

**From:** [KPaschal](#)  
**To:** [\\*TE/GE-EO-F990-Revision;](#)  
**Subject:** NATIONAL ASSOCIATION OF REALTORS DRAFT 990 COMMENTS  
**Date:** Thursday, September 13, 2007 5:12:02 PM  
**Attachments:** [1 NAR Comment Letter to IRS.PDF](#)

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Dear Sir or Madam,

Attached are comments on the Draft 990 from the National Association of Realtors and other related signatories. Thank you for the opportunity to respond.

Karen Paschal, CPA  
Director, Audit, Tax Mgmt and Expense Reporting  
National Association of Realtors  
312-329-8239



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

September 13, 2007

FINANCE & TAX MANAGEMENT

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Form 990 Redesign  
ATTN: SE:T:EO  
1111 Constitution Ave., N.W.  
Washington, DC 20224

Submitted Via E-mail : [Form990Revision@irs.gov](mailto:Form990Revision@irs.gov)

To Whom It May Concern:

The National Association of Realtors, on behalf of our 1,369,195 members, together with 22 local and state Associations of REALTORS® and other affiliated organizations, respectfully submits the following suggestions for the redesigned Form 990 as released on June 14, 2007.

We acknowledge and appreciate that Form 990 is the main enforcement tool for the IRS to monitor a very wide-ranging group of organizations. The evolution of this publicly scrutinized document, however, causes grave concerns about the responsibility to our volunteer board members, employees and our membership overall to protect extremely sensitive personal information. The most recently-issued draft requires disclosure of this sensitive information and often-times requests information without the ability to allow for explanation.

We understand that the redesigned Form 990 was intended to increase compliance with federal tax law in addition to creating a forum for a greater level of transparency. Our impression is that this form is tailored to address key areas of abuse by the public charity community – those organizations receiving charitable donations. Our fear is that the broad-sweeping requirements intended to curb abuses in the public charity sector may not apply to other sectors of the exempt community. As such, information requested may be taken out of context and misperceived.

Given the great number of stakeholders to this form – IRS, state and local governing bodies, our members, the media and the public at large, we urge you to consider the following main concerns, as outlined below:

Responsibility to protect private information:

As noted above, our organization is governed by a group of volunteer board members. It is this group of volunteers that create the foundation of our organization. Disclosures currently recommended with the redesigned Form 990 will jeopardize this foundation and significantly hinder the process of obtaining volunteers to serve on our governing body.

In addition, given the size of our organization, an extensive governing body is critical to our success as a membership organization. A five-year look back period creates a tremendous burden on our volunteers as well as the organization to gather this information. We suggest a revision of this section to include a query as to compliance and consistency with a conflict of interest policy, as currently provided on the existing Form 990. This would allow the IRS to target those organizations that have not provided a means of self-governance and target those organizations that may be abusing their privilege of tax exemption. Questions such as Part II, Section B, Line 5 are extremely sensitive in their nature. While we appreciate conflicts of interest from a public charity perspective, a membership organization and its governing body is, by its very nature of shared business interests, likely to have many business relationships amongst its board members. Releasing this information in a publicly-disclosed document is a significant violation of our members' privacy rights.

Part II also requires the disclosure of the five highest compensated employees. The 990, as a publicly-disclosed document, allows easy access to this extremely sensitive salary information. This information may cause employee discontent and possible animosity between employees. This could prove to be disruptive to the overall operations of the organization and hinder achievement of our stated exempt purpose.

The expansion of key employees and disqualified persons also creates significant privacy issues as well as confusion within the 501(c)(6) sector. Including this sensitive information of a broader range of employees will violate privacy rights and allow for public disclosure in an age where identity theft is a key risk factor. We would suggest that the IRS already has the information through other tax filings (Forms W-2, 1099, etc...) and could determine abuses in this area without requiring additional burdens on the filing organization.

#### Public misperception:

We appreciate the tremendous enforcement challenge the IRS has in the exempt sector and understand the need for a greater level of compliance and transparency. Our concern around the new disclosure requirements does not revolve around the IRS requesting pertinent information to assess compliance. Our concern is that all information provided by a membership organization is subject to public disclosure. This not only creates a host of privacy and internal employment issues as noted above, but creates a forum where all stakeholders can interpret and misinterpret an organization based on a limited "snapshot" without the full context.

Part I requests the number of individuals receiving compensation in excess of \$100,000. This is a highly arbitrary request and can be misleading if the reader is not knowledgeable of the functions performed by such individuals. In addition, recording the highest compensation on the front page of the Form 990 increases the chance that the reader will not consider other functional expenses, revenue streams, governance or other general activities when assessing an organization's performance. As noted above, we feel that this information is already provided to the IRS through other tax reporting requirements in a private forum.

Summary:

We have tried to limit our requests to two key areas – privacy issues and public misperception. We respectfully request your consideration of the above issues and consider alternatives such as retrieving currently filed information or, if necessary, creating a forum in which this information can be provided to the IRS in a confidential manner.

Sincerely,



John H. Pierpoint  
Vice President - Finance and Comptroller  
National Association of REALTORS®

Attachment

Additional Signatories:

|                   |                                 |                                           |
|-------------------|---------------------------------|-------------------------------------------|
| Rose Ann Murray   | Executive Officer               | Meadowlands Board of Realtors®            |
| Nancy McKarahan   | CEO                             | Real Source Assn. of Realtors®            |
| Arlene Esposito   | Executive Vice President        | TriState Realtors® Commercial Alliance    |
| Carol Raabe       | VP of Operations                | Council of Residential Specialists        |
| Christine Bauder  | Executive Officer               | Ocean City Board of Realtors®             |
|                   |                                 | Kentucky Barkley Lakes Board of Realtors® |
| Christine Quick   | Executive Officer               | Cumberland Cty Board of Realtors®         |
| Diane C. Foly     | Executive Officer               |                                           |
| Diane             |                                 |                                           |
| Moehlenbrink      | Acting Executive Vice President | REALTORS® Assn. of New Mexico             |
| Gary Kryslar      | Executive Vice President        | Women's Council of Realtors®              |
| Jennifer          |                                 |                                           |
| Ouzounian         | Executive Officer               | MidColumbia Assn. of Realtors®            |
| John Dulczewski   | Executive Director              | Grtr Boston Assn. of Realtors®            |
| Joyce Andreoli    | Executive Vice President        | New Jersey Assn. of Realtors®             |
| Kathleen V.       |                                 |                                           |
| Picardo           | Executive Vice President        | Hunterdon/Somerset Assn. of Realtors®     |
| Norma Jean Fritz  | Executive Officer               | Central Susquehanna Valley Board          |
| P. Gilbert        |                                 |                                           |
| Mercurio          | CEO                             | Westchester County Board of Realtors®     |
| Patricia A.       |                                 |                                           |
| Connors           | Executive Vice President        | Kent Washington Assn. of Realtors®        |
| Robert Kennedy    | Executive Vice President        | Connecticut Assn. of Realtors®            |
| Robert N. Authier | CEO                             | Massachusetts Assn. of Realtors®          |
| Rusell Hokanson   | CEO                             | Seattle King County Assn. of Realtors®    |
| Mary Ann Wissel   | Executive Vice President        | Ocean Cty Board of Realtors®              |
| William Malkasian | Executive Vice President        | Wisconsin Association of Realtors®        |
| David Garrison    | Vice President of Finance       | Florida Association of Realtors®          |

NATIONAL ASSOCIATION OF REALTORS

DRAFT 990 – COMMENTS

2007

|   | DRAFT FORM 990<br>SECTION   | COMMENTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                             | The instructions for Part 1 state that this section is to be completed only by 501 (c)3 organizations. This, however, is in conflict with the stated purpose of the 10 page core 990 document which is to be completed by all filers. Because of this inconsistency, we are providing comments on part 1, although this section may not apply to our 501 (c)6 organization.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 1 | PART I, LINE 6              | Providing the number of individuals receiving compensation in excess of \$100,000 does not provide any useful information to help the reader determine the performance of the organization. At a minimum, the information is provided out of context on page 1 of the return. This highly arbitrary number can be misleading if the reader is not knowledgeable of the functions performed by such individuals. While the stated purpose may be transparency, this disclosure seems to border on sensationalism.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 2 | PART I, LINE 7              | Recording the the highest compensation on the front page of the 990 increases the chances that the reader will <b>not</b> consider other functional expenses, revenue streams, governance or other general activities when assessing an organization's performance. There are many legitimate reasons for a salary that may appear "high" to the uninformed reader.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 3 | PART I, LINE 8              | Providing a ratio based on key employee compensation and total program service expenses on the front page of the Form 990 implies to the reader that this is an important factor in assessing an organization's performance, without considering other functional expenses, governance, management and revenue streams. Additionally, the level of program activity by key employees will vary tremendously between organizations. This ratio does not make any allowance for that.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 4 | PART II, SECTION A, LINE 1a | Since the 990 is a public document, disclosing confidential and sensitive salary information for a potentially wide range of <b>key employees (as defined in the new Draft 990 down to the level of "department head")</b> may cause employee discontent and possible animosity between employees. This could prove to be disruptive to the overall operations of the organization and hinder achievement of stated exempt purposes. One recommendation is to only require individual disclosure information for Directors, Trustees, Officers, CEO and CFO positions or others with similar levels of responsibility. For all <b>other</b> key employees (department heads, etc.) only require the combined compensation amounts for each column (D through G). In doing so, the public will be informed of the average amount paid to these types of key employees without disclosing individual information which may affect the morale of employees in competitive positions. |
|   |                             | <p><b>Other possibilities include:</b></p> <p>1. Limit individual disclosure information for "other" key employees (department heads, etc.) to 501(c) 3 organizations since these organizations are publicly supported. 2. Another option would be for the IRS to provide a separate schedule for salary and other confidential information that would be designated as non-public in nature, thereby providing the IRS with the information and statistics necessary to remain informed about the compensation policies of the exempt organization without the problems caused by public disclosure of such information.</p>                                                                                                                                                                                                                                                                                                                                                     |

**NATIONAL ASSOCIATION OF REALTORS**

**DRAFT 990 – COMMENTS**

2007

|   | <b>DRAFT FORM 990<br/>SECTION</b>                    | <b>COMMENTS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | <b>PART II, SECTION A, Line 1a</b>                   | Since the 990 is a public document, disclosing confidential and sensitive salary information for the <b>five highest compensated employees</b> may cause employee discontent and possible animosity between employees. This could prove to be disruptive to the overall operations of the organization and hinder achievement of stated exempt purposes. One recommendation is to only require the combined compensation amounts for each column (D through G) for these employees. In doing so, the public will be informed of the average amount paid to this tier of employees without disclosing individual information which may affect the morale of employees in competitive positions.                                                                                  |
|   |                                                      | <b>OR</b><br>Limit individual disclosure information for the five highest paid employees to 501(c) 3 organizations since these organizations are publicly supported.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 6 | <b>PART II, SECTION B, LINES 5<br/>a, b, e and f</b> | Since the board of directors serve on a volunteer basis, disclosure of private business information requested in this section will definitely hinder the process of obtaining 501 (c) 6 members to serve on boards. The request for confidential transactional information from board members will surely be considered an invasion of privacy by potential directors. Also, in an organization such as ours where there are a large number of board members, compliance with this disclosure requirement (especially for a 5 year look back period) is virtually impossible. We suggest replacing questions 5 a through e with a question simply asking if the organization's conflict of interest policy precludes or at a minimum requires disclosure of such relationships. |
| 7 | <b>PART II, SECTION A, LINE 1a</b>                   | Since the board of directors positions are voluntary, disclosure of such private information may hinder the process of obtaining 501 (c) 6 members to serve on boards. In today's environment of identity theft and data sensitivity, provision of personal data in a publicly filed form should be limited to information critical to the understanding by the public about the organization's exempt purpose.                                                                                                                                                                                                                                                                                                                                                                 |

**From:** [Alison Smith](#)  
**To:** [\\*TE/GE-EO-F990-Revision;](#)  
**Subject:** 990 comment letter  
**Date:** Thursday, September 13, 2007 11:38:00 AM  
**Attachments:** [apvofm 990 comment letter final.doc](#)

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Please find attached our comment letter on form 990.

Sincerely,  
Alison N. Smith  
Executive Director

Lois G. Lerner  
Director of the Exempt Organizations Division of the IRS

Ronald J. Schultz  
Senior Technical Advisor to the Commissioner of TE/GE

Catherine E. Livingston  
Deputy Associate Chief Counsel (Exempt Organizations)

Internal Revenue Service  
Form 990 Redesign  
ATTN: SE:T:EO  
1111 Constitution Avenue, NW  
Washington, DC 20224

Dear Ms. Lerner, Mr. Schultz, and Ms. Livingston:

BY ELECTRONIC MAIL \_\_\_\_\_

RE: Form 990, Return of Organization Exempt from Income Tax

In our capacity as the leading voice for the financial, grants, contracts and administrative staff of international development and relief organizations, APVOFM, The Association of PVO Financial Managers respectfully submits the following comments in response to your request of June 14, 2007, regarding the draft Form 990 and accompanying schedules, currently anticipated for us with the 2008 tax return (to be submitted in 2009)..

The Association of Private Voluntary Organization Financial Managers (APVOFM) is a membership organization that represents more than 190 organizations that work internationally and most especially in the developing world. We support the Internal Revenue Service in its intent to facilitate accurate, complete, and consistent reporting by exempt organizations but wish to express strong reservations about a number of proposed revisions, especially with regard to the new schedule F, which we believe will be especially time consuming and burdensome for organizations providing humanitarian services in foreign countries to complete, and do not advance the good intentions of Form 990 redesign.

Without regard to the considerations we will detail, we suggest that organizations engaged in overseas activity will need sufficient time to understand and implement any changes that will be required of them. From discussions with our members, we do not believe it is realistic to require organizations to use the new Form 990 for Fiscal Year 2008. We strongly suggest that the IRS delay implementation until Fiscal Year 2009. With regard to Schedule F pertaining to activities outside the United States, we strongly suggest that the IRS delay its implementation until it convenes a representative group of organizations providing humanitarian assistance to provide specific advice on Form redesign in such a way as to provide the public with information that is clear

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September 13, 2007

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and accurate but at the same time does not unduly burden these organizations and, at worse, endanger their personnel. APVOFM would be happy to assist in convening such a group.

## **Core Form**

### **Part I: Summary Page**



Line 7: Listing the highest paid amount of compensation without any information regarding the title or responsibilities of the individual who received that compensation is open to broad misinterpretation by the public. A simple figure of compensation is likely to be interpreted in terms of its amount as negative, without regard to the job and responsibilities this amount represents. This could be especially misleading for medical or technical personnel that humanitarian organizations employ.

Line 8b and line 19b: APVOFM does not believe that the inclusion of percentages, such as computation of officers, directors, and other key employee compensation, as a percentage of total program service expense (line 8b) or fundraising expense as a percentage of contributions and grants (line 19b) is an appropriate indicator of an organization's effectiveness or efficiency, yet it likely will be interpreted that way by the public. We fear that inclusion of such percentages will undoubtedly give the reader the impression that the IRS believes these percentages are gauges of effectiveness.

## Part II: Compensation

City and State of Residence: Requiring organizations to list the city and state for board members and key employees could open those whose organizations work in controversial program areas to unwarranted harassment. APVOFM suggests that the IRS encourage organizations to provide city and state of residence, but permit organizations to use their own address if they are concerned about threats.

W2 Compensation: W2 compensation often includes housing and other allowances for those working overseas in areas where such allowances are required for safety or other reasons. This could provide a distorted view of compensation. We suggest that the IRS provide clearer guidance on what

should or should not be included.

## Part II, Section B

Line 3: Question 3 asks whether the compensation process for an organization's CEO, Executive Director, Treasurer, and CFO includes "a review and approval by independent members of the governing body, comparability data, and contemporaneous substantiation of the deliberation and decision." While this rightly applies to the CEO/Executive Director of an organization, it does not necessarily apply to the CFO who is most often hired by the CEO/Executive Director, not the Board.

Threshold of Highest Compensation: APVOFM supports the proposal to raise the threshold for reporting the compensation of the five highest compensated employees from \$50,000 to \$100,000. While some have noted that this represents a substantial increase, it should be noted that it has been some time since the original form began to collect this amount and the impact of inflation over the years keeps this amount nearer the original intent of the provision. The IRS might want to consider indexing this amount to the Cost of Living Index or other annually updated tables so that future revisions of the form are not required solely for this purpose. An alternate approach might be to ask for the five compensated individuals regardless of amount.

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## Part III. Governance

The question regarding the number of transactions the organization reviewed under its conflict of interest policy (line 3b) is not an appropriate indicator of whether and how well and organization enforces that policy. Instead, we suggest that IRS ask if a copy of the organization's conflict of interest policy was distributed to all board and key staff members and whether those board and staff members were asked to report any conflicts of interest

The question regarding who prepared the organizations financial statements (line 8) not helpful. We recommend that the question ask whether an independent accountant prepared, reviewed or audited the organization's financial statements.

While it can be helpful to have a separate Audit committee (line 9), many exempt organizations may not choose to delegate the audit oversight responsibility to a separate committee. The question should be rephrased to ask if those organizations with an audit have it reviewed by a Board Committee.

We further recommend that question re Governing Body review of Form 990 (line 10) be revised to ask whether full board or board committee reviews form 990.

#### Part V Statement of Functional Expenses

Grants and other assistance to organizations (line 3) wording is not consistent with Schedule F. Looks like contracts would be included, but Schedule F only mentions grants (see further comments under Schedule F)

Other employee benefits (line 9): instructions indicate this line is to be used for both contributions to employee benefit plans and expenses related to employee events (such as a picnic or holiday party). This change would require a change in accounting practice and would confuse contributions to qualified pension and welfare plans with expenses that provide an

insignificant benefit to individual employees.

Advertising (line 12) The instructions indicate that it should be used to report in- house fundraising campaign expenses. This is an inappropriate confusion of the functional expenses (expenses attributed to a program or function which are indicated in columns B-D) with a natural expense (specific types of expenses which may be attributed to different functions.) It is more appropriate to have direct costs attributed to in-house fundraising activities such as compensation, telephone, postage, etc listed in the appropriate natural expense category under column D.

Printing and publication costs are spread several places in the new draft, again producing confusion between function and natural line items

Payments to affiliates: (line 21) The draft needs clarification regarding distinctions between payments, grants, and membership dues paid to affiliated organizations. A definition of affiliate is also needed.

APVOFM 990 comment letter

September 13, 2007

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### Part IX Statement of Program Accomplishments

The question (line 2) regarding **the organization's most significant program accomplishment** is vague and requires subjective judgments.

## Schedule F Activities Outside the U.S.

In general, after discussions with our membership, APVOFM is very concerned that the level of detail requested in revised form will be burdensome to collect, costly to administer, of minimal value to the IRS or the public, and, of greatest concern, could present a very real threat to the safety of those working in areas that are hazardous for workers or hostile to American organizations. We strongly recommend that the IRS delay implementation of Schedule F until changes are made, after international humanitarian organizations are consulted more fully. Again, we would be happy to assist in convening such a group.

Part I, Line 1, Activities by Country: Very few organizations maintain data on expenditures on a country-by-country basis. Many larger humanitarian organizations receive funding from multiple sources that is not country specific. Some may be directed toward regions and others toward individual cities or local projects. Many organizations would be required to revamp their accounting and information systems in order to provide the information required. This process would impose a significant burden on organizations with offices in a large number of countries. Often staff of international development and relief organizations will have staff who coordinate the work of projects in several countries or by region. Determining how to split their time would be difficult, or, if done simply by the country they are based in, misrepresentative. Likewise, accounting for travel that includes more than one country would be difficult to track.

Line 2, Grantmaking: The entire discussion of grantmaking in this question and throughout Part I and Part II is extremely confusing. Some interpret it to mean only grants, but other places in the Schedule (instructional directions for Part II, for example, referring to amounts reported on “Part V, line 3”) seem to suggest that it includes all distributions of assistance. The words “grants,” “grants and other assistance,” “allocations,” and

“distributions of assistance,” are all used in various places in the Schedule and in the directions to refer to this amount. This needs exact clarification before meaningful comment can be considered. If this indeed means listing every distribution of assistance over \$5,000, many of our larger humanitarian members who distribute government assistance using methods other than grants will literally have to list thousands of recipients and incur considerable expense compiling such data. If this is intended only for organizations that make specific grants to projects based on their own set of determinants, that too needs to be specifically clarified. If it has a broader definition, it will be extremely burdensome and provide information of limited value to the IRS or to the American public.

With specific regard to line 2, open-ended questions regarding procedures for selecting and monitoring recipients seems inappropriate for a public document. Schedule I, regarding domestic grant-making, asks simply whether the organization maintains records to substantiate the amount of grants or assistance, the grantee’s eligibility, and etc. APVOFM recommends that similar language be substituted in Schedule F after further consultation with foreign service organizations

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Line 3, Political Activity: No definition or instructions regarding the reporting of political and lobbying activities is provided. Given the variation in political systems and legal frameworks outside the United States, it is not appropriate to apply rules that govern domestic political and lobbying

activities. Readers of the Schedule could wrongly interpret that an organization engaged in such activities outside the U.S. is at best improper and at worst, illegal. Ironically, many organizations engaged in democracy promotion, which this Administration strongly supports, might be the most directly affected.

Part II, Grants and Other Assistance to Organizations or Entities Outside the United States, Line 1: Again, clarity regarding the definition of grants and other assistance is needed before further comments can be considered, arguing for a delay of implementation of Schedule F clarification after consultation with organizations providing assistance outside the U.S. and then an additional comment period.

Column b of line 1, as well as lines 2 and 3, require information regarding assistance to 501 (c)(3) organizations. This question is not meaningful for many international humanitarian organizations since other countries do not use the U.S. regulatory structure. Moreover, answers to these questions could lead readers of the Schedule to be misled into thinking that assistance given to foreign organizations that did not have an IRS Code or did not have 501(c)(3) status was misspent. Columns g, h, and i seem unnecessary on the surface and would require significant accounting, bookkeeping, and system revision.

### Schedule G Fundraising

Line 1a asks organizations to indicate whether they engaged in various solicitation techniques, but the inclusion of “grants from governments or organizations” is a funding source, not a solicitation technique. Many of our members have suggested that completing the table on line 1b would be difficult, since they may have multiple contracts with a single individual or organization to assist with fundraising solicitations.

### Schedule J Supplemental Compensation Information

The Schedule asks for a detailed breakdown of reportable compensation, deferred compensation, non-taxable benefits, and “nontaxable expense reimbursements.” APVOFM strongly opposes the inclusion of “nontaxable expense reimbursements” in this category. The nature of international humanitarian work requires extensive travel on the part of employees. This is in no way compensation. In order to accomplish the mission of the organization, many may be on travel status for a quarter to half of their time. Including this reimbursed travel as compensation gives the public the distorted impression that travel, even to remote destinations in the developing world, is somehow a form of compensation rather than a method of service. This has implications for how humanitarian organizations are seen by the public and could have implications for fundraising.

The Schedule would require information on over 25 items of so-called “non-taxable fringe benefits,” Trying to fairly estimate equivalent amounts by individual for such things as subsidized parking or even health care coverage, would be difficult and cause extensive revision in bookkeeping. If a picnic is held for employees, would the cost of the picnic need to be apportioned among all those attending? This request seems to seek collection of more information than the government or the public need to determine the quality of an organization and should be removed.



APVOFM is deeply concerned about the additional administrative burden inherent in the expanded Form 990—especially as it relates to organizations doing international work.

We strongly suggest that the IRS delay the implementation of the entire 990 until 2009 when the non profit community will have had time to analyze and digest the proposed changes. The revised form would require many organizations to make fundamental accounting system changes, changes that would have to be made by December 2007 in order to implement them within the timeframe IRS is currently considering. Further, we suggest delaying implementation of schedule F until a representative group of organizations providing humanitarian assistance overseas can provide specific advice on Form redesign in such a way as to provide the public with information that is clear and accurate but at the same time does not unduly burden these organizations and, at worse, endanger their personnel. APVOFM would be happy to assist in convening such a group.

Sincerely,  
Alison N. Smith  
Executive Director

**From:** [Wilson, Debra](#)  
**To:** [\\*TE/GE-EO-F990-Revision;](#)  
**Subject:** Comments on Draft Form 990  
**Date:** Thursday, September 13, 2007 9:02:17 AM  
**Attachments:** [990\\_CommentsNAISNBOA07.doc](#)

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Attached please find comments from the National Association of Independent Schools and the National Business Officers Association.

Sincerely,

Debra

Debra P. Wilson  
Legal Counsel  
NAIS  
1620 L Street, NW  
Washington, DC 20036  
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(202) 247-9692 (fax)  
www.nais.org <<http://www.nais.org/>>

America's Independent Schools: Learning, Leading, Achieving

**VIA EMAIL TRANSMISSION**

September 13, 2007

Lois G. Lerner  
Director of the Exempt Organizations Division of the IRS

Ronald J. Schultz  
Senior Technical Advisory to the Commissioner of the TE/GE

Catherine E. Livingston  
Deputy Associate Chief Counsel (Exempt Organizations)

Internal Revenue Service  
Form 990 Redesign  
ATTN: SE:T:EO  
1111 Constitution Ave., N.W.  
Washington, DC 20224

Re: Redesign Form 990, *Return of Organization Exempt from Income Tax*

Dear Ms. Lerner, Mr. Schultz, and Ms. Livingston:

**Introduction**

The National Association of Independent Schools (NAIS) represents more than 1,300 nonprofit, independent, day and boarding schools throughout the United States as well as 80 nonprofit associations. The National Business Officers Association (NBOA) also joins in these comments. NBOA represents the Chief Financial Officers of more than 550 nonprofit, independent, day and boarding schools throughout the United States. Within schools, the chief financial officers are generally primarily responsible for the completion and filing of the 990. The vast majority of the NAIS and NBOA member schools and associations are required to file the Form 990 (990). Our associations and memberships strongly support the Internal Revenue Service's (Service) efforts to bring clarity and ease to the 990. In particular, the separation of many of the sections into separate schedules should be helpful for those filling out the forms, as well as for those reviewing the information. At the same time, NAIS and NBOA have some concerns and clarifications relating to several of the topics within the form. We offer these comments to address these issues and hope the Service will consider this input when creating the final 990 and related instructions.

**Overall Comments**

The overall redesign is a very impressive draft of the 990. Our associations offer that some subtle changes to the overall design and delivery of the form may be helpful.

1. **Bulk of Information.** The number of documents relating to the 990 process as a result of the redesign may be overwhelming to many nonprofits, including our schools. The form, instructions, glossary, schedules, and schedule instructions create a labyrinth of material, with many cross-references between the documents. Creating an overall booklet or pamphlet that contains much of the base information may be helpful at least as long as entities must complete the forms in paper.
2. **Glossary References.** The concept of a glossary for the 990 is very helpful; however, it would be more helpful if the words and phrases in the glossary were found in bold throughout the forms and instructions. Further, in some cases it may be more helpful not to rely too heavily on the glossary where key words can be built into the form lines themselves (see, e.g., Part VII, lines 4a and 4b and the use of personal benefits contracts).
3. **Attachments.** The Service notes in its materials that the 990 redesign should continue to be streamlined and to eventually not allow for attachments. However, attachments do allow entities to include information that otherwise will not fit into the form, particularly while the form remains as a paper filing. The use of attachments would help nonprofits explain anomalies and potentially help save the Service time if an anomaly does trigger an issue for the Service upon the initial filing.
4. **Conflicts Between 990 and GAAP Reporting.** Nonprofit accounting systems are most often based on Generally Accepted Accounting Principles (GAAP) and cost accounting requirements. While many of the details requested in the 990 can be efficiently retrieved from a standard GAAP-based trial balance, there are many items that can't. Examples within the proposed form include: benefits paid to members, payments to affiliates, information technology, investment management fees, break-out of consulting fees between management, accounting, and counting company parties as an employee benefit. These line items have no direct equivalent in the standard GAAP-based trial balance. As a result, many organizations construct these totals manually from transaction level details after the fact—a process that is time consuming and less consistent across filers than pulling totals from a system-generated, GAAP-based trial balance. While organizations should structure their accounting systems to meet both GAAP and IRS needs, the 990 should be designed so that differences are kept to minimum.

Additionally, there are terms used in the 990 that directly conflict with GAAP terminology. For example, Schedule J, column E included nontaxable expense reimbursements as compensation. This would not be grouped with salaries and benefits (compensation) for GAAP reporting, nor would a GAAP general ledger system classify expense reimbursements by the individual who received them. (They would be posted to the appropriate natural and

departmental expense codes.) This creates confusion and inefficient reporting on the 990 that is inconsistent across filers.

### **Core Form**

The proposed form is a marked improvement over the current version, and our associations heartily support the Service's efforts. At the same time, we submit the following comments on the core form and its schedules for consideration.

### **Part I. Summary Page**

NAIS and NBOA strongly support the Service's concept of giving a snapshot view of the filing entity on the first page of the form. This summation should help in the efforts to bring a more transparent view of the nonprofit community to the public. Some discrete comments on this section are below.

1. **Program information.** This area should be provided with more space, or the understanding that attachments may be used, for a filing entity to clearly state its mission.
2. **Activity Codes for Program Activities.** A comprehensive code should be used in this area. The provided instructions with the draft form do not note which system will be used. Our associations agree with the comments filed by Independent Sector that the National Taxonomy of Exempt Entities (NTEE) is a likely system to use on this form. The Service should also be aware that in some cases, there may be less than three codes that apply to an entity, particularly when the entity is singularly focused.
3. **Employee Compensation.** If compensation information is to be provided within the summary section, it would make more sense to include the overall cost of employee salary information. Further, if the highest compensation is to be provided in line 7, the title of the individual receiving it should be included.
4. **Financial Information and Percentage Reporting.** The information requested on the summary page regarding the total revenue and expenses is a good look at the various avenues of a nonprofit's income and expenses. However, the percentage calculations included herein may be misleading to the public in that the calculation may imply an appropriateness of the various percentages. Different nonprofit entities will display a wide variety of percentages, even within the same industry. This is particularly the case when the entity takes on a large impact project, be it a substantial expansion or capital campaign. Including the percentage reporting without further explanation gives rise to an assumption that something might be amiss within the structure of the nonprofit. The percentage reporting on line 8, and line 11-15, and 17-19 should be dropped from the form. If the Service is committed to including some form of percentage reporting, it should be still be dropped from line 8 as the underlying assumption is that a high percentage of salary relative to expenses is inappropriate.

5. **Gaming and Fundraising Information.** This section of the form provides little to no meaningful information about most nonprofits and may be read to imply that funds raised by such means are somehow illegal or inappropriate. If that information is included on this summary page, a more appropriate location would be within the revenues and expenses sections of the Summary page. Further, this information is separately provided in Schedule G, making the information readily available elsewhere within the form. While it is understandable that the Service is currently tracking this issue closely, making such a table a permanent fixture within the 990 on the summary page may be more emphasis than is appropriate for the long term.

## **Part II. Compensation**

NAIS and NBOA applaud the IRS's efforts in clarifying the compensation reporting for board members, officers, key employees, and highly compensated employees. This section of the current 990 has caused no small amount of confusion in the field and clarification and a new approach are much needed. NAIS does have the following comments on this section:

1. **Title.** We request that a title line be added for key employees, other employees or former employees.
2. **Position Section.** We strongly encourage the IRS to consider clarifying in the form or within the instructions that one or more of these boxes may apply to different individuals. Such clarification may help avoid confusion that often results in a nonprofit including either the CFO or the Treasurer, but not both on this section of the form. This clarification may be appropriate in the key employee definition or within an example or frequently asked questions section of other documentation accompanying the 990.
3. **Reportable Compensation.** The new table varies from the current form in that it will no longer require the reporting of nonreportable compensation. This change will cause the IRS not to collect information that would illustrate the full picture of compensation packages, and make the 990 a nonviable route for organizations attempting to gather rebuttable presumption information for intermediate sanctions purposes.

In the event that a nonprofit does not have a key employee triggering a need to file Schedule J, no further compensation reporting will be required or available. We suggest that this lack of reporting will leave a gap in the compensation field, creating more costs for smaller organizations that will likely feel a need to hire compensation consultants in order to document the reasonableness of the compensation packages paid to disqualified individuals. While such reporting may not be necessary for all individuals within section A of Part II, it would be helpful for certain disqualified individuals. In line 3 of this section the IRS indicates a particular interest in the compensation deliberation process of the Chief Executive Officer, the Executive Director

and the Chief Financial Officer. This reference would imply that having this information available to the public, at least as relates to these individuals would be helpful to other organizations attempting to document the reasonableness of their decision-making process.

4. **Compensation Reporting Year.** The effectiveness of such reporting would be particularly helpful if the IRS can determine an alternative way for nonprofits to report more current compensation than the last year's W-2 information. Many nonprofits, particularly schools, do not have fiscal years that coincide with the calendar year. Relying on the last W-2 will provide data that is almost a full year out of date. If the Service is committed to not enlarging the reporting of disqualified individuals, NAIS and NBOA suggest that at least some of the larger categories of unreported compensation, such as contributions to qualified pension and welfare plans be included.

### **Part III. Governance**

We appreciate the Service's interest in ensuring that appropriate governance is taking place in nonprofits around the country. NAIS provides many governance resources to its schools and routinely encourages many of the practices espoused by the additional questions being asked in this section. At the same time, the Service should consider noting on the form, instructions, or another accompanying document that while some of these questions are best practice principals, they are not currently required by law. The existence of these questions, and the review of this information by the public, gives rise to the implication that these actions must be undertaken. Reorganizing this section to include those questions in an information section of the form may be helpful.

1. **Governing Body Clarification.** Line 1a should include the clarification provided in the glossary that the governing body information should include both voting and nonvoting members. Further, the Service should consider whether it would like the inclusion of "honorary" or "advisory" members of the board in this count. Many nonprofits have such individuals, but may or may include them in routine board meetings and duties. Finally, the Service may want to consider whether it would like a separate reporting of "ex officio" board members, with a related definition clarifying the term as the Service means it.
2. **Changes to Organizing or Governing Documents.** The Service should clarify the instructions provided for line 2 of this section to ensure that the changes described relate to only true organizing or governing documents (e.g., bylaws, articles of incorporation, etc.).
3. **Conflicts of Interest.** We support the adoption by all nonprofits of a conflict of interest policy, and adherence to it. However, line 3b requesting the number of issues reviewed under this policy will have a chilling effect on the number of reviews undertaken and the overall effectiveness of the policy if nonprofits feel that they will need to disclose their reviews every year in a public document. For this reason, NAIS and NBOA object to the inclusion of line 3b.

4. **Audit Committee.** NAIS and NBOA object to the inclusion of line 9 as it is stated. While audit committees are required of public companies, and suggested for nonprofits, this line creates the assumption that such a committee is appropriate for all nonprofits. Many nonprofits, including some schools, do not have a sizeable enough board to include an audit committee within its structure. In the school community, many schools have adopted the duties of an audit committee and placed them with another committee, like the finance committee or the executive committee. If the Service would like to ensure that these duties are being attended to, then a more direct question about whether these responsibilities are overseen at the board level may be more appropriate.
5. **Review of Form 990.** The logistics of boards may not always make it possible for an entire board to review and approve a 990 before it is timely filed. A question relating to the review of the 990 by either a full board or committee is likely more appropriate.

#### **Part VIII Statements Regarding Other IRS Filings**

1. **Personal Benefits Contracts (line 4).** As the receipt of these kinds of interests is so new to many nonprofits, these questions should be clarified, likely by having the glossary language built into the question. A specific reference regarding life insurance and / or annuity contracts would be helpful. Schools are particularly interested in any future clarification that the Service might have in this area as this may become a popular tool for alumni giving.

#### **IX. Statement of Program Service Accomplishment**

1. **Program Service Accomplishment.** Line 2 in this part is fairly ambiguous and requires guesswork on behalf of a filing entity. If the Service is going to include this question in the 990, it should provide some way for schools and others to determine how it expects the filing entity to select its most significant program service accomplishment for the year.

#### **Schedule Comments**

#### **Schedule G Fundraising**

1. **Written or Oral Agreement.** Lines 1b and 2 both request information about agreements with individuals involved in fundraising efforts. The language used is confusing in both and needs to be clarified. Another column noting a relationship to one of the disqualified people listed may be helpful.
2. **Volunteer Percentage Information.** NAIS and NBOA both object to the inclusion of a percentage calculation on the time provided by volunteers to run fundraising events. This information will likely be very time-consuming to calculate and, even after calculation, provide dubious data.



## **Schedule J Supplemental Compensation Information**

NAIS and NBOA strongly support the Service's efforts in the area of clarifying compensation reporting.

1. **Schedule J Instructions Table.** In looking at the compensation table provided within the schedule J instructions, there does not appear to be a place where employer contributions to a qualified retirement plan would be reported on the form. This portion can be one of the more substantial non-immediate cash compensations to an individual's compensation package. NAIS and NBOA strongly support including this information both on Schedule J and Part II of the 990 as this compensation is often a substantial part of standard compensation packages. Not including this information in light of the other information being gathered seems incongruous.
2. **Inclusion of Reimbursed Expenses.** NAIS and NBOA object to the inclusion of expenses reimbursed under an accountable plan in the compensation grid, as well as part of the calculation to determine which employees should be included on the Schedule J reporting. These expenses should not be viewed as part of a compensation package as they are not compensation and requiring such calculation places an undue burden on the entity submitting the form. The relevant question should be whether or not the entity has an accountable reimbursement plan in place in accordance with IRC Section 62 and the related regulations. If the answer is "no," then the expenses are already within Column B. If this information is going to be included on the form, then it should not be combined into the total compensation column in column F.
3. **Nonqualified Deferred Compensation.**
  - a. **Earnings Calculations.** NAIS and NBOA encourage the Service to consider dropping the requirement of including any earnings calculations in Column C. This number is likely to be a haphazard guess and the Service does not appear to be willing to permit a discount for losses.
  - b. **Double Counting of NonQualified Plans.** NAIS and NBOA encourage the IRS to consider providing subcolumns under Column (B)(iv) to formally bifurcate from this general total what was already reported under Column C in prior years. The proposed format retains the current confusion of having this information appropriately reported year after year, but the ultimate payment of the vested and funded amount being included in what looks like a lump salary payment causing unnecessary confusion to the public reviewing the document. Our organizations appreciate the opportunity being offered to provide a footnote to this area, but a greater clarification for the reader on how this particular kind of compensation is considered would be helpful.

4. **Supplemental Nonqualified Retirement Plan (Column G).** We question the necessity of this column. If this information is already included in either of columns B or C, then Column G would seem to be redundant. If the Service is focused on attempting to draw out the presence of these plans, then very clear definitional instructions should be included as to which plans should or should not fall within this category.
5. **Non-Fixed Payments.** NAIS and NBOA object to line 6 on this schedule as it currently stands. The term “non-fixed payments” is open to interpretation and should receive more clarification within the accompanying form materials if it is to remain on the form.

#### **Schedule K**

1. **Threshold Reporting Part I.** NAIS and NBOA suggest that the threshold reporting for Part I on this schedule be raised from \$100,000 to at least \$500,000 given the nature of bond issuance.
2. **Proceeds.** We recommend that the Service provide a way for an organization to note in lines nine and ten when a bond was issued “in part” to current or advance a refund on a prior bond issue.

NAIS and NBOA would like to thank the Service for this opportunity to submit comments in regards to this important form. Many improvements have been made and we look forward to working with the Service to create a smooth transition to the new, final form.

Sincerely,

Debra P. Wilson  
Legal Counsel  
NAIS  
(202) 973-9716

Sarah Daignault  
Executive Director  
NBOA  
720-564-0475

**From:** [Bob Huxel](#)  
**To:** [\\*TE/GE-EO-F990-Revision;](#)  
**cc:** [Bob Huxel;](#)  
**Subject:** Comments on Form 990 Revision, IR-2007-117, June 14, 2007  
**Date:** Thursday, September 13, 2007 5:40:02 PM  
**Attachments:** [NFCA Comments to IRS Re 990 Revisions 13Sept2007.pdf](#)

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This comment letter is submitted by the National Fraternal Congress of America (NFCA), a trade association that represents fraternal benefit member-societies that are exempt from federal income tax under section 501(c)(8) of the Code. We appreciate the opportunity to provide comments in response to IR-2007, dated June 14, 2007, regarding the discussion draft of a redesigned Form 990.

[Bob](#)

Robert C. "Bob" Huxel, CPCU  
Interim President & CEO  
National Fraternal Congress of America  
Phone 630/522/6322 x119  
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September 13, 2007

Via e-mail to: Form990Revision@irs.gov

Internal Revenue Service  
Form 990 Redesign, SE:T:EO  
1111 Constitution Avenue, NW  
Washington, DC 20224

Re: National Fraternal Congress of America  
Comments on Form 990 Revision, IR-2007-117, June 14, 2007

This comment letter is submitted by the National Fraternal Congress of America (NFCA), a trade association that represents fraternal benefit member-societies that are exempt from federal income tax under section 501(c)(8) of the Code. We appreciate the opportunity to provide comments in response to IR-2007, dated June 14, 2007, regarding the discussion draft of a redesigned Form 990. Tax exempt under section 501(c)(6), the NFCA has 75 member-societies that, in the aggregate, have nearly 10 million individual members.

### **Form 990 Revision Initiative**

The NFCA agrees that substantial revision of the Form 990 is warranted and applauds the efforts of the Internal Revenue Service (IRS) to update the form. NFCA also agrees with the three guiding principles of the redesign effort as explained in the “Background Paper for Redesigned Draft Form 990,” namely, the principles of enhancing transparency, promoting compliance, and minimizing filing burden.

### **Group Returns**

The NFCA strongly urges the IRS to retain the group Form 990 filing process, thereby allowing fraternal benefit societies to use this procedure for their local lodges. We believe that maintaining the option of group Form 990 filing for our member-societies’ local lodges is consistent with the guiding principles of the redesign of Form 990.

As stated in the “Background Paper,” the enhancing transparency principle means “providing the IRS and its stakeholders with a realistic picture of the organization and its operations, along with the basis for comparing the organization to similar organizations.” The NFCA believes that both separate and group filing process for Form 990 information returns of fraternal lodges are consistent with the transparency principle.

Fraternal benefit societies are required by section 501(c)(8) of the Code to “operate under the lodge system.” This means having local branches that are chartered by a “parent” fraternal benefit society. Though a group form 990 filing does not provide separate information on specific local lodges, the aggregated information in a group Form 990 returns allows for the assessment of the operations and activity levels of a lodge system of a fraternal benefit society, as a whole. Both separate and group Form 990 filing allow the IRS to access whether or not a fraternal benefit society is operating “under the lodge system.” No information is lost if a group return is filed. The IRS always has the option to obtain individual lodge information that is contained in a group Form 990 from the fraternal benefit society, if transparency issues relating to specific lodges arise.

The “Background Paper,” defines promoting tax compliance to mean that “the form must accurately reflect the organization’s operations and use of assets, so the IRS may efficiently assess the risk of noncompliance.”

For fraternal benefit societies, precluding group Form 990 returns would not promote tax compliance. A group Form 990 filing provides the information needed by the IRS to determine whether a fraternal beneficiary society is meeting the requirements of section 501(c)(8) of the Code no less than Form 990 returns filed by individual lodges. The IRS can obtain information pertaining to separate lodges of a parent organization filing a group Form 990, if there are compliance issues related to separate lodges. Also, group Form 990 filing process allows specialized staff to prepare a group information return, facilitating consistency in providing the information required.

The “Background Paper” defines “minimizing the burden” on filing organizations to mean “asking questions in a manner that makes it relatively easy to fill out the form, and that do not impose unwarranted additional recordkeeping or information gathering burdens to obtain and substantiate the reported information.”

Elimination of group Form 990 returns for fraternal lodges would create additional and unnecessary filing burden for the fraternal benefit societies that currently use the group Form 990 return filing process. These fraternal societies have developed processes to effectively use group Form 990 filings to reduce the administrative burden on unpaid volunteers who are not accustomed to preparing Form 990 information returns. Eliminating group Form 990 returns would force these societies to either place new and unwelcome responsibilities on volunteers or hire additional staff to prepare separate Form 990s for their lodges.

We further believe that the new Form 990-N filing requirement will simplify the task of the IRS in administering group Form 990 returns regarding identification of organizations that are required to file a return, but did not file. A subordinate organization of an organization filing a group Form 990 would either be included in the group Form 990 or be required to file Form 990, 990-EZ, or 990-N. If no information return is received for an organization, the IRS can take appropriate action.

### **Raising the Form 990 Filing Thresholds for Certain Organizations**

The NFCA supports an increase in the Form 990 filing threshold to \$50,000 in annual gross receipts. Raising this threshold would reduce the filing burden of smaller fraternal lodges by allowing them to file Form 990-N, if they are not included in a group Form 990 filing. Due primarily to the small size of organizations, with less than \$50,000 of annual gross receipts, the NFCA does not believe that reducing the filing burden in this manner would frustrate transparency or create compliance issues.

Thank you for the opportunity to provide comments on these important issues.

**From:** [Tiffany Aurora](#)  
**To:** [\\*TE/GE-EO-F990-Revision;](#)  
**cc:** [Erin Skene; Tiffany Aurora;](#)  
**Subject:** Comments on Form 990  
**Date:** Thursday, September 13, 2007 1:49:14 PM  
**Attachments:** [MNA\\_comments\\_to\\_IRS\\_on\\_990.pdf](#)

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Attached are comments from the Michigan Nonprofit Association on the IRS proposed changes to the Form 990.

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Tiffany Aurora  
Policy Associate  
Michigan Nonprofit Association  
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**Sign up Now for Nonprofit Day - September 26, 2007!** <http://www.mnaonline.org/nonprofit07.asp>

Check out the MNA Blog - <http://mnaonline.wordpress.com/>



# Michigan Nonprofit Association

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*President and CEO*

September 13, 2007

Form 990 Redesign  
ATTN: SE:T:EO  
1111 Constitution Ave., N.W.  
Washington, DC 20224

Re: Comments on the Redesign of the Form 990

IRS Form 990 Redesign Team:

On behalf of the Michigan Nonprofit Association (MNA) and our more than 1,000 member organizations, thank you for the opportunity to provide comment on the proposed redesign of the Form 990. MNA is the collective voice of Michigan's nonprofit organizations. MNA serves as a statewide network for the sector, a resource center on effective management practices, and as an advocate for the nonprofit community.

We appreciate the opportunity to comment on this form, which is one of the most important sources for information on the activities of nonprofits. The following are concerns that have been raised regarding the proposed Form 990:

### General Comments

1. There is great concern in the field and from our members regarding the proposed timeframe for implementation of the new Form 990. To address the numerous concerns raised regarding this draft, it is necessary to provide a second draft for comment and to delay implementation from fiscal year 2008 to no earlier than fiscal year 2009. Considering that this is a comprehensive revision of the form, it is imperative that nonprofits have another draft to review and adequate time to adjust their record keeping systems to comply with the various changes.

2. To sufficiently explain the answers provided by organizations, the revised Form 990 should include adequate space to provide further details to explain their answers to the regulator and others reviewing the form. Although we understand that it will not be possible to allow for unlimited space to respond, it is important to provide an opportunity for organizations to explain discrepancies that may be misleading to a reviewer of the form.

ENHANCES THE EFFECTIVENESS OF THE MICHIGAN NONPROFIT SECTOR IN SERVING SOCIETY

Lansing Office - 1048 Pierpont, Suite 3 ■ Lansing, MI 48911 ■ Phone 517/492-2400 ■ Fax 517/492-2410  
Toll Free 888/242-7075 (MI only)  
Detroit Office - 7375 Woodward Avenue, ■ Detroit, MI ■ Phone 313/309-1650 ■ Fax 313/309-1651  
Web Site <http://www.mnaonline.org>

3. We recommend maintaining the 990 EZ for those organizations with gross receipts of less than \$100,000. We understand that there have been recommendations to eliminate the 990 EZ and possibly replace it with the summary page of the revised form. However, to complete the summary page, a nonprofit would need to have accounting processes in place and complete complex calculations provided elsewhere in the proposed form to obtain the required information for the summary page. This would substantially increase the burden upon small organizations in fulfilling this requirement and does not meet the goal of the IRS to minimize the burden on filing organizations nor the IRS goal to increase transparency.

4. Wherever a regulatory ruling or a section of the tax code is referenced, the instructions should include a simple explanation and a reference to a source for more information on the meaning of the ruling or section of the tax code. This recommendation would both increase an organization's compliance and decrease the burden of completing and understanding the Form 990.

### Part I Summary Page

5. We have general concern regarding the use of percentages as an indicator of the efficiency of an organization and we urge the IRS to delete the percentage calculations on the summary page. The fear is that donors and others who review an organization's Form 990 will compare percentages between different organizations and will use this as a tool in determining funding of these groups. These percentages are not an accurate depiction of a nonprofit's activities, and lower or higher percentages do not indicate the success of the organization's activities. This approach fails to recognize the tremendous variety of missions within the nonprofit community and would not be an accurate vehicle to determine the effectiveness of the various types of organizations.

### Part III Governance

6. We recommend the removal of the portions of this section that are not statutorily required. Asking organizations to report on best practices is reaching beyond the boundaries of the statute. Combining the questions statutorily required and those not, will confuse organizations and possibly decrease compliance. Further this would be another section that could mislead the public regarding the compliance of nonprofits. The Michigan Nonprofit Association strongly believes in promoting best practices in the nonprofit sector. However, we believe that this is the role of capacity building organizations like MNA not the role of the IRS.

### Glossary

7. Part I-A of Schedule C asks filers to provide a description of the organization's "direct and indirect political campaign activities." The definition provided in the glossary does not clearly define indirect vs. direct political campaign activities. It is critical to provide clear definitions of these types of activities so that 501(c)(3) nonprofits are not discouraged from becoming involved in permitted election-related programming.



8. It is imperative that 501(c)(3) nonprofits have a clear understanding of lobbying activities. To avoid confusion, the definition for lobbying provided in the glossary should be replaced with definition in 26 U.S.C. 4911 (d):

Any attempt to influence any legislation through an attempt to affect the opinions of the general public or any segment thereof, and any attempt to influence any legislation through communication with any member or employee of a legislative body, or with any government official or employee who may participate in the formulation of the legislation.

Thank you again for the opportunity to provide this feedback.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Caldwell".

Kyle Caldwell  
President and CEO

CC: Senator Carl Levin  
Senator Debbie Stabenow  
Representative Dave Camp  
Representative John Conyers, Jr.  
Representative John Dingell  
Representative Vern Ehlers  
Representative Peter Hoekstra  
Representative Dale Kildee  
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