution on line 1. Report all related expenses on lines 12 through 16.

Benefits have a nominal value when:

1. The benefit's fair market value is not more than 2% of the payment, or \$50, whichever is less; or
2. The payment is \$30.09 or more; the only benefits received are token items bearing the organization's name or symbol; and the organization's cost (as opposed to fair market value) is \$6.01 or less for all benefits received by a donor during the calendar year. These amounts are adjusted annually for inflation. See Rev. Proc. 92-58, 1992-29 I.R.B. 10.

**(c) Section 501(c)(3) organizations.**—These organizations must compute the amounts of revenue and contributions received from special events according to the above instructions when preparing their Support Schedule in Part IV of Schedule A (Form 990).

**(d) Grants equivalent to contributions.**—Grants made to encourage an organization receiving the grant to carry on programs or

activities that further the grant recipient's exempt purposes are grants that are equivalent to contributions. Report them on line 1. The grantor may specify which of the recipient's activities the grant may be used for, such as an adoption program or a disaster relief project.

A grant is still equivalent to a contribution if the grant recipient performs a service, or produces a work product, that benefits the grantor incidentally (but see line 1 instruction B(a) below).

**(e) Contributions received through other fundraising organizations.**—Contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies (such as United Way) are included on line 1.

**(f) Contributions received from associated organizations.**—Include on line 1 amounts contributed by other organizations closely associated with the reporting organization. This includes contributions received from a parent organization, subordinate, or another organization having the same parent.

**(g) Contributions from a commercial co-venture.**—Include amounts contributed by a commercial co-venture on line 1. These contributions are amounts received by the organization for allowing an outside organization or individual to use the recipient organization's name in a sales promotion campaign.

**(h) Contributions from governmental units.**—A grant, or other payment from a governmental unit, represents a contribution if its primary purpose is to enable the recipient to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of providing the service or facility).

**(i) Contributions in the form of membership dues.**—Include on line 1 membership dues and assessments to the extent they are contributions and not payments for benefits received (see line 3, instruction C(a)).

## **B. What is not included on line 1.—**

**(a) Grants that are payments for services are not contributions.**—A grant is a payment for service, and not a contribution, when the terms of the grant provide the grantor with a specific service, facility, or product, rather than providing a benefit to the general public or that part of the public served by the grant recipient. The recipient organization would report such a grant as income on line 2 (program service revenue).

**(b) Donations of services.**—Do not include the value of services donated to the organization, or items such as the free use of materials, equipment, or facilities, as contributions on line 1. However, for the optional reporting of such amounts, see instruction (a) for Part III.

**(c) Section 501(c)(9), (17), (18), and (20) organizations.**—These organizations provide participants with life, sick, accident, welfare, unemployment, pension, group legal services, or similar benefits, or a combination of these benefits. When such an organization receives payments from participants, or their employers, to provide these benefits, report the payments on line 2 as program service

revenue, rather than on line 1 as contributions.

## **C. How to value noncash contributions.—**

To report contributions received in a form other than cash, use the market value as of the date of the contribution. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices (or the average between the bona fide bid and asked prices) on the contribution date. When market value cannot be readily determined, use an appraised or estimated value.

To determine the amount of any noncash contribution that is subject to an outstanding debt, subtract the debt from the property's fair market value. Record the asset at its full value and record the debt as a liability in the books of account. See also line 1 instruction D, Note (1) below.

**D. Schedule of contributors.**—(Not open to public inspection) **Caution:** See Note (2) below.

**Attached schedule.**—Attach a schedule listing contributors who, during the year, gave the organization, directly or indirectly, money, securities, or other property worth \$5,000 or more. If no one contributed the reportable minimum, you do not need to attach a schedule.

In the schedule, show each contributor's name and address, the total amount received, and the date received. Contributors include individuals, fiduciaries, partnerships, corporations, associations, trusts, or exempt organizations.

If an employer withholds contributions from employees' pay and periodically gives them to the organization, report only the employer's name and address and the total amount given unless you know that a particular employee gave enough to be listed separately.

In determining whether a contributor gave \$5,000 or more, total that person's gifts of \$1,000 or more. Do not include smaller gifts. If the contribution consists of property whose fair market value can be determined readily (such as market quotations for securities), describe the property and list its fair market value. Otherwise, estimate the property's value.

**Exception:** *Organizations described in section 501(c)(7), (8), or (10) that received contributions or bequests to be used only as described in section 170(c)(4), 2055(a)(3), or 2522(a)(3).*

If an organization meets the terms of this exception, some information in its schedule will vary from that described above.

The schedule should list each person whose gifts total more than \$1,000 during the year. Give the donor's name, the amount given, the gift's specific purpose, and the specific use to which it was put. If an amount is set aside for a purpose described in section 170(c)(4), 2055(a)(3), or 2522(a)(3), explain how the amount is held (for instance, whether it is mingled with amounts held for other purposes). If the organization transferred the gift to another organization, name and describe the recipient and explain the relationship between the two organizations. Also show the total of the gifts that were \$1,000 or less and were for a

purpose described in section 170(c)(4), 2055(a)(3), or 2522(a)(3).

**Note (1):** *If the organization qualifies to receive tax-deductible charitable contributions and receives contributions of property (other than publicly traded securities) whose fair market value is more than \$5,000, the organization should usually receive a partially completed Form 8283, Noncash Charitable Contributions, from the contributor. The organization should complete the appropriate information on Form 8283, sign it, and return it to the donor. Retain a copy for the organization's records. See also General Instruction D17.*

**Note (2): Caution:** *If the organization files a copy of Form 990EZ and attachments with any state, do not include, in the attachments for the state, the schedule of contributors discussed above unless the schedule is specifically required by the state with which the organization is filing the return. States that do not require the information might nevertheless make it available for public inspection along with the rest of the return.*

**Line 2—Program service revenue.**—Enter the total program service revenue (exempt function income). Program services are primarily those that form the basis of an organization's exemption from tax.

**(a) Examples.**—A clinic would include on line 2 all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), laboratory fees, and related charges for services.

Other examples of program service revenue are tuition received by a school; revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; and registration fees received in connection with a meeting or convention.

**(b) Program-related investment income.**—Program service revenue also includes income from program-related investments. These investments are made primarily for accomplishing an exempt purpose of the investing organization rather than to produce income. Examples are scholarship loans and low-interest loans to charitable organizations, indigents, or victims of a disaster. Rental income from an exempt function is another example. See the line 4 instructions.

**(c) Unrelated trade or business activities.**—Unrelated trade or business activities (not including any special fundraising events or activities) that generate fees for services may also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

**Line 3—Membership dues and assessments.**—Enter members' and affiliates' dues and assessments that are not contributions.

## **A. What is included on line 3.—**

**(a) Dues and assessments received that compare reasonably with available benefits.**—When the organization receives



dues and assessments that compare reasonably with membership benefits, report such dues and assessments on line 3.

**(b) Organizations that usually match dues and benefits.**—Organizations, other than those described in section 501(c)(3), generally provide benefits that have a reasonable relationship to dues. This occurs usually in organizations described in sections 501(c)(5), (6), or (7), although benefits to members may be indirect. Report such dues and assessments on line 3.

**B. Examples of membership benefits.**—

Examples of membership benefits include subscriptions to publications; newsletters (other than one about the organization's activities only); free or reduced-rate admissions to events the organization sponsors; use of its facilities; and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard such intangible benefits as the right to attend meetings, vote or hold office in the organization, and the distinction of being a member of the organization.

**C. What is not included on line 3.**—

**(a) Dues or assessments received that exceed the value of available membership benefits.**—Whether or not membership benefits are used, dues received by an organization, to the extent they exceed the monetary value of the membership benefits available to the dues payer, are a contribution includable on line 1.

**(b) Dues received primarily for the organization's support.**—If a member pays dues primarily to support the organization's activities, and not to obtain benefits of more than nominal monetary value, those dues are a contribution to the organization includable on line 1.

**Line 4—Investment income.**—

**A. What is included on line 4.**—

**(a) Interest on savings and temporary cash investments.**—Enter the amount of interest received from interest-bearing checking accounts, savings, and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than one year. So-called dividends or earnings received from mutual savings banks, etc., are actually interest and should be included on this line.

**(b) Dividends and interest from securities.**—Enter the amount of dividend and interest income from debt and equity securities (stocks and bonds) on this line. Include amounts received from payments on securities loans, as defined in section 512(a)(5).

**(c) Gross rents.**—Include gross rental income received during the year from investment property.

Income received from renting office space, or other facilities or equipment, to unaffiliated exempt organizations should be reported on line 4 unless the rental income is exempt function income (program service) (see line 4, instruction B(b) below).

**(d) Other investment income.**—Include, for example, royalty income from mineral interests owned by the organization.

**B. What is not included on line 4.**—

**(a) Capital gains dividends and unrealized gains and losses.**—Do not include on this line any capital gains dividends. They are reported on line 5. Also exclude unrealized gains and losses on investments carried at market value. See the instructions for line 20.

**(b) Exempt function revenue (program service).**—Do not include on line 4 amounts that represent income from an exempt function (program service). Report these amounts on line 2 as program service revenue. Report expenses related to this income on lines 12 through 16.

An organization whose exempt purpose is to provide low-rental housing to persons with low income receives exempt function income from such rentals. Exempt function income also arises when an organization charges an *unaffiliated* exempt organization below-market rent for the purpose of helping that unaffiliated organization carry out its exempt purpose. Report rental income received in these two instances on line 2 and not on line 4.

Only for purposes of completing Form 990EZ, treat income from renting property to *affiliated* exempt organizations as exempt function income and include such income on line 2 as program service revenue.

**Lines 5a-c—Gains from sale of assets.**—

**A. What is included on line 5.**—

Report on line 5a all sales of securities and sales of all other types of investments (such as real estate, royalty interests, or partnership interests) as well as sales of all other noninventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).

Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 5b. On line 5c, enter the net gain or loss. Report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts on lines 5a and 5c. Indicate the source on the schedule described below.

For this return, you may use the more convenient way to figure the organization's gain or loss from sales of securities by comparing the sales price with the average-cost basis of the particular security sold. However, generally, the average-cost basis is not used to figure the gain or loss from sales of securities reportable on Form 990-T.

**B. What is not included on line 5.**—

Do not include on line 5 any unrealized gains or losses on securities that are carried in the books of account at market value. See the instructions for line 20.

**C. Attached schedule.**—

**(a) Assets other than publicly traded securities and inventory.**—Attach a schedule to show the sale or exchange of *nonpublicly* traded securities and the sale or exchange of other assets that are not inventory items. The schedule should show security transactions separately from the sale of other assets. Show for these assets:

1. Date acquired and how acquired,

2. Date sold and to whom sold,

3. Gross sales price,

4. Cost, other basis, or if donated, value at time acquired (state which),

5. Expense of sale and cost of improvements made after acquisition, and

6. Depreciation since acquisition, if depreciable property.

**(b) Publicly traded securities.**—For sales of *publicly* traded securities through a broker, you may total the gross sales price, the cost or other basis, and the expenses of sale, and report lump-sum figures in place of providing the detailed reporting required in the above paragraph.

For preparing Form 990EZ, publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available.

**Lines 6a-c—Special events and activities.**—

On the appropriate line, enter the gross revenue, expenses, and net income from all special fundraising events and activities, such as dinners, dances, carnivals, raffles, bingo games, other gambling activities, and door-to-door sales of merchandise. In themselves, these activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds (other than contributions) to finance the organization's exempt activities.

This is done by offering goods or services that have more than a nominal value (compared to the price charged) for a payment that is more than the direct cost of those goods or services. See also line 1 instructions A(a) and (b) for further guidance in distinguishing between contributions and revenue.

Calling any required payment a "donation" or "contribution" on tickets, advertising, or solicitation materials does not change how these payments should be reported on Form 990EZ.

**A. What is included on line 6.**—

**(a) Gross revenue/contributions.**—When an organization receives payments for goods or services offered through a special event, enter—

1. As gross revenue, on line 6a (in the amount column) the retail value of the goods or services.

2. As a contribution, on both line 1 and line 6a (within the parentheses) any amount received that exceeds the retail value of the goods or services given.

For example, at a special event, an organization received \$100 in gross receipts for goods valued at \$40. The organization entered gross revenue of \$40 on line 6a and entered a contribution of \$60 on both line 1 and within the parentheses on line 6a. The contribution was the difference between the gross revenue of \$40 and the gross receipts of \$100.

**(b) Raffles or lotteries.**—Report as revenue, on line 6a, any amount received from raffles or lotteries that require payment of a specified minimum amount for each



entry, unless the prizes awarded have only nominal value. See line 6 instruction B(a) and (b) below.

**(c) Direct expenses.**—Report on line 6b only the direct expenses attributable to the goods or services the buyer receives from a special event. If you include an expense on line 6b, do not report it again on line 7b.

**B. What is not included on line 6.—**

**(a) Sales of goods or services of only nominal value.**—If the goods or services offered at the special event have only nominal value, include all of the receipts as contributions on line 1 and all of the related expenses on lines 12 through 16. See line 1, instruction A(b) for a description of nominal benefits that are adjusted annually for inflation.

**(b) Sweepstakes, raffles, and lotteries.**—Report as a contribution, on line 1, the proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for prizes.

When a minimum payment is required for each raffle or lottery entry and prizes of only nominal value are awarded, report any amount received as a contribution. Report the related expenses on lines 12 through 16.

**(c) Activities that generate only contributions are not special fundraising events.**—An activity that generates only contributions, such as a solicitation campaign by mail, is not a special fundraising event. Any amount received should be included on line 1 as a contribution.

**C. Attached schedule.**—Attach a schedule listing the three largest special events conducted, as measured by gross receipts. Describe each of these events and indicate for each event: the gross receipts; the amount of contributions included in gross receipts (see line 6, instruction A(a) above); the gross revenue (gross receipts less contributions); the direct expenses; and the net income (gross revenue less direct expenses).

Furnish the same information, in total figures, for all other special events held that are not among the largest three. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

An example of this schedule might appear in columnar form as follows:

| Special Event:        | (A)   | (B)   | (C)   | Total |
|-----------------------|-------|-------|-------|-------|
| Gross Receipts        | \$XXX | \$XXX | \$XXX | \$XXX |
| Less: Contributions   | XXX   | XXX   | XXX   | XXX   |
| Gross Revenue         | XXX   | XXX   | XXX   | XXX   |
| Less: Direct Expenses | XXX   | XXX   | XXX   | XXX   |
| Net Income or (loss)  | \$XXX | \$XXX | \$XXX | \$XXX |

If you use this format, report the total for contributions on line 1 of Form 990EZ and on line 6a (within the parentheses of the description line). Report the totals for gross revenue, in the amount column, on line 6a; direct expenses on line 6b; and net income or (loss) on line 6c.

**D. Fundraising record retention.**—Section 501(c) organizations that are eligible to

receive tax-deductible contributions under section 170(c) of the Code must keep sample copies of their fundraising materials, such as dues statements or other fundraising solicitations, tickets, receipts, or other evidence of payments received in connection with fundraising activities. If organizations advertise their fundraising events, they must keep samples of the advertising copy. If they use radio or television to make their solicitations, they must keep samples of scripts, transcripts, or other evidence of on-air solicitations. If organizations retain outside fundraisers, they must keep samples of the fundraising materials used by the outside fundraisers. For each fundraising event, organizations must keep records to show that portion of any payment received from patrons which is not deductible; that is, the retail value of the goods or services received by the patrons.

**Lines 7a–c—Gross sales.—**

**A. What is included on lines 7a–c.—**

**Sales of inventory.**—Include on these lines the gross sales (less returns and allowances), the cost of goods sold, and the gross profit or (loss) from the sale of all inventory items, regardless of whether the sale is an exempt function or an unrelated trade or business. These inventory items are those the organization either makes to sell or buys for resale.

**B. What is not included on lines 7a–c.—**

**(a) Sales from special events.**—Do not include the sales of inventory items from special fundraising events and activities on line 7. Enter those sales on line 6.

**(b) Investments.**—Do not include on line 7 sales of investments on which the organization expected to profit by appreciation and sale. Report sales of these investments on line 5.

**Line 8—Other revenue.**—Enter the total income from all sources not covered by lines 1 through 7. Examples of types of income includable on line 8 are interest on notes receivable not held as investments; interest on loans to officers, directors, trustees, key employees, and other employees; and royalties that are not investment income or program service revenue.

**Line 9—Total revenue.**—Add lines 1, 2, 3, 4, 5c, 6c, 7c, and 8 to determine the amount of total revenue.

(You may also use the amount on this line to determine quickly whether the organization's gross receipts are less than \$100,000. If its gross receipts are \$100,000 or more, it cannot file Form 990EZ but must file Form 990. See General Instruction C11(a) for information on calculating gross receipts.)

**Line 10—Grants and similar amounts paid.—**

**A. What is included on line 10.—**

Enter the amount of actual grants and similar amounts paid to individuals and organizations selected by the filing organization. Include scholarship, fellowship, and research grants to individuals.

**(a) Specific assistance to individuals.**—Include on this line the amount of payments to, or for the benefit of, particular clients or patients, including assistance rendered by

others at the expense of the filing organization.

**(b) Payments, voluntary awards, or grants to affiliates.**—Include on line 10 certain types of payments to organizations "affiliated with" (closely related to) the reporting organization. These payments include predetermined quota support and dues payments by local organizations to their state or national organizations.

**Note:** If the organization uses Form 990EZ for state reporting purposes, it is especially important to properly distinguish between payments to affiliates and awards and grants. See General Instruction E.

**B. What is not included on line 10.—**

**(a) Administrative expenses.**—Do not include on this line expenses made in selecting recipients or monitoring compliance with the terms of a grant or award. Enter those expenses on lines 12 through 16.

**(b) Purchases of goods or services from affiliates.**—Do not report the cost of goods or services purchased from affiliates on line 10. Report these as expenses on lines 12 through 16.

**(c) Membership dues paid to another organization.**—Report membership dues that the organization pays to another organization for general membership benefits, such as regular services, publications, and materials on line 16, as "Other expenses."

**C. Attached schedule.**—Attach a schedule to explain the amounts reported on line 10. Show on this schedule:

- (a) Each class of activity,
- (b) The donee's name and address,
- (c) The amount given, and
- (d) The relationship of the donee (in the case of grants to individuals) if the relationship is by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

List the name and address of each affiliate that received any payment reported on line 10. Specify both the amount and purpose of these payments.

Classify activities on this schedule in more detail than by using such broad terms as charitable, educational, religious, or scientific. For example, identify payments to affiliates; payments for nursing services; fellowships; or payments for food, shelter, or medical services for indigents or disaster victims. For payments to indigent families, do not identify the individuals.

If an organization gives property other than cash and measures an award or grant by the property's fair market value, also show on this schedule:

- (a) A description of the property,
- (b) The book value of the property,
- (c) How you determined the book value,
- (d) How you determined the fair market value, and
- (e) The date of the gift.

Any difference between a property's fair market value and book value should be recorded in the organization's books of account and on line 20.

**Line 11—Benefits paid to or for members.**—For an organization that gives benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), enter the amounts paid for: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits. Do not include, on this line, the cost of employment-related benefits the organization gives its officers and employees. Report those employment-related benefits on line 12.

**Line 12—Salaries, other compensation, and employee benefits.**—Enter the total salaries and wages paid to all employees and the fees paid to officers, directors, and trustees. Include the total of the employer's share of the contributions the organization paid to qualified and nonqualified pension plans and the employer's share of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan. Complete the Form 5500 series return/report that is appropriate for the organization's plan.

Also include in the total the amount of Federal, state, and local payroll taxes for the year that are imposed on the organization as an employer. This includes the employer's share of social security and Medicare taxes, Federal unemployment tax (FUTA), state unemployment compensation tax, and other state and local payroll taxes. Taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employees' share of social security and Medicare taxes) are part of the employees' salaries included on line 12.

**Line 13—Professional fees and other payments to independent contractors.**—Enter the total amount of legal, accounting, auditing, other professional fees (such as fees for fundraising or investment services) and related expenses charged by outside firms and individuals who are not employees of the organization. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report and identify those expenses on line 16. Report fees paid to directors and trustees on line 12.

**Line 14—Occupancy, rent, utilities, and maintenance.**—Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities, outside janitorial services, mortgage interest, real estate taxes, and similar expenses. If the organization records depreciation on property it occupies, enter the total for the year.

For an explanation of acceptable methods for computing depreciation, see **Publication 534**, Depreciation, or **Publication 946**, How to Begin Depreciating Your Property. In addition, see the instructions for **Form 4562**, Depreciation and Amortization, for a schedule that may be used to compute depreciation.

**Line 15—Printing, publications, postage, and shipping.**—Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films, and other informational materials. Also include the cost of any purchased publications as well as postage and shipping costs not reportable on lines 5b, 6b, or 7b. Do not include any expenses, such as salaries, for which a separate line is provided.

## Page 10

**Line 16—Other expenses.**—Include here such expenses as penalties, fines, and judgments; unrelated business income taxes; real estate taxes not attributable to rental property or reported as occupancy expenses; depreciation on investment property; travel and transportation costs; interest expense; and expenses for conferences, conventions, and meetings.

Some states that accept Form 990EZ in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized. See General Instruction E.

**Line 18—Excess or (deficit) for the year.**—Enter the difference between lines 9 and 17. If line 17 is more than line 9, enter the difference in parentheses.

**Line 19—Net assets or fund balances at beginning of year.**—Enter the amount from the prior year's balance sheet or from Form 5500, 5500-C/R, or an approved DOL form if General Instruction F applies.

**Line 20—Other changes in net assets or fund balances.**—Attach a schedule explaining any changes in net assets or fund balances between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity; unrealized gains and losses on investments carried at market value; and any difference between fair market value and book value of property given as an award or grant.

### Part II—Balance Sheets.—

All organizations, except those that meet one of the exceptions in General Instruction F, must complete columns (A) and (B) of Part II of the return and may not submit a substitute balance sheet. Failure to complete Part II may result in penalties for filing an incomplete return. See General Instruction K.

Some states require more information. See General Instruction E for more information about completing a Form 990EZ to be filed with any state or local government agency.

**Line 22—Cash, savings, and investments.**—Include the total of non-interest-bearing checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest-bearing account.

Include the total of interest-bearing checking accounts, savings and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than one year. Report the income from these investments on line 4. Include the book value (which may be market value) of securities held as investments. Include the amount of all other investment holdings including land and buildings held for investment.

**Line 23—Land and buildings.**—Enter the book value (cost or other basis less accumulated depreciation) of all land and buildings owned by the organization and not held for investment.

**Line 24—Other assets.**—Enter the total of other assets along with a description of those assets. Amounts to include here are (among others) receivable accounts, inventories, and prepaid expenses.

**Line 25—Total assets.**—Enter the amount of total assets. If the end-of-year total assets

entered in column (B) are \$250,000 or more, Form 990 must be filed instead of Form 990EZ.

**Line 26—Total liabilities.**—Enter the amount of total liabilities along with their description.

**Line 27—Net assets or fund balances.**—Subtract line 26 (total liabilities) from line 25 (total assets) to determine net assets. Enter this net asset amount on line 27.

**(a) Organizations not using fund accounting.**—Enter your net asset amount. The amount in column (B) should agree with the net asset amount on line 21.

**(b) Organizations using fund accounting.**—Under fund accounting, an organization segregates its assets, liabilities, and net assets into separate funds according to externally imposed restrictions on the use of certain assets, similar designations by the organization's governing board, and other amounts that are unrestricted as to use. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), revenue, and expenses. Since these funds are actually part of a single entity, they are all included in that organization's own financial statements. Similar accounts in the various funds may or may not be consolidated in those statements according to the organization's preference and practice. *To complete Form 990EZ, you must consolidate these funds.*

States that accept Form 990EZ as their basic report form may require a separate statement of changes in fund balances. See General Instruction E.

### Part III—Statement of Program Service Accomplishments.—

Provide the information specified in the instructions above line 28 of the form for each of the organization's three largest program services (as measured by total expenses incurred) or for each program service if the organization engaged in three or fewer of such activities. The "Expenses" column must be completed by section 501(c)(3) and (4) organizations as well as section 4947(a)(1) charitable trusts. Completing the column is optional for all other filers. Report only the expenses attributable to the organization's program services described on lines 28 through 30 and in the attachment for line 31.

A program service is a major, usually ongoing objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters. Describe program service accomplishments through measurements such as clients served, days of care, therapy sessions, or publications issued.

If it is inappropriate to measure a quantity of output, as in a research activity, describe the objective of the activity for this time period as well as the overall longer-term goal.

Reasonable estimates may be furnished for any statistical information if exact figures are not readily available from the records the organization normally maintains. If so, please indicate that the information provided is an estimate.

**(a) Donated services.**—If the organization so chooses, show in the narrative section of Part III the value of any donated services or

use of materials, equipment, or facilities received and utilized in connection with specific program services. Do not include these amounts in the expense column in Part III.

**(b) Attached schedule.**—Attach a schedule that lists the organization's other program services. The detailed information required in Part III for the three largest services is not required for the services listed on this schedule.

#### **Part IV—List of Officers, Directors, Trustees, and Key Employees.—**

List each of the organization's officers, directors, trustees, and key employees. List all of these persons even if they did not receive any compensation from the organization. Enter "-0-" in columns (C), (D), and (E) if none was paid. For deferred compensation, see the column (D) instructions.

Show all forms of cash and noncash compensation received by each listed officer, director, trustee, and key employee, whether paid currently or deferred. In addition to completing Part IV, you may provide an attachment describing the entire 1992 compensation package of one or more officers, directors, trustees, and key employees. See line 38 for a definition of key employee.

**Column (C).**—Enter salary, fees, bonuses, and severance payments received by each person listed. Include current year payments of amounts reported or reportable as deferred compensation in any prior year.

**Column (D).**—Include all forms of deferred compensation (whether or not funded; whether or not vested; and whether or not the deferred compensation plan is a qualified plan under section 401(a)), and payments to welfare benefit plans on behalf of the officers, etc. Reasonable estimates may be used if precise cost figures are not readily available.

Unless the amounts are reported in column (C), include salary and other compensation earned during the period covered by the return but not paid by the date the return was filed.

**Column (E).**—Enter amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. Refer to Publication 525 for more information.

Form 941 must be filed to report income tax withholding and social security and Medicare taxes. The organization must also file Form 940 to report Federal unemployment tax, unless the organization is not subject to these taxes. See **Circular E**, Employer's Tax Guide, for more information. See also the 100% penalty discussion in General Instruction D for Form 941.

#### **Part V—Other Information.—**

**Note:** Section 501(c)(3) organizations and section 4947(a)(1) charitable trusts must also complete and attach Schedule A (Form 990). See General Instruction D1.

**Line 33—Change in activities.**—Attach a statement explaining any significant changes in the kind of activities the organization conducts to further its exempt purpose. These new or modified activities are those not listed as current or planned in the organization's application for recognition of exemption or those not already made known to the IRS by a letter to its key district director or by an attachment to the organization's return for any earlier year. Besides describing new activities or changes to current ones, also describe any major program activities that are being discontinued.

**Line 34—Changes in organizing or governing documents.**—Attach a conformed copy of any changes to the articles of incorporation, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document.

A conformed copy is one that agrees with the original document and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for more information. When a number of changes are made, attach a copy of the entire revised organizing instrument or governing document.

**Line 35—Unrelated business income.**—Check "Yes" on line 35a if the organization's total gross income from all of its unrelated trades and businesses is \$1,000 or more for the year. Gross income is gross receipts less the cost of goods sold. See Publication 598 for a description of unrelated business income and the Form 990-T filing requirements. *Form 990-T is not a substitute for Form 990EZ.* Items of income and expense reported on Form 990-T must also be reported on Form 990EZ when the organization is required to file both forms.

**Note:** All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income if they expect their tax liability to be \$500 or more. Use Form 990-W to compute this tax.

**Line 36—Liquidation, dissolution, termination, or substantial contraction.**—If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining what took place.

For a complete liquidation of a corporation or termination of a trust, write *Final Return* at the top of the organization's Form 990EZ. On the attached statement, show whether the assets have been distributed and the date. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing the names and addresses of all persons who received the assets distributed in liquidation

or termination; the kinds of assets distributed to each one; and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets except transfers for full consideration or distributions from current income.

A *major disposition of assets* means any disposition for the tax year that is:

(a) At least 25% of the fair market value of the organization's net assets at the beginning of the tax year; or

(b) One of a series of related dispositions begun in earlier years that, together, add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions depends on the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

#### **Line 37—Expenditures for political purposes.—**

A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a Federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. Whether the attempt succeeds does not matter.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

**(a) All section 501(c) organizations.**—Section 501(c) organizations must file Form 1120-POL if their political expenditures and their net investment income both exceed \$100 for the year.

Section 501(c) organizations that maintained separate segregated funds described in section 527(f)(3) should refer to the instructions for Form 1120-POL for filing requirements.

**(b) Section 501(c)(3) organizations.**—A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

A section 501(c)(3) organization must pay an excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization who knowingly agrees to a political expenditure must pay an excise tax, unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

When an organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures:

(1) Remuneration to the individual (a candidate or prospective candidate) for speeches or other services;

(2) Travel expenses of the individual;

(3) Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by the individual;

(4) Expenses of advertising, publicity, and fundraising for such individual; and

(5) Any other expense that has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of the individual.

Use Form 4720 to figure and report the excise taxes.

**Line 38—Loans to or from officers, directors, trustees, and key employees.—**

Enter the end-of-year unpaid balance of secured and unsecured loans made to or received from officers, directors, trustees, and key employees. For example, if the organization borrowed \$1,000 from one officer and loaned \$500 to another, none of which has been repaid, report \$1,500 on line 38b.

A “key employee” is any person having responsibilities or powers similar to those of officers, directors, or trustees. The term includes the chief management and administrative officials of an organization (such as an executive director or chancellor) but does not include the heads of separate departments or smaller units within an organization.

**Attached schedule.—**For loans outstanding at the end of the year, attach a schedule as described below.

**(a) When loans should be reported separately.—**Report each loan separately, even if more than one loan was made to or received from the same person, or the same terms apply to all loans made. Salary advances and other advances for the personal use and benefit of the recipient, and receivables subject to special terms or arising from nontypical transactions, must be reported as separate loans for each officer, director, etc.

**(b) When loans should be reported as a single total.—**Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and

that arose during the normal course of the organization’s operations may be reported as a single total for all the officers, directors, trustees, and key employees. Travel advances made in connection with official business of the organization may also be reported as a single total.

**(c) Schedule format.—**For each outstanding loan or other receivable that must be reported separately, the attached schedule should show the following information (preferably in columnar form):

- (1) Borrower’s name and title;
- (2) Original amount;
- (3) Balance due;
- (4) Date of note;
- (5) Maturity date;
- (6) Repayment terms;
- (7) Interest rate;
- (8) Security provided by the borrower;
- (9) Purpose of the loan; and
- (10) Description and fair market value of the consideration furnished by the lender (for example, cash—\$1,000; or 100 shares of XYZ, Inc., common stock—\$9,000).

The above detail is not required for receivables or travel advances that may be reported as a single total (see instruction (b) above); however, report and identify those totals separately in the attachment.

**Line 39—Section 501(c)(7) organizations.—**

**(a) Gross receipts test.—**A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax exempt. Part of the 35% (up to 15% of gross receipts) may be derived from public use of a social club’s facilities.

For this purpose, *gross receipts* are the club’s income from its usual activities. The term includes charges, admissions, membership fees, dues, assessments, investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments. Gross receipts do not include capital contributions (as defined in Regulations section 1.118-1),

initiation fees, or unusual amounts of income such as income received from the club’s selling its clubhouse. Although gross receipts usually do not include initiation fees, these should be included for college fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues.

If the 35% and 15% limits do not affect the club’s exempt status, include the income from line 39b on the club’s Form 990-T.

**(b) Nondiscrimination policy.—**A section 501(c)(7) organization is not exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion if:

(1) The social club is an auxiliary of a fraternal beneficiary society that is exempt under section 501(c)(8) and limits its membership to the members of a particular religion; or

(2) The social club’s membership limitation is a good faith attempt to further the teachings or principles of that religion, and the limitation is not intended to exclude individuals of a particular race or color.

If the club answered “Yes” to the question on line 39c and section 501(i) applies, indicate in an attached statement which of the above exceptions of section 501(i) applies.

**Line 40—List of states.—**List each state with which the organization is filing a copy of this return in full or partial satisfaction of state filing requirements.

**Line 42—Section 4947(a)(1) charitable trusts.—**Section 4947(a)(1) charitable trusts that file Form 990EZ instead of Form 1041 must complete this line. The trust should include exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.