

Internal Revenue Service
Form 990-EZ Changes for Tax Year 2008
December 20, 2007

Rationale and Overview

When the draft Form 990 Redesign was released on June 14, 2007, the IRS requested comments regarding the elimination of Form 990-EZ and the modification of its filing thresholds. The Form 990 Redesign discussion draft contemplated continued filings of the Form 990-EZ for at least some time, with no significant modifications to the form itself.

Many commenters suggested retaining the Form 990-EZ, and increasing its filing thresholds to allow a greater number of small organizations to file it instead of the Form 990. At this time, the IRS is retaining the Form 990-EZ so that small organizations may continue to choose to file it or the Form 990.

As described below, certain portions of the current Form 990-EZ have been changed. These changes were limited to those needed to ensure that information required to be reported on the current form continues to be reported going forward, and to make, to the extent possible, this information reporting consistent with that required by comparable schedules to be used in the redesigned 2008 Form 990.

Current Form 990-EZ

The current Form 990-EZ consists of basic information asked of all organizations who file the form, as well as Schedule A, Organization Exempt under Section 501(c)(3), Supplementary Information, and Schedule B, Schedule of Contributors. As set forth below, Form 990-EZ requests information regarding special events and gaming, political expenditures, excess benefit transactions, donor advised funds, and liquidations, dissolutions, terminations or substantial contractions.

Schedule A, applicable to 501(c)(3) organizations, requests information regarding compensation of independent contractors and highest 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. Schedule B is filed by 501(c)(3) organizations and certain other organizations to report certain charitable contributions and contributor information.

Description of Changes Compared to Current Form 990-EZ

In order to allow both Form 990 and Form 990-EZ filers to use the same schedules for 2008 and later years, the Form 990-EZ is modified to allow the use of new Schedules A, C, E, G, L and N of the 2008 Form 990. These schedules are used to report information currently required by the Form 990-EZ. In addition, certain information no longer required to be reported on the 2008 Form 990 as a result of its redesign has also been eliminated from the Form 990-EZ. These changes include the following:

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- Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances
 - Line 5c – eliminated the attached schedule for publicly traded securities
 - Line 5c – eliminated the attached schedule for other securities
 - Line 5c – eliminated the attached schedule for other assets
 - Line 6a – replaced attached schedule with applicable parts of Schedule G¹ when amount from fundraising events or gaming activities exceeds \$15,000.
- Part V
 - Line 36 – replaced attached schedule with Schedule N
 - Line 38a – replaced attached schedule with Schedule L, Part II
 - Line 40b – replaced attached schedule with Schedule L, Part I
 - Lines 44 and 45– added to remind sponsoring organizations of donor advised funds and controlling organizations that they must file a Form 990 instead of Form 990-EZ
- Part VI – added for 501(c)(3) organizations to report information that will be deleted from the 2008 Form 990, Schedule A
 - Line 46 – added to prompt 501(c)(3) organizations to complete Schedule C Part I regarding political activities
 - Line 47 – added to prompt 501(c)(3) organizations to complete Schedule C Part II regarding lobbying activities (2006 Schedule A, Part VI-A and VI-B)
 - Line 48 – added to prompt 501(c)(3) schools to complete Schedule E regarding private schools (current Schedule A, Part V)
 - Lines 49a and 49b – added to identify transactions between 501(c)(3) organizations and tax-exempt organizations other than 501(c)(3) organizations (current Schedule A, Part VII), however, 990-EZ filers are no longer required to provide the details of such transactions.
 - Line 50 – added to report compensation of the highest compensated employees other than officers, directors, trustees and key employees (current Schedule A, Part I); threshold raised from \$50,000 to \$100,000
 - Line 51 – added to report compensation of highest compensated independent contractors for professional as well as other services (current Schedule A, Parts II and III)

Filing Tests for Tax Years 2008, 2009, and 2010

The IRS received numerous comments regarding the potential increased burden to smaller organizations resulting from the implementation of the redesigned 2008 Form 990 and its schedules. In order to provide organizations time to

¹ If a 990-EZ filer reports, on line 6a, more than \$15,000 from special events or \$15,000 from gaming activities, it would complete only Schedule G, Part I line 1 (line 2 is not required for EZ-filers) and Parts II or III as applicable.

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transition to the new form, the redesigned 2008 Form 990 will be phased-in over three years for smaller organizations. This will be accomplished through increases in the filing thresholds for the Form 990-EZ. For tax years 2008 and later, Form 990-EZ may be filed by an organization if both its gross receipts and assets are as follows.

<i>May file 990-EZ for:</i>	<i>If gross receipts are:</i>	<i>If assets are:</i>
2008 tax year (filed in 2009)	> \$25,000 and < \$1 million	< \$2.5 million
2009 tax year (filed in 2010)	> \$25,000 and < \$500,000	< \$1.25 million
2010 and later tax years	> \$50,000 and < \$200,000	< \$500,000

Expected Impact on Burden

The Form 990-EZ has been modified to ensure that information moved from the current Schedule A to other 2008 Form 990 schedules is still required of all filers, including those who file Form 990-EZ. 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.

Schedule G was created to replace unstructured attachments for current line 6. Because most of information requested in Schedule G, Parts II and III are currently requested and because a \$15,000 threshold has been adopted, it is expected that additional burden will be minimal for these parts. While Part I of Schedule G requests new information, Form 990-EZ filers will not be required to complete line 2 so additional burden is expected to be minimal.

Schedule B is not changed so no additional burden is expected. Schedules L and N contain information that is currently required so additional burden is expected to be minimal.