

Internal Revenue Service
Form 990 Redesign for Tax Year 2008
Schedule A, Public Charity Status and Public Support – Highlights
December 20, 2007

Rationale and Overview

The current Form 990 Schedule A must be completed by all public charities and requires information regarding numerous unrelated topics. These include information about compensation of independent contractors and highly compensated employees, the basis for an organization's public charity status, a private school's non-discrimination policies and practices, lobbying, specified activities posing compliance concerns, and transactions or relationships with non-charitable exempt organizations. The redesigned form transforms the Schedule A into one that focuses exclusively on the public charity status of a section 501(c)(3) organization, with other parts of the current Schedule A moved elsewhere in the form.

Modification of Public Support Test

The Draft proposed increasing the public support testing period from four years to five years, including the current tax year, to simplify the entire process and to allow for the eventual elimination of the advance ruling process. The Draft also proposed separating the public support tests for 509(a)(1)/170(b)(1)(A)(vi) organizations from the support test for 509(a)(2) organizations. Because comments supported these changes, the Schedule A does not differ significantly from the Draft. IRS expects to issue regulatory guidance required to implement these changes.

Method of Accounting for the Public Support Test

The current Schedule A requires that an organization use the cash method of accounting to calculate public support even if the organization uses the accrual method to prepare its Form 990. The Draft proposed requiring an organization to use the method of accounting that it uses for its Form 990. Some commented that the cash method should be required for all organizations, regardless of its overall method of accounting, while others suggested that organizations be allowed to use different accounting methods for the overall Form 990 and the Schedule A public support calculations. IRS believes that the same method of accounting should be used for both purposes to promote uniform and consistent reporting.

Supporting Organizations

The Draft retained the current Form 990 reporting provisions for supporting organizations, which reflect certain aspects of changes made by the Pension Protection Act of 2006 (PPA). Some requested clarifications or suggestions for instructions. These will be considered while revising the instructions.

Some commented that question 11f, which inquires about whether a 509(a)(3) supporting organization has been determined to be a Type I, II or III organization, should be deleted or revised to include "written opinion of counsel." The question is revised to clarify that the reference is to an IRS determination letter. While the

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IRS understands that only a small number of organizations have such a letter, the instructions will make clear that supporting organizations may request a determination letter from the IRS concerning supporting organization type. Further changes to this portion of the Schedule A may be required to conform to any guidance issued to implement PPA's supporting organization provisions.

Additional Changes to Draft

- eliminated reporting of effective date of exemption
- restored membership dues in support schedules
- added space for narrative explanation for justification of "10% facts and circumstances" test
- See discussion of Schedule C (lobbying), E (private schools), and R (transfers among related organizations) for information regarding portions of current Schedule A that were moved to those schedules
- Form 990-EZ filers that are described in 501(c)(3) will be required to complete this new Schedule A

Expected Impact on Burden

It is expected that moving the non-public charity status components of the current Schedule A to Schedules C, E and R will reduce burden for Form 990 and 990-EZ filers as organizations that do not conduct these activities will no longer have to provide this information. It is also expected that providing a single, uniform period for measuring public support, and the bifurcation of the public support test for 509(a)(1)/170(b)(1)(A)(vi) and 509(a)(2) organizations, will reduce burden. Because accrual basis taxpayers previously had to convert to the cash basis when completing the schedule's public support test, mandating the same accounting method for the 990 and the public support test is expected to reduce burden.