

1990



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 this information. We need it to ensure that you are complying with these laws.

The time needed to complete and file this form varies depending on individual circumstances. The estimated average time is:

Recordkeeping 26 hrs., 4 min.

Learning about the law or the form 4 hrs., 8 min.

Preparing the form 5 hrs., 41 min.

Copying, assembling, and sending the form to IRS 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form 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 tax form to either of these offices. Instead, see instruction H for information on where to file it.

General Instructions

Purpose of Form.—Form 990EZ 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.

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A. Who Must File.—

1. IMPORTANT NOTE: Gross receipts and total assets requirements.—Except for those types of organizations listed in instruction B, 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).

Organizations whose annual gross receipts are normally more than \$25,000 must file Form 990 (or Form 990EZ) (see instruction B11). 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 your organization fails to meet either of these conditions, you may not file Form 990EZ. Instead, you must file Form 990.

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 instruction A1 for Form 990EZ eligibility requirements. See instruction C7 for information regarding possible relief from filing **Form 1041**, U.S. Fiduciary Income Tax Return.

3. Exemption application pending.—If your application for exemption is pending, check the Application Pending block (item C) at the top of page 1 of the return and

complete the return in the normal manner.

4. If you received a Form 990 Package.—If you are not required to file Form 990EZ because your gross receipts are normally not more than \$25,000 (see instruction B11 below), we ask that you file anyway if we sent you a Form 990 Package with a preaddressed mailing label. Attach the label to the name and address space on the return (see instruction R1). Check box F in the area above Part I to indicate that your gross receipts are below the \$25,000 filing minimum; sign the return; and send it to the Service Center for your area. You do not have to complete Parts I through V of the return. By following this instruction, you will help us to update our records, and we will not have to contact you later asking why no return was filed. If you file a return this way, you will not be mailed a Form 990 Package in later years and need not file Form 990 (or Form 990EZ) again until your gross receipts normally exceed the \$25,000 minimum, or you terminate or undergo 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 IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

B. 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 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 which 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 instruction A4.

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. You can also calculate gross receipts by adding back the amounts on lines 5b, 6b, and 7b to the total revenue reported on line 9.)

However, 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.

An organization's gross receipts are considered normally to be \$25,000 or less if the organization is:

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

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

(c) 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).

If your gross receipts are normally \$25,000 or less, see instruction A4, above.

C. Other Forms You May Need To File.—

1. **Schedule A (Form 990).**—Organization Exempt Under 501(c)(3) (Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1)

Trust Supplementary Information. 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 if its gross receipts are normally \$25,000 or less (see instruction B11).

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

3. **Form W-2P.**—Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

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

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

6. **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.

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 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 instruction B11) and has no taxable income under subtitle A must complete only the following items on Form 990EZ: name; address; employer identification number; the section 4947(a)(1) block in box D; box E in the area above Part I; 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 lump-sum distributions from profit-sharing 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 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 990EZ, as well as the managers of these organizations, use this form to report their tax on political expenditures and certain lobbying expenditures.

14. **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.

15. **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.

16. **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).

D. Helpful Publications and Forms.—

Publication 525.—Taxable and Nontaxable Income

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

Publication 910.—Guide to Free Tax Services

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

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

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

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

Form 8822.—Change of Address. Used to notify the IRS of a change in mailing address.

These 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 you intend to use Form 990EZ to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following:

Determine state filing requirements.—

You should consult the appropriate officials of all states and other jurisdictions in which you do 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.

Monetary tests may differ.—Some or all of the dollar limitations applicable to Form 990EZ when filed with IRS may not apply when using Form 990EZ in place of state or local report forms. Examples of IRS dollar limitations that do not meet some state requirements are the \$25,000 gross receipts minimum that creates an obligation to file with IRS (see instruction B11), and the \$30,000 minimum for listing professional fees in Part II of Schedule A (Form 990).

Additional information may be required.—State or local filing requirements may require you 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 IRS.

Even if the Form 990EZ you file with IRS is accepted by 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, you may be asked to provide the missing

information or to submit an amended return.

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* (N.Y., AICPA, 1988), as supplemented by *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations* (N.Y., National Health Council, Inc., 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).

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 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.

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

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

Method of accounting.—Most states require that all amounts be reported based on the accrual method of accounting.

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

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

State Registration Number(s).—Insert the applicable state or local jurisdiction registration or identification number in box B (in the heading on page 1) for each jurisdiction in which you file Form 990EZ in place of the state or local form. When filing in several jurisdictions, prepare as many copies as needed with box B 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. 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.

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 instruction G, so it will coincide with the plan year.

Whether you file 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 10-16 (but complete lines 17 through 21).

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

If you substitute Form LM-2 or LM-3 for any of the Form 990EZ Parts or line items mentioned above, you 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. You must make this reconciliation because the cash disbursements section of the DOL forms includes nonexpense items. If you substitute Form LM-2, be sure to complete its separate schedule of expenses.

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

Your fiscal year should normally coincide with the natural operating cycle of your organization. Your fiscal year need not end on December 31 or June 30.

Use the 1990 Form 990EZ to report on a calendar-year 1990 accounting period or a fiscal year that began in 1990.

If you change your accounting period, you may also use the 1990 form as the return for a short period (less than 12 months) ending November 30, 1991 or earlier.

In general, to change your accounting period, you 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 you changed your accounting

period within the 10-calendar-year period that includes the beginning of the short period, and you had a Form 990EZ (or Form 990) filing requirement at any time during that 10-year period, you 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 your 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 your principal office is located in—	Send your return to the Internal Revenue Service below
▼	▼
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, or Tennessee	Atlanta, GA 39901
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, or Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, or West Virginia	Cincinnati, OH 45999
Alaska, California, Hawaii, Idaho, Nevada, Oregon, or Washington	Fresno, CA 93888
Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, or Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, or Wisconsin	Kansas City, MO 64999
Delaware, Maryland, New Jersey, Pennsylvania, Virginia, District of Columbia, 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.—To change your return for a prior year, write *Amended Return* at the top of the return. Generally, you must file the amended return within three years after the date the original return was due or three years after the date the organization filed it, 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 the toll-free number given in instruction D.

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 you 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 you file an incomplete return or furnish 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 you do not file a complete return or do not furnish correct information, IRS will write to give you 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 IRS (sections 7203, 7206, and 7207). There are also penalties for failure to comply with public disclosure requirements as discussed in 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. IRS, however, may not disclose portions of certain otherwise disclosable returns and attachments, including the schedule of contributors required by Form 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.

You can use Form 4506-A 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 Forms 990 or 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 Forms 990 or 990EZ, regardless of the size of the organization and whether or not it has any paid employees.

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 (section 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.

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 percent 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 instruction K, Penalties.)

O. Erroneous Backup Withholding.—

Recipients of dividend or interest payments must generally certify their correct tax 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 your organization was subject to erroneous backup withholding because the payer did not realize you were an exempt organization and not subject to this withholding, you can claim credit for the amount withheld. See the Instructions for Form 990-T if you 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.

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.

R. Completing Form 990EZ.—

1. Name and Address.—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.

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

2. Employer Identification Number.—You should have only one Federal employer identification number. If you have more than one and have not been advised which to use, notify the Service Center for your area (from the list in instruction H). Inform them of the numbers you have, the name and address to which each number was assigned, and the address of your principal office. IRS will advise you which number to use. Section 501(c)(9) organizations must use their own employer identification number and not the number of their sponsor.

3. Accounting Method.—In box E on page 1, indicate the method of accounting used in preparing this return. Unless the specific instructions say otherwise, you should generally use the same accounting method on the return to figure revenue and expenses that you regularly use to keep the organization's books and records. To be acceptable for Form 990EZ reporting purposes, however, the method of accounting used must clearly reflect income.

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

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 instruction E.

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

5. 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.

If the return was prepared by an individual, firm, or corporation paid for preparing it, the paid preparer's space must also be signed. For a firm or corporation that was a paid preparer, sign in the firm's or corporation's name. If you checked the block for question 42 on page 2 (section 4947(a)(1) charitable trust filing Form 990EZ in lieu 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.

Specific Instructions

In General.—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.

Unless you are permitted to use certain DOL forms or Form 5500 series returns as partial substitutes for Form 990EZ (see instruction F), 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.

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

- Form 990EZ
- Schedule A (Form 990)
- Attachments to Form 990EZ
- Attachments to Schedule A (Form 990)

Attachments.—Use the schedules on the official form unless you need more space. If you use attachments, they must:

- (1) Show the form number and tax year;
- (2) Show the organization's name and employer identification number;
- (3) Include the information required by the form;
- (4) Follow the format and line sequence of the form; and
- (5) Be on the same size paper as the form.

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

All organizations filing Form 990EZ with 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 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 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 excess payment received for items offered.*—Report as a contribution any amount received through a special event that is greater than the 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 (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 amount by which the buyer's payment is more than 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 line 6 instructions and Publication 1391.)

At the time of any solicitation or payment, organizations that are eligible to receive 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 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 12-16.

Benefits have a nominal value when:

(a) The benefit's fair market value is not more than two percent of the payment, or \$50, whichever is less; or

(b) The payment is \$27.26 or more and the organization's cost is \$5.45 or less for all benefits received by a donor during the calendar year. These amounts are adjusted annually for inflation. (See Rev. Proc. 90-12, 1990-1 C.B. 471.)

(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 would include contributions received from a parent organization, subordinate, or another organization having the same parent.

(g) Contributions from a commercial co-venture.—Amounts contributed by a commercial co-venture should be included on line 1. These contributions are

amounts received by the organization for allowing an outside organization or individual to use the 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.

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: Organization described in section 501(c)(7), (8), (10), or (19) 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 \$1,000 or more 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): For contributions to you of property (other than publicly traded securities) whose fair market value is more than \$5,000, you should usually receive a partially completed Form 8283, Noncash Charitable Contributions, from the contributor. You should complete the appropriate information on Form 8283, sign it, and return it to the donor. Retain a copy for your records. See also General Instruction C15.

Note (2): If you file 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 list is specifically required by the state with which you are 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.

(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. When available membership benefits are worth more than a nominal amount, it is implied that a member pays dues to receive those benefits and not to make a contribution.

A. What is included on line 3.—

(a) *Dues and assessment received that compare reasonably with available benefits.*—When dues and assessments are received that compare reasonably with available membership benefits, report such dues and assessments on line 3.

(b) *Organizations, other than section 501(c)(3) organizations.*—Organizations that are 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.*—When 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 really 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 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). These amounts should be reported on line 2 as

program service revenue. Expenses related to this income should be reported on lines 12-16.

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. The rental income received in these two instances should be reported 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—Capital gains.—

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 capital assets (such as program-related investments and fixed assets used by the organization in its regular 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 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. Do not use the average-cost basis 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 showing the sale or exchange of non-publicly 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) if depreciable property, depreciation since acquisition.

(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 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, 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,

- (1) enter, as gross revenue, on line 6a the value of the goods or services.
- (2) enter, as a contribution, on both line 1 and line 6a (within the parentheses) any amount received that exceeds the 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 12–16. See line 1, instruction A(b) for a definition of nominal amounts which are adjusted annually for inflation.

(b) *Sweepstakes, raffles, or 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 12–16.

(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 and 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	\$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 on line 6a; direct expenses on line 6b; and net income 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 fair market 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.—Include, on this line, 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 10—Grants and similar amounts paid.—

A. What is included on line 10.—

Enter on line 10 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) a reporting agency. These include predetermined quota support and dues payments by local agencies to their state or national organizations.

Note: If you use Form 990EZ for state reporting purposes, it is especially important to properly distinguish between

payments to affiliates and awards and grants (see 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 12–16.

(b) **Purchases of goods or services from affiliates.**—The cost of goods or services purchased from affiliates are not reported on line 10 but are reported as expenses on lines 12–16.

(c) **Membership dues paid to another organization.**—Membership dues that the organization pays to another organization to obtain general membership benefits, such as regular services, publications, and materials, should be reported as “Other expenses” on line 16.

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 as 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 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.

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 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 your 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 FICA tax, FUTA tax, 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 FICA 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 your organization records depreciation on property it occupies, enter the total for the year.

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. (However, do not include any expenses, such as salaries, for which a separate line is provided.) Also include the cost of any purchased publications as well as postage and shipping costs not reportable on lines 5b, 6b, or 7b.

Line 16—Other expenses.—Expenses that might be reported here include 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 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 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 and unrealized gains and losses on investments carried at market value.

Part II—Balance Sheets.—

All organizations, except those that meet one of the exceptions in 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 instruction K.

Some states require more information. See 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 noninterest-bearing checking accounts, deposits in transit, change funds, petty cash funds, or any other noninterest-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 1 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 your total assets. If the end-of-year total assets entered in column (B) are \$250,000 or more, you must file Form 990 instead of Form 990EZ.

Line 26—Total liabilities.—Enter the amount of your 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 your net assets. Enter this net asset amount on line 27.

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.

Organizations using fund accounting.—Under fund accounting, an organization segregates its assets, liabilities, and net worth 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), "income," 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 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 501(c)(4) organizations. Completing the column is optional for all other filers.

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.

You may furnish reasonable estimates for any statistical information if exact figures are not readily available from the records you normally maintain. If so, please indicate that the information provided is an estimate.

(a) *Donated services.*—If the organization so chooses, it may 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, and Trustees.—

List each of the organization's officers, directors, trustees, and other persons having responsibilities or powers similar to those of officers, directors, or trustees. 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.

Show all forms of compensation received by each listed officer, director, or trustee.

Column (C).—Enter salary, fees, bonuses, and severance payments received by each person listed.

Column (D).—Include all forms of deferred compensation (whether or not funded 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.

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.

You must file Form 941 to report income tax withholding and social security taxes. You must also file Form 940 to report Federal unemployment taxes, unless the organization's exemption letter states that it is not subject to these taxes.

Part V—Other Information

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 your application for recognition of exemption or those not already made known to IRS by a letter to your key district director or by an attachment to your 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, send 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. For purposes of line 35, the term "business activities" includes any income-generating activity involving the sale of goods or services or income from investments.

Note: *All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income. You may 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 which 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 statement you attach, 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 which 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.

The term "key employees" refers to the chief administrative officers 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):

(a) Borrower's name and title;

(b) Original amount;

(c) Balance due;

(d) Date of note;

(e) Maturity date;

(f) Repayment terms;

(g) Interest rate;

(h) Security provided by the borrower;

(i) Purpose of the loan; and

(j) 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 the Regulations under section 118), 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.

Line 40—List of states.—List each state with which you are 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.

