

Internal Revenue Service  
**Form 990 Redesign for Tax Year 2008**  
**Form 990 (Core Form) – Highlights**  
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**Overview of Changes to June Discussion Draft**

The 2008 Form 990 core form incorporates significant revisions to the discussion draft released in June 2007 (Draft). Revisions to the Draft's core form were driven by two goals: 1) to ensure that the core form appropriately collects information for the various types and sizes of exempt organizations required to complete the form, and 2) to address the concerns expressed in public comments regarding the Draft's burden minimization, transparency and tax compliance objectives. Many of the comments recommended revising the summary page to eliminate measures that some claimed were contrary to transparency objectives, reordering the form to permit reporting of program service accomplishments up front, providing more opportunities to supplement responses to the questions, and adding a checklist that would allow the organization to more easily determine which schedules it must complete.

Significant changes to the Draft's core form include:

- A substantially revised summary page
- An additional page to provide more room for listing officers, directors, trustees, key employees and the five highest compensated employees, and to revise and expand the Part IV Checklist of Required Schedules
- The core form's parts were reordered and thus renumbered
  - Signature block moved to page 1 (Part II)
  - Statement of Program Service Accomplishments moved to Page 2 (Part III)
  - Trigger questions for all schedules consolidated on pages 3 and 4 (Part IV)
  - Federal tax compliance questions consolidated on page 5 (Part V)
  - Governance, management and disclosure questions moved to page 6 (Part VI)
  - List of officers, directors, trustees, key employees, and highest compensated employees moved to pages 7 and 8 (Part VII)
  - Financial statements moved to pages 9, 10 and 11 (Parts VIII, IX and X)
  - Financial reporting questions moved to page 11 (Part XI)

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**Comparison of 2006 Form 990 to June Draft and Final**

2006 Form 990		2008 990 (June 14, 2007 Draft)	2008 990 - Final
Revenues	Page 1	Page 5	Page 9
Expenses	Page 2	Page 6	Page 10
Program Service Accomplishments	Page 3	Page 10	Page 2
Balance Sheet	Page 4	Page 7	Page 11
Reconciliation of Revenues and Expenses to Audited Financial Statements	Page 5	Schedule D, Parts XIV and XV	Schedule D, Parts XII and XIII
Officers, Directors, Trustees, and Key Employees	Pages 5 & 6	Pages 2 and 3	Pages 7 & 8
Other Information	Pages 6, 7, 8	N/A – combined into other sections	
Analysis of Income Producing Activities	Page 8	N/A – merged into Revenues	
Relationship of Activities to Accomplishment of Exempt Purposes	Page 8	N/A – deleted	
Taxable Subsidiaries and Disregarded Entities	Page 8	N/A – moved to Schedule R	
Personal Benefit Contracts	Page 8	Page 9, lines 4a and 4b	Page 5, lines 7e and 7f
Controlled Entities	Page 9	N/A – moved to Schedule R	
Signature	Page 9	Page 10	Page 1
		Summary – Page 1	Page 1
		Governance, Management & Financial Reporting – Page 4	Governance, Management and Disclosure – Page 6
		General Activities – page 8	Checklist of Required Schedules – pages 3 and 4
		Other IRS Filings – page 9	Other IRS Filings and Tax Compliance –page 5

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**PARTS I and II – SUMMARY & SIGNATURE BLOCK**

**Rationale**

The current Form 990 does not contain a summary of key information. In order to enhance transparency, the Draft proposed a summary on the first page of the form to provide a snapshot of the organization's key financial, compensation, governance, and operational information. The final summary page is streamlined even further to enhance transparency. The revenue and expense percentage column (% of total) contained in the Draft was replaced by a column displaying the revenue and expense data from the prior year, resulting in reporting of 2-year comparative financial data on the summary page.

**Percentages, Ratios, and Other Metrics**

The Draft's summary page included the following percentages or ratios designed to collect information regarding key measures:

- Line 6 – number of employees with compensation greater than \$100,000;
- Line 7 – highest amount of compensation reported on the form for an individual officer, director, trustee, key employee (OTDKE) or highest compensated employee (HCE);
- Line 8 – OTDKE compensation as percentage of overall compensation;
- Line 19b – fundraising expenses as percentage of contributions;
- Line 24b – total expenses as percentage of net assets;
- Line 25 (fundraising) and 26 (gaming) income and percentages retained by the organization; and
- Column reporting revenue and expense types as percentage of total revenues or expenses.

The concept of increased transparency through a summary page was supported by most comments. Nonetheless, the summary page was one of the most controversial aspects of the Draft. Critics universally supported eliminating from the summary page all of the measures listed above. Many criticized the proposed measures as providing an incomplete picture, being subject to manipulation or misinterpretation by filers or users, and creating an implication that particular measures were more important than items not reported on the summary page. Many stated that the Draft's summary page measures had no connection to the form's tax compliance function.

Each item listed above was eliminated from the summary page.

**Make Summary More Relevant for Non-Charities**

Others commented that much of the information contained on the Draft's summary page focused too much on 501(c)(3) and 501(c)(4) organizations. One example was the reporting of expenses by functional type, as is required in the current and revised form's statement of expenses for such organizations, but

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which is optional for other types of organizations. The final form replaces functional expense reporting (e.g., program service, management and administrative, and fundraising) on the summary page with classification of expenses by type (e.g., grants and similar amounts, salaries and compensation), along the lines of the Form 990-EZ page 1 expense reporting.

### **Fundraising Expenses**

Three separate measures of fundraising contained in the Draft summary page were eliminated - fundraising expenses as a percentage of contributions, total fundraising expenses as a percentage of total expenses, and outside fundraising costs paid as a percentage of funds raised. These were criticized as being value laden and subject to manipulation. However, fundraising efficiency and costs remain a significant concern for many charitable donors and other stakeholders, and some encouraged retention of some fundraising expense information on the summary page. Accordingly, the form includes a separate line for professional fundraising expenses (line 16a), which is drawn from line 11e of Part IX, Statement of Functional Expenses, and an informational item on line 16b for total fundraising expenses as reported in Part IX, to show all internal and external fundraising costs incurred by the organization.

### **Additional Page 1 Changes**

- Added line in heading for “doing business as” (d/b/a) name;
- Added type of organization (corporation, trust, association, other) in Box K;
- Restored information regarding group returns in Box H;
- Changed “mission” on line 1 to “mission or significant activities” and eliminated activity codes to provide more space for the description of activities;
- Clarified governance questions to refer to voting members in lines 3 and 4;
- Added estimated number of volunteers as line 6;
- Moved signature block from end of form to bottom of first page; and
- Eliminated preparer SSN box to encourage the use of PTINs by paid preparers and added a third party designee question.

### **Expected Impact on Burden**

Most of the information on this page is drawn from other parts of the form so the expected burden impact is minimal. Lines 6 (number of volunteers) was added as a result of specific comments. Due to concerns about additional burden, it was decided to allow organizations to provide an estimate for this number. Lines 7a and b (unrelated business income tax) are drawn from the Form 990-T so expected burden is minimal.

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

**Rationale**

This information is required on the current Form 990 and was included in the Draft. This part requires an organization to describe its mission, program services and accomplishments, and changes in program services, in a narrative format.

**Placement within the Form**

The Draft proposed moving this part to the end of the form. Many comments stated that this information should be placed up front so the organization can “tell its story” and provide a context for all other information in the form. To address these comments, this part is moved from page 10 of the Draft to page 2.

**Reporting of Direct Revenue**

To streamline the form, the Draft proposed eliminating current Parts VII (Analysis of Income Producing Activities) and VIII (Relationship of Activities to the Accomplishment of Exempt Purposes), and adding reporting of revenue from each of the three largest income producing activities (excluding grants and contributions) listed in the statement of program service accomplishments. This approach is retained.

**Activity Codes**

The Draft proposed the use of activity codes to numerically capture information about activities which would provide improved research capabilities for the IRS and public researchers. The IRS is considering various options, including the use of activity codes previously used for Forms 1023 and 1024 or the National Taxonomy of Exempt Entities (NTEE codes). The IRS will work with the sector and public researchers to determine the optimal code system that will satisfy the research needs of the IRS and public researchers. Because this decision has not yet been made, these fields will not be required for 2008.

**Additional Information**

The columns for direct revenue and program service expenses were collapsed to provide additional space for narrative explanations. Additional information regarding program services may be reported on new Schedule O. Lines 2 and 3 were revised to clarify that the organization is required to report new or discontinued program services, as well as significant changes in how it conducts its program services.

**Expected Impact on Burden**

The information in this part does not constitute a material change from the current Form 990 or the Draft, so the expected impact on burden is minimal.

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**PART IV - CHECKLIST OF REQUIRED SCHEDULES**

**Rationale**

The Draft proposed a part titled “Statements Regarding General Activities” modeled on the current Form 990 Part VI, Other Information. This part was intended to provide the IRS with an overview of an organization’s activities and to prompt an organization to determine when completion of a schedule was required. This part is retained in the new form but is renamed “Checklist of Required Schedules.”

**Restructuring and Related Changes**

The list of questions now includes those trigger questions contained elsewhere in the Draft. The questions have been reordered to follow the sequence of the schedules and their parts. Part IV provides a comprehensive list of all triggers to the form’s schedules, so that an organization will determine which schedules it must complete by answering these questions.

**Expected Impact on Burden**

This new part was added to minimize taxpayer burden and improve reporting compliance by placing all potential schedule triggers in one place, making it easier for organizations to determine which schedules must be completed. In the past, a missing Schedule A or B has been the most common cause of Form 990 post-filing correspondence from the IRS. The new checklist should help reduce post-filing correspondence from the IRS, and reduce instances of incomplete filings that result in the assessment of penalties.

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

**Rationale**

This part, which was proposed in the Draft, alerts the organization to other potential federal tax compliance and filing obligations, and collects important federal tax compliance information in one place.

**Changes to Draft**

- This part was reorganized so that questions applicable to all filers are listed first, followed by questions directed to specific classes of organizations;
- Aggregated questions regarding charitable deduction issues including non-cash contribution filings; and
- Restored foreign bank account question (current Form 990 question 91b) on core form (a variation of the question was on the Draft's Schedule F).

**Expected Impact on Burden**

Burden will depend upon the organization's knowledge of the issues raised. Issues related to specific organizations have been clearly labeled in order to minimize burden on all filers.

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**PART VI - GOVERNANCE, MANAGEMENT AND DISCLOSURE**

**Rationale**

The Draft proposed a new part titled “Statements Regarding Governance, Management, and Financial Reporting.” The IRS believes that the existence of an independent governing body and well-defined governance and management policies and practices increases the likelihood that an organization is operating in compliance with federal tax law. This part asks questions about the organization’s board composition and independence, its governance and management structure and policies, and whether (and if so, how) the organization promotes transparency and accountability to its constituents or beneficiaries.

**Authority to Request Governance Information on the Form**

While many commentators supported the addition of this section to the Form 990, some challenged the IRS’ authority to request any information regarding an organization’s governance and management practices and recommended this section be eliminated. Others noted the IRS has broad authority under section 6033(a)(1) and 6033(b)(14) (relating specifically to 501(c)(3) organizations) to request information it deems necessary for the administration of the tax laws. In response to several comments, various statements have been added to Part V to clarify that while some questions relate to items legally required by the tax law, many relate to policies and practices that are not required by the Internal Revenue Code, but which may indicate management practices relevant for determining adequacy of internal controls. In addition, the questions regarding public disclosure of documents have been separated so that those subject to public inspection requirements under the Internal Revenue Code are listed in question 18, and those not subject to public inspection requirements are listed in question 19.

**Presumption of Wrongdoing and Noncompliance**

Many expressed concern that policies will become de facto legal requirements by reason of the IRS asking about them on the Form 990, and could lead to a presumption of wrongdoing in the minds of the public and IRS revenue agents if the questions are answered in a particular way. To address this concern, the part has been revised to provide the organization an opportunity to explain each of its responses to the questions.

**Clarify Conflict of Interest Policy Questions**

The Draft asked whether the organization had a written conflict of interest policy and, if yes, how many transactions the organization reviewed under this policy during the year. The intent of the latter question was to gather more information about how an organization implemented its conflicts policy. Many commented that this question was poorly drafted because no conclusions could be reached



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from any response – e.g., a large number could simply mean that a large organization’s policy was being implemented properly, or it could mean that an organization had a large number of conflicts of interest. This question was eliminated and replaced with two new questions (Lines 12b and 12c) regarding implementation and monitoring of the policy.

**Additional Space for Narrative Explanations**

Many comments stated that the part’s yes/no format did not provide context for the responses and organizations should be provided an opportunity to give narrative explanations to supplement their responses. To address these comments, organizations may choose, and in some cases are required, to use Schedule O to supplement their responses.

**Material Diversion of Assets**

In response to a public comment, Question 5 was added regarding whether the organization has been made aware of a material diversion of the organization’s assets. Proper use of an organization’s assets is important for all exempt organizations. This question was added to collect information from organizations that became aware that a material diversion of assets occurred, and to allow such organizations to explain the circumstances and any corrective actions taken to address the matter.

**Voting Members and Independence**

Many comments recommended that the form’s board composition questions focus exclusively on voting members, and that non-voting member questions should be eliminated because non-voting members lack authority to approve or disapprove matters before the board. As a result, the governing body composition questions now apply only to voting members. As recommended by some commentators, the definitions of “independent” and “voting” members will be addressed in the form’s instructions.

**Board Review of the Form 990**

The Draft asked whether the board reviewed the Form 990 before it was filed with the IRS. Many commented that having the entire board review the form is impractical, especially before the form is filed. Others stated that large organizations often provide a copy of the form to a committee of the board, or to top management officials, but not to the entire board. Others requested clarification regarding the meaning of “review.” The comments demonstrate that organizational practices differ greatly regarding internal Form 990 review by directors and management officials. The question has been revised to ask whether the Form 990 is provided to the governing body before it is filed with the IRS, and directs all organizations to describe the process (if any) as to who is provided the form, when it is provided, and the level of review that is undertaken.

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**Other Changes**

- Deleted Draft's Question 8 – Does an officer, director, trustee, employee or volunteer prepare the financial statements?
- Revised the following questions
  - Question 4 – scope of significant changes in documents was narrowed to exclude policies outside articles or bylaws
  - Question 7 – questions regarding who elects directors and whether board's decisions are subject to approval by members or others
  - Question 8 – documentation of board action
- Added the following questions
  - Question 3 – question regarding delegation of key governance or management duties to a management company or to others
  - Question 6 – does the organization have stockholders or members?
- Moved certain questions from other parts of the Draft
  - Question 2 regarding family and business relationships with other board members or officers (was 5a & 5b in Part II, Compensation of June draft)
  - Question 11 – address to locate certain officers, directors, trustees or key employees if cannot be reached at the organization's address
  - Question 15 – revised three-part question regarding process to establish compensation for highest officers by asking it separately for the top management official and for other officers and key employees
- Revised and moved audit committee question, and audit/compilation/review question, to Part XI, Financial Statements and Books and Records section

**Expected Impact on Burden**

The questions regarding family and business relationships among officers, directors, trustees, and key employees will require the organization to request such information each year from other persons. Whether this comports with an organization's existing policies will depend upon the definitions of family and business relationships in the form's instructions and in the organization's policies. Most of the other questions should be easily answered by a person familiar with the organization's governing instruments and policies without having to undertake additional due diligence.

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**PART VII - COMPENSATION OF OFFICERS, DIRECTORS, TRUSTEES, KEY EMPLOYEES, AND FIVE HIGHEST COMPENSATED EMPLOYEES (HCEs)**

**Rationale**

The current Form 990 (Parts V-A and V-B) requires compensation reporting regarding officers, directors, trustees, and key employees by all types of exempt organizations. In addition, charities are required to report compensation for the five highest compensated employees that are not also an officer, director, trustee, or key employee (Schedule A, Parts I, II and III). This executive compensation reporting is separate from the aggregate compensation expense reporting required in the organization's Statement of Functional Expenses. The compensation reporting for particular individuals is intended to provide necessary information for tax compliance and transparency purposes, whereas the expense statement reporting shows aggregate compensation under the organization's method of accounting and for its reporting year (calendar or fiscal year).

The Draft consolidated the compensation portions of Form 990 Parts V-A and V-B, applicable to all filing organizations, and Schedule A, Parts I, II and III, applicable only to charitable organizations, to enhance compensation reporting by those non-charitable organizations that are subject to a private inurement prohibition, and to increase transparency of compensation information for all exempt organizations. The Draft also contained a new Schedule J, *Supplemental Compensation Information*, to report detailed compensation information for those individuals whose compensation exceeded certain thresholds. The Draft attempted to make compensation more objective by requiring calendar year reporting based on compensation reported on Forms W-2 and 1099-MISC, and simplified compensation reporting for most organizations that would not have to file a related Schedule J.

**\$100,000 Threshold for Five HCEs**

The Draft proposed an increase in the threshold for determining the five highest compensated employees from \$50,000 to \$100,000. While many supported this increase, some expressed concerns about the potential loss of data for research and comparability purposes. An organization must report compensation for all officers, directors, trustees and key employees regardless of amount, and enter zero if no compensation is paid to such persons. The threshold is used only to determine the organization's five HCEs. The IRS believes that the increase to \$100,000 for HCEs is appropriate, but did not adopt a recommendation to adjust the threshold for inflation each year.

**Reporting of HCE Compensation by Non-Charities**

Some 501(c)(6) organizations opposed the Draft's extension of HCE compensation reporting to non-501(c)(3) organizations, primarily on the basis that member organizations provide sufficient oversight of such organizations and

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additional transparency is not required. Such organizations, however, are subject to the prohibition against private inurement which, among other things, prohibits insiders from receiving unreasonable compensation. The IRS believes that extending HCE reporting to all organizations subject to a private inurement prohibition is appropriate and serves a substantial tax compliance interest, by collecting information the IRS needs to enforce the prohibition applicable to such organizations. Further, requiring such information improves transparency with respect to executive compensation paid by all organizations that receive the privilege and benefits of exemption from federal income tax.

**Safety and Security of Listed Officers and Directors**

In the Draft, the IRS proposed requiring the use of a listed individual's personal address to provide more specific identifying information for the individual and thereby provide more meaningful disclosure of the identity of an organization's officers, directors, trustees, key employees, and HCEs. Listing a popular name (e.g., John Smith) with the organization's mailing address does not always provide sufficient specificity to identify which individual serves as an executive of the organization. Many expressed concern about the privacy, safety and security concerns raised by requiring an individual's personal address on a form open to public inspection. The final form does not require reporting of personal addresses of the organization's officers, directors, trustees, key employees, and HCEs, and permits the organization to provide an alternative mailing address or physical location for those individuals who cannot be reached at the organization's address (see Part VI question 11).

**Retirement Benefits and Other Compensation**

Overall, there was broad support for the Draft's use of Form W-2 and Form 1099-MISC to reduce the subjectivity in reporting executive compensation. By requiring reporting on the basis of Forms W-2 and 1099-MISC, however, the Draft did not collect compensation information regarding many retirement plan and fringe benefit arrangements that are not reported as compensation on those forms. Many recommended restoring reporting of these types of compensation (e.g., contributions to retirement plans, health and welfare benefits) in order to provide a more complete picture of compensation packages for those who use Form 990 to assess compensation comparability across types of organizations, and to provide more complete information for public researchers. Requiring reporting of other compensation reintroduces the subjectivity of valuing certain types of compensation, and imposes potentially significant reporting burdens on all organizations (not just those required to complete Schedule J), particularly with respect to difficult to value fringe benefits (e.g., defined benefit retirement plan accruals) and relatively small fringe benefit amounts. To address the comparability concerns raised by many commenters, however, the form restores reporting of "other compensation" such as retirement plan benefits and other nontaxable fringe benefits. However, to reduce the increased administrative

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burden associated with requiring this information, the instructions will provide that an organization may report an estimate of “other compensation” on this part of the form.

**Fiscal Year or Calendar Year Reporting**

The Draft proposed requiring reporting of compensation on a more uniform and objective basis through the use of Form W-2 and Forms 1099-MISC amounts, which are reported on a calendar year basis. Many recommended preserving the current form’s reporting format, which allows a fiscal year organization to report on a calendar year or fiscal year basis. The IRS believes that the use of Forms W-2 and 1099-MISC will result in more consistent and comparable reporting, and will reduce the reporting burden for most filing organizations. Although requiring calendar year reporting will result in some information lag for fiscal year filers, in many cases the lag is not significant.

The final form retains Form W-2 and Form 1099-MISC reporting for all Form 990 filers, and does not permit fiscal year organizations to elect to report this information on a fiscal year basis. Fiscal year organizations will continue to be required to use fiscal year reporting, however, to report aggregate compensation on the statement of expenses. IRS expects to implement regulatory guidance required to implement these changes. (Organizations are not required to reconcile compensation reported in Part VII for individual executives with compensation for such individuals that is included in the Part IX statement of expenses.)

**Compensation from Certain Unrelated Organizations**

The IRS is aware that some organizations have attempted to structure compensation arrangements to circumvent the form’s reporting of executive compensation paid by the filing organizations and its related organizations. This has been attempted by arranging for compensation to be paid by organizations that do not fit within the definition of a related organization but with which the filing organization has some connection or relationship. The Draft’s Part II Question 9 attempted to address this potential abuse. Many commented that this question is overly broad and will require reporting of compensation of individuals that should not be of interest to the IRS, such as a lawyer or accountant paid by an unrelated firm but whose services are being donated to the organization. This question is intended to apply only to those arrangements where the organization is knowingly attempting to circumvent its reporting obligation, such as when the filing organization participates in structuring an arrangement where an individual receives compensation from an unrelated organization for services rendered to, and under the supervision or control of, the filing organization. This question is retained but will be clarified by providing additional examples in the form’s instructions.

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**Additional Changes**

- Moved question on the process for determining compensation of certain top management individuals to the governance section;
- Moved “business and family relationship” questions to Part IV Question 28 and to Schedule L Part IV table; and
- For related changes to Schedule J, including new column to eliminate duplicate deferred compensation reporting, and revisions to reporting of nontaxable fringe benefits and expense arrangements, see discussion of Schedule J.

**Expected Impact on Burden**

The use of Form W-2 and Form 1099-MISC reporting for compensation should reduce the compensation reporting burden for many organizations. Organizations other than 501(c)(3) organizations will have new reporting requirements for their five highest compensated employees (other than officers, directors, trustees and key employees) and for the five highest paid independent contractors. Organizations with persons whose compensation exceeds the Schedule J triggers will have additional burden associated with providing the information requested on Schedule J.

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**PART VIII - STATEMENT OF REVENUE**

**Rationale**

This part is required on the current Form 990. The Draft proposed combining the Statement of Revenues (current Form, Part I) with the Analysis of Income Producing Activities (current Form, Part VII), and eliminated certain unstructured attachments required on the current form. The Draft's approach is retained.

**Summary of Changes to Draft**

- replaced outside fundraising and commercial co-ventures with membership dues as requested by comments - line 1b, Contributions, Gifts, Grants and other similar amounts
- removed predetermined line labels for program service revenues so that organizations can maximize relevant reporting; instructions will clarify that Medicare/Medicaid payments, fees from government agencies, and membership dues not classified as contributions should still be reported on line 2, Program service revenue
- deleted line 3, Membership Dues and Assessments; instructions will clarify that these amounts should be reported as a separate line item on line 2, Program service revenue
- combined lines 4 and 5, Interest and dividends into new line 3, Investment income
- added new line 9 for gaming to separate gaming and special events revenues

**Comments Not Adopted Because of Burden Concerns**

- Require separate reporting for line 1 for individual, corporate, and foundation contributions/grants. Because organizations generally do not record contributions in this manner, this would result in new recordkeeping requirements.
- Add columns to require reporting of temporarily and permanently restricted income. IRS believes that this requirement should not be imposed on all organizations.
- Retain UBIT exclusion codes for all revenue lines. IRS recognizes the educational value of requiring this information on the form, but believes that income excluded from UBIT can be adequately identified by the line descriptions, making the codes unnecessary.

**Expected Impact on Burden**

Combining current Part I Statement of Revenues with Part VII Analysis of Income Producing Activities, eliminating UBIT exclusion codes, and eliminating the current Part VII Relationship of Activities to Exempt Purpose, should reduce reporting burden. The elimination of attachments for sale of assets, sale of securities and sale of assets other than securities will also reduce burden.

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**PART IX - STATEMENT OF FUNCTIONAL EXPENSES**

**Rationale**

The current form requires organizations described in section 501(c)(3) or (c)(4) to breakout reported expenses by functional category (program service, management and administrative, fundraising). Other organizations must report all expenses but are not required to provide a breakdown by function. This part was retained in the Draft.

**Summary of Changes to Draft**

- Changed line 12 from advertising to advertising and promotion
- Added a new line 23, Insurance
- Restored line 26 for reporting of joint costs from combined educational/fundraising campaign

**Comments Not Adopted**

- Match expense accounts with Uniform Chart of Accounts and adopt more natural expense categories. While these suggestions are still being considered, IRS believes the expense lines included in the final Part IX Statement of Functional Expenses continue to reflect the most commonly used expense categories by most reporting organizations.
- Eliminate requirement for 501(c)(3) and 501(c)(4) organizations to allocate expenses by function. Although functional expense reporting is not required by the Internal Revenue Code, this breakdown continues to be important for many state charity officials and is currently part of an organization's audited financial statements under generally accepted accounting principles. Accordingly, functional expense reporting for these organizations was retained in the final form.
- Eliminate line for compensation paid to other disqualified persons. This segregation allows IRS to collect more complete information for private inurement and excess benefit transaction reporting purposes and was retained in the final form.
- Breakdown reporting of office expenses. IRS believes that requiring further detail here might promote transparency, but is likely to increase burden disproportionate to any benefits realized from the additional information.

**Expected Impact on Burden**

Because this part contains no material changes from either the current form or the Draft, the impact on reporting burden is expected to be minimal.



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## **PART X - BALANCE SHEET**

### **Rationale**

The current Form 990 contains a balance sheet to be completed by all organizations. The Draft retained the current balance sheet format and categories, but proposed separate reporting of program related investments and program related, land, buildings and equipment.

### **Summary of Changes**

- Reclassified and reordered lines 10-16 of Assets
- Combined lines 12 and 15 into a single line for land, buildings, and equipment. Many comments stated that the Draft's separation of these categories would add unnecessary burden, because many assets are dual use and organizations do not keep records in this manner.
- Added Line 14 Intangible Assets
- Eliminated draft line 24 breakdown between investment property and land, buildings and equipment
- See changes to Schedule D regarding breakdown of types of assets (rather than asset-by-asset reporting)

### **Comments Not Adopted**

- Require breakdown of each asset category into unrestricted, temporarily restricted, or permanently restricted. IRS believes this requirement would be overly burdensome and should not be imposed on all organizations.
- Require separate reporting for long-term assets and liabilities. IRS believes that this requirement would be overly burdensome and should not be imposed on all organizations.
- Consolidating the lines for receivables from disqualified persons into receivables from officers, directors, trustees, and key employees.

### **Expected Impact on Burden**

The changes are expected to reduce burden when compared to the current form as certain items are no longer required to be reported separately in unstructured attachments.

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**PART XI - FINANCIAL STATEMENTS AND REPORTING**

**Rationale**

This section is new. It consolidates and revises certain information regarding financial statement reporting and preparation, some of which was included in the Draft's governance questions.

**Summary of Changes**

- Moved and revised question regarding preparation of financial statements; definition of independent accountant will be clarified in the instructions
- Moved and revised question regarding audit committee
- Added question regarding OMB Circular A-133 audits of organizations that receive federal contract awards at the suggestion of OMB. This will assist the Federal agencies and Federal Audit Clearinghouse (FAC) in monitoring OMB Circular A-133 reporting and obtaining information on the amount of Federal grants expended by Organizations.

**Expected Impact on Burden**

Because additional recordkeeping or bookkeeping is not required in order to answer these questions, additional burden is expected to be minimal.