

Internal Revenue Service
Form 990 Redesign for Tax Year 2008
Schedule F, Statement of Activities Outside the United States – Highlights
December 20, 2007

Rationale and Overview

The current Form 990 does not request adequate information regarding the activities of exempt organizations outside the United States. Specific reporting of foreign activity is limited to Question 91 regarding foreign bank accounts and offices located outside the country, where the organization is required to provide the country in which the account or office is located, and lines 22a and 22b of Part II, *Statement of Functional Expense*, where the organization is required to check a box if foreign grants are included in the reported amounts. The attachments to Part II's lines 22a, 22b and 23, grants and specific assistance to organizations and individuals, encompass but do not explicitly delineate foreign grant information.

In order to provide a more complete picture of the organization's activities, the Draft's Schedule F requested specific information about foreign activities from organizations that conduct fundraising, grant making, trade or business, or exempt activities outside the United States, or have accounts, offices, employees or other agents outside the country. The information was broken down into three categories: description of activities on a country by country basis in Part I, and information regarding grants made to foreign organizations or governments (Part II) or grants or assistance to foreign individuals (Part III). The Draft required the name of a grantee that is a foreign entity, but did not require the names of grantees who are individuals.

Safety and Security of Individuals in Unsafe Areas

The Draft proposed that an organization list each foreign country in which it conducted activities and requested the names of foreign grantees. This raised concerns about the personal safety of workers, volunteers, and others involved in an organization's work in certain unsafe foreign areas. Many suggested that the Schedule F not require reporting for each country, not be publicly disclosed, have certain identifying information redacted from public disclosure, or be delayed.

The IRS may not redact or withhold from public disclosure information reported on the Form 990 unless it is expressly authorized by statute. Because this authority currently does not exist for Schedule F information, the 2008 form Schedule F will require reporting on a regional basis (rather than on a country by country basis), and will not require reporting of the names of grantee organizations, to address safety and security concerns. The IRS expects to follow this reporting format on the Schedule F until it is authorized to redact or withhold from disclosure this information.

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Additional Changes from Draft

- Increased threshold for reporting activity in Part I to \$10,000 of aggregate expenses or revenues from foreign activities;
- Revised grant selection procedure questions to conform with Schedule I questions that describe selection procedures and how organization monitors use of funds;
- Eliminated Draft's questions 3 (foreign political or lobbying activity) and 4 (do you make foreign activity information available to the public, and if so, how);
- Moved Draft's question 5 (grantee being an interested person) to Form 990, Part IV, question 27 and table to Schedule L, Part III;
- Clarified Part II descriptions of grantee organization are to include those who receive equivalency letter or determination from a foreign country;
- Added space for required narrative responses as well as other information an organization would like to provide; and
- Provided additional space for listing grants by expanding the tables and creating Schedule F-1.

Expected Impact on Burden

Schedule F imposes reporting requirements which may result in new recordkeeping practices so additional burden is expected. Many large organizations commented that the burden will be greatest for them because they are most likely to have significant and multiple operations in multiple areas of the world. The Part I \$10,000 threshold will eliminate the need for some smaller organizations to report on this schedule.