

Internal Revenue Service
Form 990 Redesign for Tax Year 2008
Schedule M, Non-Cash Contributions – Highlights
December 20, 2007

Rationale and Overview

The current form does not capture information about an organization's non-cash contributions, other than for certain contributions required to be reported on Schedule B. Significant tax compliance problems exist with respect to noncash charitable contributions. In order to collect information regarding those organizations receiving significant amounts of noncash contributions, and specific types of such items, the Draft added Schedule M to collect aggregate annual information on the types of non-cash property an organization receives.

Summary of Draft Schedule M

Schedule M imposed new reporting requirements on aggregate noncash contributions received by an organization for 22 specific categories, including art, books and publications, clothing, household goods, cars and other vehicles, intellectual property, securities, conservation easements, real estate, collectibles, food inventory, drugs and medical supplies, and taxidermy. Required information for each category included the quantity received during the year, revenue reported as noncash contributions on the statement of revenues, the method of valuing the contributions for revenue purposes, and the amount included on the balance sheet. Many commented that the schedule was overly burdensome for organizations that receive large amounts of relatively low value items.

Coordination with Schedule B

See Schedule B – Major Comments & Changes.

Simplify Reporting of Quantity and Other Amounts

Many comments stated that completion of the Draft Schedule M would be impossible or impractical for certain organizations. Reasons included:

- quantities (column (a)) are not tracked for books and publications, clothing and household goods;
- many organizations report revenues from the sale of clothing and household goods as noncash revenues, rather than as noncash contributions, at the time of sale instead of at the time of contribution; many organizations do not obtain valuations for the amounts reported as noncash revenues (column (b)); and
- organizations do not track most assets according to when they are contributed so it is impossible to know if an asset received during the year is reported on the balance sheet (column (d)).

The following changes were implemented as a result of these comments.

- Simplified quantity reporting by:
 - combining clothing and household goods as a single line and eliminating quantity reporting for these items and for books and publications;

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- adding a check-the-box column so organization reports receipt of certain types of property even if quantity reporting is not required;
- restricting reporting to “check-the-box” and “number of contributions” for museums and other organizations that do not report contributions as revenues as permitted under generally accepted accounting principles; and
- reporting quantity based on number of contributions made rather than number of items contributed (e.g., museum’s accession records).
- Relabeled “Method of valuation” to “Method of determining revenues” to clarify that an organization should report how it calculated the amount reported in Part VIII, line 1g (will provide examples in the instructions)
- Eliminated column (d) regarding balance sheet amount for reported items

Miscellaneous Questions

- Added question regarding whether organization has a non-standard gift acceptance policy
- Added question regarding whether organization uses related or unrelated persons to help raise funds through noncash contributions;
- Moved question regarding Form 1098-C (information return for certain car and motor vehicle donations) to core Part V, line 7h; and
- Revised question regarding 3-year holding period condition by limiting it to those items which are required to be used for entire holding period to further exempt purposes.

Other Changes

- Increased threshold for completing the schedule from \$5,000 to \$25,000 of revenues reported on Part VIII, line 1g (Statement of Revenues);
- Added trigger to capture contributions of art, historical treasures, or other similar assets, or qualified conservation contributions, even if no amounts are reported on Part VIII, line 1g; and
- To provide more specificity for museums and other organizations with collections, added historical and archaeological artifacts and scientific specimens as types of property to be reported.

Expected Impact on Burden

Schedule M creates new reporting requirements which may result in new recordkeeping practices and will result in additional burden for many organizations. However, the schedule has been revised since the June Draft to utilize an organization’s existing recordkeeping practices and to establish a filing threshold in order to minimize burden for some organizations.