

Internal Revenue Service  
**2008 Form 990**  
**Schedule N, Liquidation, Termination, Dissolution, or Significant  
Disposition of Assets – Highlights**  
December 20, 2007

**Rationale and Overview**

The current form requires an organization to attach a statement if it answers yes to question 79, "Was there a liquidation, dissolution, termination, or substantial contraction during the year?" The Draft Schedule N incorporated the information required in the instructions for that statement, and requested additional information so that the IRS can assess compliance with tax laws in those cases. The expanded reporting will provide information necessary to assure that the organization's assets are used for exempt purposes following a termination, a conversion of an exempt organization into a for-profit organization, a significant disposition of assets where the organization continues to exist, and similar transactions.

**Summary of Comments and Changes**

Some commented that the IRS should not require this reporting for non-charities. However, such reporting currently is required and the IRS believes that such reporting is appropriate, particularly for those organizations subject to the private inurement prohibition. The instructions will clarify the extent to which organizations not subject to this prohibition will be subject to Schedule N reporting. The IRS expects that regulatory changes required to implement modified reporting will be in effect before the end of 2008.

Some also requested clarification that disposition of assets in the normal course of business should not be reported on Schedule N, including transitory changes in investments and other assets. The instructions will address this matter.

Schedule N, Part I will also be used to replace the attached statement for Form 990-EZ, line 36.

**Expected Impact on Burden**

Schedule N is only required upon termination, dissolution, a substantial contraction of assets, or upon the significant disposition of assets. The information requested is only required and available upon the occurrence of such an event. Additional burden will result from the expansion of reporting to significant disposition of assets for which consideration (even if at fair market value) is received.