From:	Aaron Dorfman
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	NCRP comments
Date:	Tuesday, September 11, 2007 6:41:12 PM
Attachments:	NCRP comments on IRS draft.doc

<<NCRP comments on IRS draft.doc>>
Attached is a Word document with NCRP's comments on the proposed revisions to the 990.

_____

Aaron Dorfman, Executive Director
National Committee for Responsive Philanthropy (NCRP)
2001 S. St. NW, Suite 620
Washington, DC 20009
202-387-9177 x13
www.ncrp.org

national committee for responsive philanthropy

2001 S Street NW, Suite 620 Washington, DC 20009 t 202.387.9177 f 202.332.5084

September 11, 2007

Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

To Whom It May Concern:

The National Committee for Responsive Philanthropy (NCRP) is pleased to provide comments to the IRS on the proposed revisions to the 990 tax form. As the nation's premier philanthropic watchdog organization with a 30-year track record of research and advocacy on philanthropic accountability, NCRP is well-acquainted with the concerns raised by the IRS and the need for revisions to the 990.

Because NCRP's primary purpose is to promote accountability among grantmaking organizations, not among grant seeking organizations, our comments on the draft 990 will be extremely limited.

Once revisions of the 990 tax form are completed, NCRP urges the IRS to undertake a full-scale revision process for the 990-PF tax form filed by most of the nation's more than 100,000 private foundations. The form, in its current state, does not provide adequate transparency or disclosure. If the IRS undertakes such a revision process, NCRP will be happy to share concrete ideas on how the 990-PF might be significantly improved. Private foundations now control over half a billion dollars in tax-exempt assets and the IRS tax forms for those organizations should be updated to provide the IRS and the public with essential information for proper accountability and oversight.

Regarding the draft 990, NCRP will limit its comments to Schedule C. Our lack of comments about other sections of the draft 990 should not be interpreted as support or opposition to those sections.

NCRP has long asserted that it is beneficial for our democracy that nonprofit organizations engage in public debate about the pressing issues of the day. We regularly encourage grantmakers to provide funding to nonprofits for civic engagement, policy advocacy and community organizing. Often, these kinds of allowable activities require 501(c)(3) organizations to declare some lobbying expenditures on their 990s. We are concerned that Schedule C of the draft 990, in its current form, will discourage what are and should remain fully permissible activities.

NCRP strongly supports the right of a charitable organization to engage in *lobbying activity*, and would like to make the distinction between this and *campaign activity* as clear as possible. To best avoid confusion, we recommend the IRS split Schedule C into two different forms, with one form entirely devoted to lobbying activity and the other entirely devoted to political campaign activity. The current draft of Schedule C presents some confusion regarding the two different activities; splitting the form makes it easier for nonprofits to comply with reporting requirements and for the IRS to properly monitor nonprofit lobbying and campaign activities. Organizations that participate in lobbying activity, including many 501(c)(3) organizations, would fill out the "lobbying" form and likely would not have to bother with the "political campaign" form.

NCRP values this opportunity to provide comment. If you have any questions or need additional information, you can reach me at 202.387.9177 or at adorfman@ncrp.org.

Sincerely,

Aaron Dorfman
Executive Director

From:	David Heinen
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Revised Comments on Redesigned Form 990
Date:	Tuesday, September 11, 2007 5:18:49 PM
Attachments:	Form 990 response.doc

On behalf of the N.C. Center for Nonprofits, attached please find our revised comments (replacing those sent earlier today) on the draft of the redesigned Form 990.

Please feel free to contact me with any questions you may have.

David Heinen
Director of Public Policy and Advocacy
N.C. Center *for* Nonprofits
1110 Navaho Drive, Suite 200
Raleigh, NC 27609-7322
919/790-1555, ext. 111
919/790-5307 (fax)

www.ncnonprofits.org

Comments from the N.C. Center *for* Nonprofits to the Internal Revenue Service Regarding Proposed Changes to the Form 990

September 11, 2007

To: Internal Revenue Service
Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224
Form990Revision@irs.gov

The following comments are submitted on behalf of the N.C. Center *for* Nonprofits. Founded in 1990, the N.C. Center *for* Nonprofits is a Section 501(c)(3) nonprofit that serves as a statewide network for North Carolina nonprofit board and staff members, an information center on effective organizational practices, and an advocate for North Carolina's nonprofit sector as a whole. The Center has more than 1,500 members, comprised of 501(c)(3) nonprofits from all 100 counties in North Carolina. The Center provides services to all sizes and types of 501(c)(3) nonprofits and works closely with other local, state, and national groups that assist nonprofits.

The Center is a member of the National Council of Nonprofit Associations (NCNA), and we have signed onto the comments on the proposed redesign of the Form 990 that NCNA has submitted to the IRS. Rather than simply repeating NCNA's comments, we are including the following additional comments to highlight our particular concerns about the draft of the redesigned Form 990 and some of the feedback we have received from nonprofits throughout North Carolina.

Implementation Date

We strongly encourage the IRS to consider extending the timeframe for implementation of the redesigned Form 990. Many organizations, particularly small nonprofits, would have difficulty in adjusting to the new requirements of the redesigned form by fiscal year 2008. It is likely that the Center and other organizations serving the nonprofit sector in North Carolina (as well as national organizations and similar associations in other states) will offer training and provide technical assistance to nonprofits about the changes in reporting required by the redesigned Form 990. Such

training and technical assistance will be more effective if it can be done over the course of the next year. Consequently, if the implementation date were pushed back to fiscal year 2009, there would be ample opportunity for nonprofits to understand and implement the changes necessary to prepare the Form 990 in a more complete and accurate manner.

Part I – Summary Page

We are concerned about the inclusion of efficiency ratios on the summary page of the form. For many nonprofits, these ratios may appear misleading. For example, for a small nonprofit with limited staff who are responsible for programmatic activity and fundraising, it is possible that Line 8b would be extremely high because most of the nonprofit's program service expenses would be included in the compensation of key employees.

The fundraising efficiency ratios may cause confusion, because new nonprofits and organizations engaged in endowment campaigns or new fundraising initiatives might have particularly high fundraising expenses for a year. If the fundraising ratios remain on the Form 990, it might be useful to include check boxes for nonprofits to indicate if they are new (less than three years old) or undertaking a new fundraising or endowment campaign, since these circumstances may help explain why some nonprofits have particularly high fundraising ratios in some years.

Several North Carolina nonprofits have noted that funders and members of the public already can calculate certain efficiency ratios based upon the information currently available on the Form 990. Because the efficiency ratios in Part I of the redesigned Form 990 are more likely to cause confusion than to provide valuable information to the public, we recommend removing them from the summary page.

In addition, many nonprofits in North Carolina have fiscal years ending June 30 rather than December 31. Consequently, the compensation information from the W-2 or 1099 will reflect a different time period than the nonprofit's expenses and revenues. This may create confusion to the public when this information is identified in Lines 6 and 7 of the summary page.

Part II – Compensation and Other Financial Arrangements with Officers, Directors, Trustees, Key Employees, Highly Compensated Employees, and Independent Contractors

As noted above, many North Carolina nonprofits have fiscal years ending June 30. For greater clarity, it might be helpful to the public for Part II of the Form 990 (on the form, not merely in the instructions) to include some indication of the time period that the compensation amounts cover, since this information will be taken from the Forms W-2 or 1099 and is not necessarily concurrent with the nonprofit's fiscal year.

Also, we have concerns about requiring nonprofits to identify the city and state of residence of individuals listed in Part II. Many nonprofit officers, directors, and employees in North Carolina live in rural areas. For these individuals, the identification of their city of residence may create serious privacy and harassment concerns and may discourage rural residents from becoming involved with nonprofits. Consequently, we encourage the IRS to consider one of the following options: (i) allowing nonprofits to identify the business addresses (or the nonprofit's organizational address) for officers, directors, and employees; (ii) only requiring the state of residence (but not the city); or (iii) allowing nonprofits to black out the city and state of residence from the version of the Form 990 that is available to the public. With the latter alternative, it would be important for the form and instructions to clearly explain to nonprofits that this information may be blacked out.

Part III – Statements Regarding Governance, Management, and Financial Reporting

We agree that it is good practice for nonprofits to have written conflict of interest policies. However, we are concerned that asking for the number of transactions reviewed under the policy and related procedures each year may lead to misleading information. It might be more useful to ask whether members of the governing board are required to review and sign the conflict of interest policy annually and to disclose and review their financial and organizational interests every year. This is a good practice for nonprofits, as reflected in the Center's *Principles & Practices for Nonprofit Excellence: A Self-Help Tool for Organizational Effectiveness*.

Will nonprofits that make significant changes to their organizing or governing documents be permitted to submit attachments in addition to the two lines provided to answer Line 2? It may be difficult for nonprofits to describe significant amendments to their articles of incorporation or bylaws in two lines, and the public would benefit from having more comprehensive descriptions of such amendments available on the Form 990.

We strongly agree with the comments of NCNA that it would be helpful to distinguish legal requirements from best practices in Part III. In particular, we are concerned that Line 11 may create confusion for many nonprofits about what information they are legally required to make available to the public.

Part V – Statement of Functional Expense

For many nonprofits, the revised categories of functional expenses will be helpful in more clearly describing their expenditures. Some nonprofits, however, will continue to have a significant percentage of their expenses characterized as "other expenses" on Line 23. It may be difficult for some of these nonprofits to break down these other expenses into categories so that no more than five percent of their total expenses are labeled "miscellaneous" in the space provided on Line 23. For the minority of nonprofits that

have significant "miscellaneous" expenses, we recommend allowing the option of attaching a schedule explaining the details of these "miscellaneous" expenses.

Some of the changes in financial reporting (*e.g.* changes to the classifications of functional expenses) will require nonprofits to make changes to their accounting systems and accounting software. For small nonprofits that use customized accounting software, the cost of making these changes may be significant and has not been included in their budgets for this year. To ensure that nonprofits can affordably implement the new accounting systems necessary to provide complete and accurate information on the redesigned Form 990, it would be helpful to push back implementation until fiscal year 2009, as recommended above.

Part VII – Statements Regarding General Activities

Some North Carolina nonprofits, such as adult day care centers, that provide a small amount of health services, but that have non-medical missions, would be required to check "Yes" for Line 9 and complete Schedule H – Hospitals. We are concerned that the preparation of Schedule H may be an administrative burden for some of these nonprofits. Is it the intent of the IRS for *all* nonprofits that provide any amount of medical services (regardless of the amount of these medical services and regardless of the nonprofit's primary mission) to complete Schedule H? It would be helpful to specify in the instructions whether this is the case. Because completing Schedule H may be a significant administrative burden for some non-hospitals that provide a small amount of medical services, we strongly encourage the IRS to establish an exemption from the requirement of filing this schedule either (i) for nonprofits that receive only a *de minimis* amount of revenue from the provision of medical care or (ii) for specific types of nonprofits, such as adult day care facilities, that are not hospitals and whose primary mission is not the provision of medical services.

Part IX – Statement of Program Service Accomplishments

We believe it is helpful to include the new Line 1 asking for significant changes in activities during the year. However, we recommend removing Line 2. Many nonprofits provide a wide variety of services and may find it difficult to single out one of these as their most significant program service accomplishment for any year.

Also, some nonprofits use attachments on the current form to provide more details about their program service accomplishments. These details can be helpful to the public and to potential funders in evaluating a nonprofit's overall work during the course of a year. Consequently, we recommend that nonprofits continue to have the option of attaching schedules more fully describing their program service accomplishments.

It is our understanding that direct revenue in Column (A) of Line 3 would include only income from fees and services and sales of goods directly related to a program, but

would not include indirect revenue or in-kind contributions. We are concerned that the inclusion of the direct revenue amount adjacent to the program services expense column may provide misleading information to the public for nonprofits that receive indirect revenue for some of their program services.

Contact Information
David R. Heinen, Director of Public Policy and Advocacy
N.C. Center for Nonprofits
1110 Navaho Drive, Suite 200
Raleigh, NC 27609
919-790-1555, ext. 111

From:	Olive Thomas
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Comments from an Adult Day Care facility
Date:	Tuesday, September 11, 2007 5:05:48 PM
Attachments:	

There is one item in the recent information about the proposed new 990 that would negatively impact Senior Services, Inc., and probably many other non-profit adult day care centers in the US. Through the Williams Adult Day Care Center of Senior Services, Inc. in Forsyth County, NC, we serve older adults with memory disorders with a "program of services during the day in a community group setting for the purposes of supporting older adults' personal independence, and promoting social, physical, and emotional well-being" (this description coming from the NC Division of Aging and Adult Services' Home and Community Care Block Grant manual). This includes addressing some health-care needs as well – medication dispensing, having a registered nurse on site to provide assessments and regular documentation of health status. To be eligible for funding from different sources (Block Grants or Veterans Administration, for example), we are required to have a certain level of health care services and we are proud of the services we provide our clients. **We are not, though, primarily a health care or medical organization**.

If, on the proposed new 990 we must check Part VII, question 9, " Did the organization operate, or maintain a facility to provide hospital or medical care?" with an answer of "YES" (since we do provide a low level of medical care), we will incur significantly greater costs associated with providing this charity care. If line 9 is checked, a new schedule, Schedule H, will have to be prepared. Looking at the draft form of the schedule (which runs 19 pages, including instructions) on the IRS website, we foresee a significant amount of additional work which will be required of us to prepare the 990. We don't have any qualms about reporting the amount of charity care which we provide at the Williams Center, and understand that this schedule is focused mainly on the "quasi" non-profit hospitals; it just seems that there might be a better qualification for this schedule, such as a *de minimis* rule (only organizations over a certain dollar amount of revenue from medical care, for example) or a blanket exemption for organizations providing

day-care or something similar. It may be that in some proposed regulation not apparent on the website view of the proposed 990 that this is already addressed – but the language of “facility to provide…medical care” does seem, on the face of it, to include adult day care centers.

From:	Tomblin, Tammy
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	IRS Form 990 Redesign
Date:	Tuesday, September 11, 2007 4:24:05 PM
Attachments:	

Regarding the IRS Form 990 redesign, WVMI/Quality Insights has the following comment:

Regarding, ***Part II – Compensation and Other Financial Arrangements with Officers, Directors, Trustees, Key Employees, Highly Compensated Employees, and Independent Contractors 1(A) – Name, City, & State of Residence****:*
The request for the City & State of Residence of Officers, Directors, Trustees, Key Employees, Highly Compensated Employees is intrusive and subjects individuals to potential security risk.

If you have questions, please contact me.

Sincerely,

Tammy L. Tomblin, CPA
Controller
WVMI/Quality Insights
3001 Chesterfield
Charleston, WV 25304
304.346.9864 Ext. 2253
ttomblin@wvmi.org

From:	Sullivan, T. J.
To:	*TE/GE-EO-F990-Revision; Lerner Lois G; Schultz Ronald J; Livingston Catherine E;
CC:	Patricia Smith; mark.zemelman; John Spiegel; Thomas B. Kornfield;
Subject:	Comments on Draft Form 990
Date:	Tuesday, September 11, 2007 2:51:29 PM
Attachments:	DC01-#529403-v4-Letter.DOC

Dear Lois, Ron, and Cathy,

Attached are comments on the draft Form 990 from the Alliance of Community Health Plans.

T. J. Sullivan, Esq.
DrinkerBiddle
1500 K Street N.W.
Washington, D.C. 20005
tj.sullivan@dbr.com
202-230-5157 direct
202-842-8465 fax
Assistant: Heidi Allen, x. 5631
heidi.allen@dbr.com

<<DC01-#529403-v4-Letter.DOC>>

DrinkerBiddle&Reath LLP

T. J. Sullivan
Partner
(202) 230-5157 Direct
(202) 230-5357 Fax
tj.sullivan@dbr.com

Law Offices
1500 K Street, N.W.
Suite 1100
Washington D.C.
20005-1209

(202) 842-8800
(202) 842-8465 fax
www.drinkerbiddle.com

CALIFORNIA
DELAWARE
ILLINOIS
NEW JERSEY
NEW YORK
PENNSYVLANIA
WASHINGTON D.C.
WISCONSIN

September 11, 2007

Via E-mail and Regular Mail

Lois G. Lerner
Director, Exempt Organizations
Internal Revenue Service
Tax Exempt/Government Entities

Ronald J. Shultz
Senior Technical Advisor
Internal Revenue Service
Tax Exempt/Government Entities

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

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

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

I am writing to provide comments on the June 14, 2007, draft redesigned Form 990 on behalf of the Alliance of Community Health Plans ("ACHP") and its member plans. ACHP is an association of health plans that provide or arrange for the provision of health care to voluntarily enrolled populations in seventeen states and the District of Columbia. The majority of ACHP's members are nonprofit, tax-exempt health plans described in Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended (the "Code"). [1] These tax-exempt plans enroll approximately 15 million individuals nationwide. ACHP is a District of Columbia nonprofit corporation exempt from federal income tax under Section 501(a) of the Code because it is described in Section 501(c)(4) of the Code.

ACHP and its members commend the Internal Revenue Service ("IRS") for undertaking the extraordinary effort required to redesign the Form 990 from the ground

[1] Unless otherwise specified, all citations herein are to the Internal Revenue Code of 1986, as amended, or to Treasury Regulations promulgated thereunder.

up. Given the reliance upon the annual information return for exempt organizations by the IRS, state governments, the media, and the public, we believe the revisions will help further the worthy goals of promoting transparency and compliance. We share the view that all stakeholders will be well-served by having a clear, up to date, and internally logical form and instructions upon which to report both financial and narrative information to all those interested in the activities of tax-exempt organizations.

OVERALL COMMENT

As an overall concern, ACHP agrees with the comment submitted on June 17, 2007, by Jack Siegel of Charity Governance Consulting LLC, that the draft Form's movement away from attachments is problematic. ACHP recommends that the IRS allow reporting organizations to include attachments with their Forms 990 or have the opportunity to otherwise incorporate explanations or supplemental information in electronically filed Forms 990, either by allowing one or more PDF attachments or by creating memo pages in connection with specific parts of the redesigned Form. For example, ACHP believes that the IRS should create a memo page with 500 characters per line for Part II A, Part II B, and Part IV, Line 1. We believe Part IX should allow an open-ended attachment. ACHP believes that reporting organizations should have a meaningful opportunity to explain any areas where they may be concerned about misinterpretation or believe their answer may require additional explanation.

SPECIFIC COMMENTS

1. **Limit Schedule H to Licensed Hospitals** (Part VII, Line 9 and Schedule H)

ACHP believes that completion of Schedule H should be limited to facilities licensed by a state as a hospital. JCAHO, formerly the Joint Commission on Accreditation of Health Care Organizations, defines a hospital in its 2007 Hospital Accreditation Standards as "a healthcare organization that has a governing body, an organized medical staff and professional staff, and inpatient facilities and provides medical, nursing and related services for ill and injured patients 24 hours per day, seven days per week. For licensing purposes, each state has its own definition of a hospital." Large organizations, such as integrated delivery systems, that operate one or more licensed hospital facilities should complete Schedule H only with respect to the hospital facility(ies) and any outpatient activities to the extent necessary to reflect data that would ordinarily be reported by licensed hospitals. For those integrated delivery systems that provide community benefit both through their licensed hospitals *and* through activities outside of the licensed hospital(s), the form should provide an opportunity for the organization to state whether and if it engages in community benefit activities beyond the identified hospital-related activities. Then, perhaps in a separate section of Schedule H,

or elsewhere on the Form, the organization should be given the opportunity to report the non-hospital community benefit activity, to ensure complete and accurate reporting while preserving the integrity of the hospital-specific reporting.

Schedule H appears to have been designed specifically for hospitals, yet the instructions as written would require Schedule H to be completed by HMOs, clinics, multi-specialty group practices, faculty practice plans, and other non-hospital providers. ACHP realizes that the IRS has often been asked by Congress and others for information on tax-exempt hospital activities and has been unable to respond due to a lack of meaningful data. Historically, the IRS categorized together hospitals and other health care organizations using the broader definition under section 170 of the Code. We believe that the IRS, Congress, policy analysts and the public would be better served by the IRS gathering objective and comparable information about the activities of licensed nonprofit, tax-exempt hospitals so that all can exercise proper oversight of this important part of the nonprofit sector.

In making this comment, ACHP is not intending to shy away from having its member plans report on their charity care, community benefit, and other activities in furtherance of their tax-exempt mission. Certain member plans will have to complete Schedule H with respect to their hospital activities in any event. However, ACHP believes that, if the IRS wants to gather information about the community benefit provided by non-hospital health care providers, it should develop an additional targeted schedule or sub-schedule that would protect the integrity of the information gathered on Schedule H and gather the necessary information in a way designed to reflect the greater diversity of providers not organized or operated as a hospital. ACHP is willing to work with the IRS and interested parties to help develop such a schedule or sub-schedule.

ACHP and its member plans are also willing to work with the IRS to further define terms used in Schedule H and explain column headings as they relate to those terms. For example, neither Schedule H, nor the instructions, nor Worksheet 7 explain how an organization should calculate the number of "persons served" in relation to research. Items such as this one require further explanation for organizations engaging in research. (Please also see our further comments regarding the research reporting in Schedule H, at pages 8-9, below.)

Also, whether or not the IRS develops a new schedule for non-hospital providers, ACHP believes that all organizations, including stand-alone hospitals, integrated health care systems that include hospitals, and non-hospital health care providers and plans, should have the opportunity to further describe accomplishments and activities in furtherance of their tax-exempt missions on an attachment to the Form 990 or the appropriate schedule. This approach allows for greater transparency through more robust

public reporting of relevant quantitative and qualitative information that is not already reflected on the redesigned form or in a format that is different from that called for by the redesigned form.

Given the time necessary for the IRS to refine Schedule H and its instructions, and the time necessary for organizations that provide hospital care both within and outside the hospital(s)'s walls (or the hospital corporation) to establish with some consistency what should and should not be included, ACHP urges the IRS to consider delaying implementation of Schedule H for a year to give organizations time to develop appropriate financial record keeping mechanisms and to work with the IRS to refine Schedule H and its instructions and to develop a new schedule for non-hospital health care providers if deemed appropriate.

2. **Avoid Focus On Behaviors For Which There Is No Accepted Standard (**Part I, Summary, Line 8b)

ACHP is concerned that the question requiring a calculation of the ratio of highly compensated individuals to total program expenses is one of several new questions on the redesigned draft Form 990 that seeks information without explanation of the purpose of the inquiry and that is likely to yield widely ranging data about exempt organization characteristics for which there is no commonly understood or accepted standard of behavior. We support operational transparency, but are concerned that ratios and similar kinds of data may be especially prone to misuse. We believe the IRS should either modify the question and instructions to more clearly explain the purpose of the question or the expected usefulness of the data, or consider its elimination. In the event that the IRS continues to believe it important to include the question, we urge the IRS to allow respondents the opportunity to explain their answers so that the reported data are not misinterpreted by other stakeholders, including the media or the public.

3. **Clarify That the Look Back Period For Former Officers, Directors, and Key Employees Is Five Years** (Part II A, Line 1a and Part II B, Line 6)

ACHP believes the intent of the instructions for these items is to limit the look back period for former officers, directors, and key employees to five years, which we would welcome. If this is the case, we believe it would be helpful for the IRS to clarify or expressly confirm that a five-year look back, consistent with the approach taken in Section 4958, is all that is required. If this is not the case, we believe the IRS should consider adopting an express five-year look back limitation in order to limit the unnecessary burden on reporting organizations while still giving the IRS and other stakeholders the most recent and relevant information.

4. **Eliminate Double Reporting Of Nonqualified Deferred Compensation** (Part II, and Schedule J, Line 1(C))

ACHP and its members are concerned that the present draft does not eliminate required double or triple reporting of Nonqualified Deferred Compensation ("NQDC"), which, under the existing Form 990, must be reported when accrued, when vested, and when paid out. We believe the IRS should develop a clear instruction and place for reporting on the Form 990 or Schedule J that requires reporting NQDC in only one year, when the benefit is accrued (even though taxable wage reporting may later be required on Form W-2). We believe that reporting once at the time of accrual best reflects the underlying economics of the compensation arrangement being reported. Reporting NQDC only once will reduce redundancy with respect to that item of compensation and eliminate the unnecessary and misleading over-reporting of executive compensation.

As an alternative, the IRS could develop a clear instruction and place for reporting NQDC on the Form 990 or Schedule J that requires reporting NQDC only at the time of vesting. This approach matches Form W-2 reporting and would similarly reduce redundancy. However, since vesting typically occurs with respect to benefits accrued over a multi-year period, this approach does not as clearly reflect compensation as does reporting the annual accrual.

If the IRS chooses not to adopt one-time reporting of NQDC, it could allow and encourage the use of an attachment to explain the reported numbers in the context of the accrual over a multi-year period and required redundant reporting. By allowing organizations to provide this important additional information to explain the redundant reporting, the potential for misinterpretation of the compensation data will be reduced.

5. **Clarify the Question About Implementation of Conflicts of Interest Policy** (Part III, Line 3b)

ACHP recognizes that the IRS has long had a concern about conflicts of interest in tax-exempt organizations. Asking organizations to report on the implementation of their conflicts of interest policy is a logical outgrowth of that concern. However, we are concerned that the question as drafted is vague and may produce information more reflective of the number of transactions into which an organization enters and then reviews *rather* than information on the effectiveness of the conflict of interest policy in identifying and preventing conflicts. We recommend an alternative formulation of this question along the lines of the following: (1) Does the organization have a process in place requiring that transactions that could involve potential conflicts of interest are reviewed under its conflicts of interest policy, or (2) Does the organization's governing board, or a committee of the governing board, or a designated compliance officer,

monitor compliance with or ensure a routine audit of organizational compliance with its conflicts of interest policy?

6. **Eliminate or Clarify Governing Board Form 990 Review Question** (Part III, Line 10)

ACHP supports the IRS' effort to encourage the governing bodies of tax-exempt organizations to exercise oversight of the filing of Form 990. Proposed line 10 does not define the term "review", however, and a conservative interpretation would require a level of detailed understanding and formal approval that most nonprofit boards probably do not undertake due to the time and expertise required. While many exempt health plans probably ensure that their boards (or appropriate committees thereof) have general familiarity with financial and community benefit data reported in the Form 990, the proposed question in Line 10 (as with many others) is likely to be interpreted as a new requirement for exempt organizations, such that respondents would feel compelled to adopt a practice that will create a significant new burden for governing boards without commensurate benefit.

Accordingly, we recommend that the IRS either eliminate this question or clarify that (1) the question does not change the current requirement that an organizational officer sign the return, and (2) that governing body "review" means, at a minimum, that the governing body's Finance Committee or Audit Committee has been provided a copy of the completed Form 990 together with a presentation by the return preparer or responsible officer.

7. **Eliminate Question About Aggregate Compensation to Disqualified Persons** (Part V, Line 6)

ACHP believes the IRS should eliminate the question requiring reporting of compensation to disqualified persons not already reported as current officers, directors, and key employees. We believe that calculating the information will be burdensome for the majority of tax-exempt organizations, yet the information produced will be of little practical use to the IRS or other stakeholders. A question focused on aggregate compensation to disqualified persons is likely to produce widely varied information across the tax-exempt sector and will yield answers that may tell more about how liberally or conservatively an organization identifies its disqualified persons than anything meaningful about its compensation expense.

8. **Clarify Meaning of "Substantial Part"** (Part VII, Line 8)

In part VII, Lines 8(a) and (b), a filing organization's response will likely turn on whether it conducted all or a substantial part of its exempt activities through or using a partnership, LLC, or corporation. ACHP requests that the IRS define the term "substantial part" in this context or reformulate the question to establish a more precise threshold for reporting.

9. **Clarify Part VII, Line 11 to 12** (Part VII, Line 11-12)

ACHP and its members have had difficulty understanding the questions posed in Lines 11 and 12 under Part VII. We understand the continued IRS and Congressional interest in charitable organization participation in joint ventures and similar arrangements and the underlying policy implications. Based on that understanding, we believe that these questions should be narrowed to focus on participation in joint ventures with non tax-exempt entities, to minimize unnecessary or confusing reporting on a charitable organization's arrangements and participation with affiliated exempt organizations. Also, to the extent the IRS is posing the questions in an effort to bring about greater consciousness of joint venture issues and better organizational procedures, we recommend that the IRS consider publishing a model policy for review of joint venture investment and participation in the same way it published the model conflicts of interest policy a decade ago. Without the narrowing of the questions and publication of a model policy, we believe the questions as drafted will create a great deal of confusion, especially among small organizations.

To provide greater clarity and focus related to joint venture activity in questions 11 and 12, we suggest that they be revised along the following lines:

> 11. Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a non tax-exempt entity during the year? If yes, complete question 12.
>
> 12. Has the organization adopted a written policy or procedure requiring the organization to evaluate participation in joint venture arrangements under applicable federal tax law and taken steps to safeguard the organization's exempt status with respect to such arrangements?

Last, to the extent the IRS chooses *not* to narrow the focus of questions 11 and 12 as proposed above and continues to include references to related organizations in these questions, we suggest that the IRS consider relocating these questions to Schedule R

(which would require another question in Part VII about participation in joint ventures that would trigger the requirement to complete part or all of Schedule R).

10. **Eliminate the Question About First-Class Travel** (Schedule J, Line 3)

ACHP believes that the IRS should eliminate the question asking whether the organization paid or reimbursed for first-class travel. The question as written implies that there is something improper or abusive about first-class travel, which could disadvantage large, geographically diverse tax-exempt organizations. Many large business and private, nonprofit organizations have board members and executives who are required as part of their official duties to travel extensively throughout the United States or even globally. Including the question on Schedule J implies that paying or reimbursing for first-class travel is compensation, even where those payments or reimbursements are made only under an accountable plan. In addition, including such a question like this on the Form 990 will inevitably give rise to an *in terrorem* effect throughout the tax-exempt sector, without any evidence that first-class travel is inappropriate for large, geographically diverse organizations and without appropriate opportunity for debate through a formal regulatory or legislative process.

If the IRS chooses to retain the question, we recommend that the question be reformulated to require a description of the organization's policy on business and first-class travel if it has one. Alternatively, the IRS could reformulate the question to inquire about payment for the use of private aircraft.

11. **Delete Reporting of Expense Reimbursements Under Accountable Plans** (Schedule J, Column (E))

ACHP believes the IRS should eliminate Column E entirely. In all but a few cases of flagrant abuse, nontaxable expense reimbursement under an accountable plan is not compensation and should not need to be reported. While ACHP agrees that the IRS should have the ability to enforce applicable tax law with respect to cases of abuse, we believe it is unlikely that the IRS or other stakeholders would be able to discern abuse cases from appropriate reimbursement of business expenses from amounts reported in Column E. At the same time, computing the annual totals would burden many tax-exempt organizations unnecessarily, and more importantly, would mislead the public. Treating proper expense reimbursements as compensation improperly inflates the apparent compensation paid to executives. We believe the IRS should concentrate instead on identifying expenses paid under unaccountable plans, which are (or should be) treated as compensation. Alternatively, the IRS could substitute a question asking whether the governing board, the board chair, a committee of the board, or other board-

appointed person, reviews and authorizes expense account reimbursement for the executive director or CEO.

If the IRS is unwilling to eliminate or modify column (E), tax-exempt organizations should be given an opportunity on the Form or an attachment to explain the numbers reported.

12. **Clarify Treatment of Research** (Schedule H, Part I, Line 8)

Scientific research is a separate basis for exemption described in Section 501(c)(3), and exemption on this basis is granted to research organizations that depend on government and other grants. Moreover, exempt hospital systems that undertake scientific research, which generally do so without profit incentive and with the intent of publishing research results, provide an important community benefit that the IRS should encourage. While we agree that, for purpose of determining the quantitative value of a hospital's community benefit, only the non-reimbursed amounts expended on research should be counted, it is important and necessary that institutions that conduct scientific research be able to describe the totality of these activities. For example, in addition to Line 8, the IRS might add a line asking for quantification of the total amount expended on scientific research activities that are designed to result in scientific data that contributes to academic or general public knowledge.

In addition, ACHP believes that payments received from affiliates should not be offset from the value of research reported as a community benefit on Schedule H. We believe that Worksheet 7 should be revised or additional worksheets included to clarify that point.

13. **Clarify Meaning of "Formal Process" for Selecting Third Parties in Bond Financings** (Schedule K, Part IV)

ACHP and its members are unsure what a "formal process" means in this context. The parties in many bond financings do not put out to bid the selection of counsel for underwriters or bond counsel. We request that the IRS clarify what it means to select third parties using a "formal process" or delete this item from the form.

14. **Narrow Schedule R** (Schedule R)

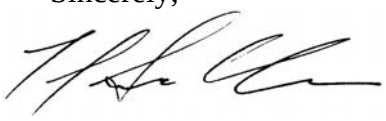
In public forums since publication of the draft redesigned Form 990, IRS officials have acknowledged that Schedule R needs revision and additional clarification. ACHP supports the IRS's goal of increasing transparency and compliance while minimizing the burden on reporting organizations. Our philosophy is that the relationships and transactions required to be disclosed on Schedule R should be adequate to promote good

tax administration and appropriate governmental and public oversight, while minimizing unnecessary burden on large, multi-corporate organizations. We believe that colleges and universities, modern health care systems, integrated delivery systems, and other tax-exempt organizations that have large numbers of affiliates will struggle and incur significant expense in responding to all of the questions and disclosing all of the contemplated transactions on Schedule R as presently drafted. Again, we encourage the IRS to narrow the scope of the relationships and transactions required to be disclosed to the minimum necessary to accomplish its important goals.

* * *

ACHP and its members appreciate this opportunity to comment on the proposed draft of the redesigned Form 990. We stand ready to work with the IRS and other interested parties to help clarify or improve the form in any way the IRS believes worthwhile. We hope the comments set forth above are helpful and accepted in the spirit of cooperation in which they are submitted. Again, we commend all of the IRS officials and outside advisors involved in the effort to redesign the Form 990 from the ground up.

Sincerely,



T. J. Sullivan

DC01/ 529403.4

From:	BETSY DEW
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Comment Proposed 990 Changes
Date:	Tuesday, September 11, 2007 11:32:11 AM
Attachments:	

Dear IRS 990 Planning Committee Chair:

I have just reviewed the proposed new 990 changes and have discussed them with our accountants. Please assure that the final version allows some relief for small non profits. Our budget is under $ 1 million. Already our audit costs us $8,000 per year, thus a huge overhead expense for us. Adding a similar charge for building in systems to accommodate this new 990 would be onerous.

Since nonprofits and also the faith community have been providing services with little support from the Federal government, services which are critically needed in our communities, we urge you to be realistic in considering what additional costs we can take on. Donors do not like to see high administrative overhead and ours is very low. But significant increases due to the proposed changes might erode that strength for us.
We appreciate your consideration of our comments,
Betsy Dew
President and Executive Director

Betsy Dew
Great Kids, Inc.
752 Millard Canyon Road
Altadena, CA 91001
Phone 626-345-0684

From:	Dennis McLain
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Opposition to proposed changes by the IRS in the new 990.
Date:	Tuesday, September 11, 2007 11:08:08 AM
Attachments:	

I have been in a senior management position in a tax exempt for over 33 years. I have reviewed the suggested proposals and have some serious concerns.

1st. The new form represents a knee jerk reaction to congress and Senator Grassley in particular.

2nd. The fundamental change in primary focus on the use of dollars for compensation versus mission is a significant and fundamental shift in understanding the role of the 990 and its value to government and the public. This change moves the 990 from an information form to an enforcement and discipline form. I understand that my compensation has been and will continue to be public knowledge. I have reported our process and results in and our commitment to compliance with 4958 on our 990 since 1996. I think this change represents a significant disservice to tax exempts and the public. I have no problems with the request for information. But wages to executive personnel is not what tax exempts are or should be about. Replacing the current program information as the 2nd part of the current 990 with compensation information is bad government and governance.

3rd. The misplaced focus on compensation is confirmed by the requirement that tax exempts calculate the ratio of compensation to revenue. This number proves nothing. Today our percentage is 3%. That number was 10%in 1983. Does that mean that the compensation paid in 1983 was excessive and current compensation is ok? What is the situation where the CEO or equivalent is also a primary service provider? It is a pointless calculation.

4th. The additional forms create a nightmare for the average tax exempt figuring out which may or may not apply to them.

5th. To the best of my knowledge there is no place on the new form that asks tax

exempts to report the extent, scope and dollar value of charity (non funded programs or services by a 3rd party including government) activities provided by it. Over 100,000 people will benefit from the charitable services provided by GCF yet no one will be told that based on the requested information by the IRS and our federal government.

I agree with the IRS proposal that the 990 be used as a resource by the tax exempt to tell its story to government and the people interested in the document. I caution the IRS that the assumption that the primary beneficiary of the information is the tax payer. That is an erroneous assumption. Government, news reporters, grant makers and researchers are almost the sole users of the document. The proposed document does not accomplish this goal.

I urge government to step back, carefully consider an approach that preserves the focus on the purpose for the existence of tax exempts while providing the necessary information to those who set themselves up as watchdogs and government to evaluate compliance with law and sound governance practices.

Rev. Dennis McLain
President
Goodwill Community Foundation
Goodwill Industries of Eastern North Carolina, Inc.

From:	Jim Dobberteen
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Form 990 Draft as of 06/14/2007
Date:	Tuesday, September 11, 2007 10:52:19 AM
Attachments:	

My observations are as follows:
1. The September 14 deadline is insufficient to study, absorb and comment on all the changes you have made.
2. Item 'F' page 1 is too small to insert the name and address of the Principal Officer. Please expand it or relocate to another page.

James Dobberteen, CPA

From:	jamontana
To:	*TE/GE-EO-F990-Revision;
CC:	jamontana.org;
Subject:	990 Revision for Non-Profits
Date:	Tuesday, September 11, 2007 10:15:22 AM
Attachments:	

As a small nonprofit (budget under $100K), my biggest concern is how complicated the new 990 form will be. As a shoestring operation, as are so many in rural areas, we want to focus our limited resources on providing programming. While we work hard to ensure transparency, an over-complicated form will require that we divert resources from programming to reporting.

At present our 990 preparation is donated. If preparing the 990 became complicated, the cost would not just double for us - it would jump from an in kind service donation to a significant expense. Even as a donated service, we still need to research and provide detailed information to the preparer, again taking resources away from programming if extensive time is needed to provide the information.

We also want to ensure that ratios are meaningful and in context. For small rural organizations without economy of scale, our ratios are already skewed. Our adminstrative rates seem overly high because most services are provided by volunteers and our corporate HQ keeps material costs low. Administration is a large expense for us. Out of context, it would make our organization appear inefficient. Instead, it is the administrative work that we do that keeps the other costs low.

We appreciate that the IRS would like to improve accountability of the nonprofit sector, but ask you to keep in mind the impact on small rural operations. At present we are rewriting our policies and procedures to accomodate the changes in the Pension Protection Act, increasing accountability and transparency, but even those small changes take a huge commitment from a small organization with one fulltime staff member and one assistant serving 2000 rural students.

Thank you,

From:	Kinard, Lisa
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Revised 990 Form.
Date:	Monday, September 10, 2007 4:51:57 PM
Attachments:	GII Comments Form 990 fnl (2).doc

Please find attached the submission from Goodwill Industries International, Inc.

Regards,

Lisa P. Kinard
Director of Public Policy
Goodwill Industries International, Inc.
800 Maryland Avenue, SW, Suite 800W
Washington, D.C. 20024
202.580.7494

<<GII Comments Form 990 fnl (2).doc>>

September 14, 2007

VIA E-MAIL TRANSMISSION

Lois G. Lerner
Director of the Exempt Organizations Division
Internal Revenue Service
Form 990 Redesign
Attn: SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Ms. Lerner:

Goodwill Industries International, Inc. is a network of 186 community-based, independent member organizations in the United States, Canada, and 15 other countries that are tax-exempt under section 501(c)(3) of the Internal Revenue Code ("Code"). Each organization serves people with disabilities, low-wage workers and other job seekers by providing education and career services, as well as job placement opportunities and post-employment support.

Through its services, the Goodwill network helps people overcome barriers to employment and become independent, tax-paying members of their communities. In 2006, more than one million people benefited from Goodwill's career services. Local Goodwill agencies on a combined basis reported $2.91 billion in revenues, and channeled 83 percent of its revenues directly into its programs and services.

More than 60 percent of Goodwill revenues come from more than 2,100 retail stores that process and sell donated clothing, household goods, and other used items in order to provide training and transitional work and job placement services for those otherwise unemployable. On behalf of our member organizations, Goodwill Industries International, Inc. would like to raise some concerns regarding the proposed redesigned Form 990.

We support the decision of the Internal Revenue Service (the "Service") to redesign the Form 990, a key public disclosure document for charitable organizations. Nearly thirty years of piecemeal updates have rendered the current form confusing and repetitive in certain respects, so we applaud the effort of the Service to reorganize the form in a "pyramidal" format, with a summary page, core form summarizing key programmatic, financial and governance issues, and supporting schedules providing further detail on matters that may not pertain to all exempt organizations.

We note that the Service states that the redesign of Form 990 is based upon three guiding principles, the third of which is minimizing the burden on the filing organization. The Service defines this principle as follows:

> Minimizing the burden on filing organizations means 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.

Internal Revenue, "Draft Redesigned Form 990", http://www.irs.gov/charities/article/0,,id=171216,00.html (30 August 2007).

Unfortunately, in Goodwill's case, as we explain below, compliance with the new requirements of the draft Schedule M for non-cash contributions would greatly increase its burden probably to such an extent as to threaten its ability to fulfill its charitable mission.

In proposing new Schedule M, you have noted that "the Service continues to remain concerned about overvalued charitable deductions involving non-cash contributions." While we share your concern that some *donors* may abuse non-cash contributions for tax purposes, we do not see how the proposed new Schedule M furthers the goal of curbing such abuses. Rather, Schedule M imposes new reporting burdens on *donees* that could cause extreme hardship for Goodwill agencies, without identifying an abusive donor. (Note, however, that possible donor abuses *are* directly targeted by recently-enacted restrictions on deductions of donated clothing and household items.)

Schedule M requires exempt organizations receiving non-cash contributions (aggregating more than $5,000) to segregate these contributions by 22 or more different types of property. For each type of property, the form requires (a) quantity of items received during the year, (b) revenues to the organization, (c) method of valuation, and (d) value of items on the organization's balance sheet.

As an initial matter, the quantity of items received in a given fiscal year does not necessarily correspond with revenues or inventory for the same time period. For Goodwill members, items that are donated have no or minimal value as either inventory or revenue until they have been processed for sale in a retail store or sold to a salvage vendor. This processing is largely performed by persons with disabilities or other barriers to employment as an essential part of the organization's exempt function, which is to provide job opportunities and training to persons who may otherwise be unemployable. Specifically, it is inappropriate to record "revenue" at the time of receipt for items received in bulk and intended for resale, because the value of the item is not established or recognized by the donee until the resale takes place.

Goodwill does not understand the utility of reporting quantity. Perhaps the Service wishes to compare the number of Forms 8283 received and signed by the organization (line 27) with the quantity of items listed in lines 1 through 26, but no such comparison is possible. Corporate donees are not required to sign Form 8283 for donations valued at less than $5,000 ($500 for individuals), and a single Form 8283 may record numerous items and even donations at different times.

It would be extremely burdensome and costly for Goodwill members to try to compile specific information on the quantity or value of donated clothing and other goods. Because a significant portion of goods that are donated to Goodwill are not fit for retail store sale, they must be sold to salvage vendors on a per-pound basis. The retail stores do not keep comprehensive records of the quantity or type of goods donated. The circumstances of typical donations by sheer volume defy complete and accurate recordkeeping of each donated item upon receipt.

Goodwill is very concerned about reporting revenues broken down by type of property. Even if some of our retail stores separately account for sales revenue from clothing, household goods, collectibles, and other property categories, the items sold to salvage vendors are not categorized by property type. Moreover, the instructions to Schedule M require the exempt organization to distinguish clothing and household goods that are in "good used condition or better" and place other clothing and household items in the "other" category. It is the responsibility of the donor to determine whether an item is in "good used condition," and our retail stores cannot say whether every item sold is in "good" condition. It is also not the responsibility of the donee to determine whether an item is a "collectible" versus a "household good" or other category.

Separating inventory into these various categories also presents a serious problem to Goodwill members. Independent auditors have determined it is impracticable for Goodwill members to keep precise inventory records, so year-end inventory is usually estimated as a function of annual sales revenue. If an item offered for sale in a retail store is not purchased in three to five weeks, the item will be removed and sold as salvage. Therefore, since inventory turns over approximately once a month, the value of existing inventory is generally estimated as 1/12th of annual sales revenue. Because the retail stores do not track whether certain types of property turn over more quickly (i.e. are more likely to be purchased quickly and replenished) or more slowly (i.e. are more likely to become outdated and sold as salvage), inventory value estimates would be *less* accurate when broken down by type of property.

We assume that a goal of Schedule M is to collect data that can be compared with amounts acknowledged by the donee on Form 8283 Part IV and similar forms required for certain types of donated property. If this is the case, we suggest that Schedule M's questions be narrowly tailored for this purpose.[1] As a matter of law, the donor is responsible for valuing and classifying non-cash contributions, and the Form 990 should not effectively shift the valuation or classification burden to the exempt organizations. Moreover, detailed accounting requirements that are immaterial to tax compliance (or public interest) have no place in the Form 990.

Our final comments refer to compensation reporting and conflict of interest policy.

[1] For instance, Schedule M might ask the number of vehicles contributed and the number of Forms 1098-C that were provided. The number of Forms 8283 received (question 27) could generally be compared with data already required under Schedule B Part II (requiring description of property and value of non-cash contributions exceeding the greater of $5,000 or 2% of contributions), in lieu of the table proposed in Schedule M.

Goodwill supports the efforts of the Service to achieve better transparency in executive compensation for exempt organizations. In particular, the new Schedule J makes significant improvements toward achieving transparency and consistency for reporting compensation.

In the present Form 990, however, information about executive compensation comes after the organization presents its revenues and expenses, program service accomplishments, and balance sheets. To be fairly judged, executive compensation should first be put into this context. The new Form 990 highlights compensation on the first page, ahead of any other financial information, thus inverting the focus of tax exempt organizations by requesting detailed compensation information on page 2 while relegating program activities to the end of the form.

We believe that program activities and general financial statements should be presented before compensation information, in order to provide appropriate context for the compensation disclosures.

While good governance requires a sound and effective conflict of interest policy, we do not think that the number of transactions reviewed under such policy during a year is the only, or best, way to test such policy. A report of zero may merely reflect a scrupulous board that avoids all potential conflicts.

Thank you for considering our concerns regarding the redesign of the Form 990. Goodwill Industries is concerned that the Schedule M reporting requirements as proposed would likely necessitate extensive capital expenditures, as well as substantial additional ongoing personnel costs without any merit to furthering the mission of the organization. It could also discourage many would-be contributors from making their donations. This would reduce the quantity and quality of services that Goodwill members could provide to needy individuals, without achieving improvements in tax compliance. We trust that the Service will appropriately weigh the heavy burdens and likely small benefits of any such new reporting requirements in a redesigned Form 990. If you have any questions about these comments, I can be reached at (202) 580-7494.

Sincerely,

Lisa P. Kinard
Director of Public Policy
Goodwill Industries International, Inc.

From:	Christine K. Searson
To:	*TE/GE-EO-F990-Revision;
CC:	brendav; carol; cvara; eve; Ian.Benjamin; kac; Kereen; ppeterson; pquick; rbiddisc; susann; wilsonm;
Subject:	Comments on Draft Redesigned 990
Date:	Monday, September 10, 2007 4:16:50 PM
Attachments:	IRS Revised 990 lettersignature.doc

Attached are comments on the draft redesigned Form 990 on behalf of the Accounting Practices Committee (APC) of the Community Foundations' Fiscal and Administrative Officers Group. We will also send a copy through the mail. Please let me know if you have any questions.

Christine

<<IRS Revised 990 lettersignature.doc>>

Christine Searson
Associate Vice President, Finance and Controller
Minnesota Community Foundation & The Saint Paul Foundation
55 East 5th St., Ste. 600
Saint Paul, MN 55101
(651) 325-4246 (direct)
(651) 224-8123 (fax)
www.mncommunityfoundation.org/www.saintpaulfoundation.org

Helping donors fulfill their visions for enriching lives and communities.

FISCAL AND ADMINISTRATIVE OFFICERS GROUP

FOR COMMUNITY FOUNDATIONS

September 7, 2007

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

Subject: Comments Concerning the Form 990 Redesign

Ladies and Gentlemen:

I am writing to you in my capacity as the chairperson of the Accounting Practices Committee (APC) of the Community Foundations' Fiscal and Administrative Officers Group. Members of the APC represent over 150 financial professionals serving the community foundation field. As accountants in the not-for-profit sector we are both issuers and users of the Form 990 and are uniquely qualified to comment on the proposed revisions to this form. We hope you will consider our comments prior to finalizing the revised Form 990.

First and foremost, we recognize and appreciate the efforts, resources and time spent to arrive at this suggested revision to a document that increasingly has become a source of information on the work of the non-profit organizations in America. The Form 990 is, and always should be, a tax return that provides evidence that an organization is operating in accordance with its tax-exempt status. Unfortunately, we feel that the Service has capitulated to the pressures of organizations that provide ratings of charitable organizations and has attempted to provide "a one stop" document.

The Service has identified three specific reasons/goals for changing this return:

Enhancing transparency to provide the IRS and the public with a realistic picture of the organization;

Promoting compliance by accurately reflecting the organization's operations so the IRS may efficiently assess the risk of noncompliance; and

Minimizing the burden on filing organizations

We intend, in the following comments, to show why these reasons/goals have not been achieved with this revised Form 990 and why the existing return already meets these objectives.

First: Enhancing transparency to provide the IRS and the public with a realistic picture of the organization

1. Transparency is a relative term, which appears in this instance to translate to more paper and a more complex return. The transparency in the revised Form 990 seems to emphasize salary and executive compensation by its prominence in the new form. Mission related information has been relegated to the back of the return, suggesting that this information is of less importance in determining if the not-for-profit is operating in accordance with its tax-exempt status.

2. The existing Form 990 is already a complex form, both to prepare and to read. It is not uncommon for nonprofit organizations to file one and many times two extensions of time to file their organization's annual Form 990. The complexity of this new form will undoubtedly increase the number of extension requests, thus eroding the timeliness and relevance of the information it is supposed to convey. The return should be shortened to encourage more timely submission of the return and, thus provide more relevant information.

3. Interested parties should not look to the Form 990 to provide every possible piece of information on a nonprofit organization. Audited financial statements, newsletters, annual reports and "on-line" sources are all relevant and important sources of information on the viability and work of these organizations. Rather than attempt to provide a "one stop" source of information, the Service should encourage readers of the Form 990 to use the information it provides in conjunction with other resources.

4. Page one on the draft Form 990 appears to recognize the complexity of the return by requiring summarized data on the organization's reporting year financial results with percentages that purport to allow for comparison of nonprofit organizations. We recognize that percentages and ratios are a frequently used tool for evaluating the efficiency and effectiveness of an organization and that they can be very helpful, if used appropriately. We also know that percentages and ratios are often misunderstood and misused. The inclusion of the percentages on the Form 990, and particularly on page 1 of the Form, suggests that the Service endorses these statistics as an indicator of how well the organization is carrying out its mission. We strongly urge the Service to leave this interpretive data off of the Form 990.

Second: Promoting compliance by accurately reflecting the organization's operations so the IRS may efficiently assess the risk of noncompliance

1. The existing return already provides sufficient data and information on an organization's operations. As indicated above, this is a tax return and should be used in conjunction with other information on an organization's operations.

2. While some information may, on its face, appear to help the IRS "efficiently assess the risk of noncompliance", it may be unduly burdensome for an organization to gather the information, and once gathered, it may not be particularly relevant. For example, Schedule I, Part 1, Line 2 asks "Was any individual or organization that received a grant or assistance related to any person with an interest in the organization, such as a donor, officer, director, trustee, creator, highly compensated employee, or member of the selection committee?" If the answer is "Yes", the name of the person, the relationship, and the amount of the grant are to be listed. While this information may be a simple answer for some organizations, for a community foundation, it is nearly impossible to answer completely. A typical community foundation gives grants to hundreds, and in many cases thousands, of organizations each year. At the same time a community foundation receives donations from hundreds of individuals. To attempt to track all of the possible relationships between the donors and the grantees would be, at best, extremely difficult, and we would expect to find many relationships, as community foundation donors are usually active members of the community. While the list of relationships may be interesting, it would not be helpful in "efficiently assessing the risk of noncompliance."
3. If the Form 990 is to "accurately reflect the organization's operations", terminology used on the Form must be very clear to avoid multiple interpretations. There are instances where questions are open to various interpretations. One example is Form 990, Part VII, Line 16 and Schedule D, Part XII. Part VII, Line 16 asks, "Does the organization hold assets in term or permanent endowment?" If the answer is "yes", Schedule D, Part XII "Endowment Funds" is to be completed. The word "endowment" has many interpretations, and is not consistent with terminology used for generally accepted accounting principles. If an endowment is by its nature permanent, what is a "term endowment"? As the Line 16 instructions do nothing to help clarify what is meant by "assets held in term or permanent endowments", each organization completing the form will be left to decide what is meant.

Third: Minimizing the burden on filing organizations

1. The new Form 990 will not reduce the burden on filing organizations. Many filing organizations will now need to complete additional supplemental schedules. Many of these supplemental schedules do not provide adequate space to provide complete information and will require additional attached schedules, further increasing the burden and complexity of the new return.

2. The requirement for additional data for inclusion on this return will undoubtedly require changes to an organization's internal financial reporting systems. This will require the expenditure of precious resources that could otherwise be used in the fulfillment of the organization's mission.

Recommendations:

1. Do not implement the new Form 990 as drafted. Allow additional time for input from not-for-profit organizations, and then simplify the form.

2. Rather than attempting to make the Form 990 the single-source for evaluating not-for-profits:

Encourage the development of voluntary compliance standards and peer reviews similar to what both community foundations and statewide organizations (e.g., in Ohio and Michigan) have done.

a. Educate readers of Forms 990 to use multiple resources to evaluate not-for-profit organizations.

b. Encourage community foundations, and other grant-making organizations, to develop comprehensive databases, available to the public, on nonprofit organizations. Community foundations have a wealth of information about organizations in their grantmaking area. Other foundations with regional or national focus or particular interest areas have similar information about their grantees and potential grantees.

3. The revised Form 990 substantially increases the data gathering for nonprofit organizations. Significant time is needed to develop data collection systems to properly respond to the additional information requested. These data collection systems need to be in place before the year 2008 begins. Since we are only a few months away from the beginning of the calendar year 2008, it will present a significant hardship for nonprofit organizations in terms of both time and monetary resources to begin to capture this added data in such a short time span. We therefore strongly suggest that if the Service decides to go forward with the revised Form 990, to delay its use until 2009.

Thank you for your consideration of these issues.

Very truly yours,

Chairperson
The Accounting Practices Committee
Of The Fiscal & Administrative Officers Group for
Community Foundations

From:	Potter, Ed
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Response Form 990 Revisions
Date:	Monday, September 10, 2007 1:05:45 PM
Attachments:	Form 990 Feedback from AACMIS.pdf

Please see attached our response to proposed changes to the Form 990 Revisions.

Best regards,

Edward L. Potter, CAE

Edward L. Potter, CAE
Executive Director
The Americas Association of Cooperative / Mutual Insurance Societies (AAC / MIS)
8201 Greensboro Drive, Suite 300
McLean, Virginia 22102 U.S.A.
Telephone: +1 (703) 245-8077
Fax: +1 (703) 610-9005
E-mail: _____
Web site: www.aacmis.org
A Global Reach for Local Strength

September 10, 2007

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

Via electronic mail:

To whom it may concern:

The Americas Association of Cooperative/Mutual Insurance Societies (AAC/MIS) wishes to provide specific feedback on the new proposed Form 990. Many nonprofit coalitions and associations have provided substantial and detailed feedback on this proposed form, including the American Society of Association Executives (ASAE), Independent Sector and others, which we are in agreement. Rather than repeat all those concerns here again, an international nonprofit association, we have several concerns regarding specific aspects affecting international organizations that we wish to bring to your attention.

Schedule F Activities Outside of the US

AAC/MIS has several serious concerns about the new schedule for reporting grants and activities outside the U.S. We believe that the proposed schedule presents a very real threat to the safety of those who are working to improve the lives of people in parts of the world that are hazardous for workers or hostile to American organizations and interests. We further believe that many of the sections in this schedule, as detailed below, require information that will be extremely difficult, time-consuming and costly for organizations with limited resources to gather.

We recognize that the IRS and the nonprofit community must balance our desire to ensure that resources are not improperly diverted to activities that harm our nation's interests with the need to protect the people who are working to deliver important humanitarian services and to improve civic life throughout the world. We are prepared to work with Congress to institute the necessary statutory changes which would enable the IRS to treat this Schedule with the same degree of confidentiality that is currently given to contributors listed on the current and proposed Schedule B.

We strongly recommend that the IRS delay implementation of Schedule F until that change can be accomplished.

The Americas Association of Cooperative/Mutual Insurance Societies

Asociación de Cooperativas y Mutuales de Seguros de las Américas

Association des Coopératives et Mutuelles d'Assurances des Amériques

Asociação de Cooperativas e Mutuais de Seguros das Américas

Mailing address:
8201 Greensboro Drive
Suite 300
McLean, Virginia
22102-3810
United States of America

Tel: +1 703 245 8077
Fax: +1 703 610 9005
E-mail: info@aacmis.org
www.aacmis.org

AAC/MIS is The Americas Regional Association of

International Cooperative and Mutual Insurance Federation

Part I, General Information on Accounts and Activities Outside the United States:

1. Activities by Country (line 1): Very few organizations maintain the data on expenditures and program activities on a country-by-country basis. Currently, the US government officially recognizes over 193 countries. Many associations have members, chapters, meetings and other activities in scores of countries. Organizations would be required to revamp their accounting and information systems and the process would impose significant burden on organizations with offices in a large number of countries. Splitting staff who coordinate the work of several countries and expenditures such as travel that include more than one country would be difficult to track. Many organizations may employ staff who coordinate the work of volunteers in several countries, making it particularly difficult to track activities by country.

2. Grantmaking Procedures (line 2): This open-ended question regarding procedures for selecting and monitoring grant recipients seems inappropriate and intrusive for a public document. Schedule I regarding domestic grantmaking activities asks more directly on Part I, line 1, whether the organization maintains records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance. If the intent on Schedule F is to identify whether organizations are observing particular required or recommended practices for international grantmaking, the question should be phrased more specifically to indicate what those practices are. Otherwise, we recommend that the question in Schedule I, Part I, Line 1, be used on Schedule F.

3. Political or Lobbying Activities (line 3): There is no definition or instructions regarding reporting of political and lobbying activities. Given the many variations in the political systems and legal frameworks under which nonprofit organizations operate outside of the U.S., it may not be appropriate to apply rules that govern domestic political and lobbying activities. Some could wrongly interpret that organizations that respond affirmatively to the question regarding funding of political or lobbying activity outside the U.S. are violating the law. We recommend that this question be dropped until there is more appropriate clarification of the laws and expectations in this area.

4. Public Disclosure of Information Regarding International Activities (lines 4a and b): The core form of the draft asks about the public availability of certain documents that nonprofit organizations are required to share and some that organizations are encouraged to share (such as conflict of interest policies, financial statements, and audit reports). To accomplish their missions and attract support, most nonprofit organizations share information about their program activities broadly. We do not think it is appropriate to single out one area of an organization's activities with regard to public information as this question does.

Part II, Grants and Other Assistance to Organizations or Entities Outside of the US

We believe that the information required in lines 2 and 3 regarding assistance to 501(c)(3) organizations and to other organizations does not seem valid given that most foreign organizations are not recognized in the U.S. and the regulatory structure for nonprofit organizations in most other countries is not easily comparable to the U.S. system. This question could therefore leave a misleading picture regarding the types of foreign organizations supported by U.S.-based nonprofit

organizations. An alternative to an IRS determination letter would be to allow counsel to offer equivalency letters stating that the recipient operates under a status of another country's laws that is equivalent to 501(c)(6) or 501 (c)(3).

Thank you in advance for your consideration of this feedback and we look forward to your response in due course.

Sincerely

Edward L. Potter, CAE
Executive Director

From:	SANT2@aol.com
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	(no subject)
Date:	Monday, September 10, 2007 12:41:34 PM
Attachments:	

Form 990 A and B could be separated and info. on these could be incorporated in the basic form.
For example we are 501(3) (c) and our source of income is either membership fees and donations, and it is waste of paper to have us fill 8 pages of A or B and you could include a single page listing contributors instead of B, and there is no use for A since we leave most of it as "NOT APPLICABLE"
Best wishes,
Dr. Hayre, Treasure
India House, Inc.-A Community Center

From:	Smith Pamela
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	suggestion for Form 990
Date:	Monday, September 10, 2007 10:30:07 AM
Attachments:	

Dear Sirs,
I have noticed on the Form 990's for non-profit hospitals that the section requiring listing the Top 5 Highest Paid Employees most often has doctors listed. I would like to see this section specifically asking for the top 5 ADMINISTRATORS, not physicians or researchers but rather the President, Chairman, V-P's, etc. Or have sections for both. For the most part we expect physicians to be well paid as they care for patients, it is administration that the public should be aware of their very significant salaries.
Thank you for your time,
Pamela Smith

From:	Isabella Zagare
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Form 990 Revision Comments
Date:	Wednesday, September 12, 2007 6:12:02 AM
Attachments:	

I did review the revised form 990 draft and, on the whole, thought the revision was quite good and thorough. The form was long due for an overhaul and the organization and flow of information is much better.

My biggest concern is, however, with the 990 EZ and making sure that changes that are reflected in the 990 trickle down as much as possible but without being an extra burden to what are, typically, smaller and somewhat stretched organizations. There has been some discussion, I have heard, of doing away with the EZ form and perhaps adjusting the 990 itself and changing the overall requirements for filing. While I'm all for reducing the number of forms, the EZ, as its name implies, does not require the filer to separate out expenses by the three categories of program, management and general, and fundraising, nor to provide contribution or fund-raising efficiency ratios. To add this burden on to these smaller organizations would be onerous in many cases and seems unnecessary.

The upshot is that I am recommending the revisions you have made be implemented and am also recommending that the Form EZ be continued as is.

Sincerely,
Isabella M. Zagare, CPA
Heacock + Company
Westerly, RI 02891
401-212-1013
401-596-8533 FAX
izagare@cox.net

From:	Laura Kersey
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Form 990 concerns
Date:	Wednesday, September 12, 2007 12:14:59 PM
Attachments:	Potential issues with the IRS form 990 revisionsA.doc

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To Whom It May Concern:

Here is a list of our concerns

Sincerely,

Laura Kersey
Accounting Director
California Apartment Association
E-mail _____
Website: www.caanet.org
Phone 916-449-6467 Fax 916-447-7903
980 9th Street Suite 200 Sacramento Ca 95814

Potential issues with the IRS form 990 revisions

1. On the first page of the core form, the IRS requests calculations of executive compensation amounts and fundraising contributions as a percentage of total revenues, perhaps over-inflating the importance of the information in assessing the organizations performance. CAA and its subsidiary have little or no fundraising and the percentage would be extremely low which does not reflect how well the company is doing. In addition the relationship between executive compensation and total revenue is also not a fair representation of a companies well being. With this information being listed first a lay person might not understand its importance.
2. The IRS has expanded the definition of a "key employee" to encompass department heads, as well as the executive director/CEO, CEO, or COO. This would result in CAA disclosing more staff members' compensation information. Also, how would a 'department head' be classified? CAA has 35 departments for budgeting purposes with various staff responsible for those budgets. Some of these people have no employees reporting to them. Would we still have to disclose their salaries? Depending on the how this is defined, CAA could end up disclosing over half of all employees' salaries.
3. The IRS requires an estimate of volunteer hours on political campaign activities. Additional clarification may be required to limit an association's responsibility to report activities of its board members that are conducted on their own time, and not on the organization's behalf. CAA would have a huge task to collect information from volunteers as to how much time they spent on political campaign activities and trying to assess whether this related to the local association or the state association. This would be a huge administrative burden
4. The IRS asks a number of questions on the new form about governance, which many would say is outside the agency's statutory authority to enforce the nation's tax laws. We believe the IRS is overstepping its bounds by asking questions about governance on a tax return.
5. The new draft 990 consists of a 10-page core form, along with 15 separate schedules requiring specific information only from organizations engaged in particular activities, such as fundraising, political campaign and lobbying activities, non-cash charitable contributions, loans, tax-exempt bonds, etc. CAA would have more forms to complete and more to be audited resulting in more staff time to compile information to complete the forms, more audit fees, and/or increased proposal fees for the upcoming years.

From:	Emily Wade
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Revision comments
Date:	Wednesday, September 12, 2007 12:25:39 PM
Attachments:	

To the IRS: I am writing on behalf of MITS, Museum Institute for Teaching Science. Our mission is to improve and promote the teaching of science, technology, engineering and mathematics at the K-8 level through Summer Institutes for teachers in inquiry-based, hands-on methods using museum educators to do the teaching. We have reached over 2400 teachers in Massachusetts. I don't have the staff, knowledge, or time to study the proposals, but if my audit costs go up 50 to 100% there is no way I can continue. We are a small, under $500,000 organization and it is hard enough raising that much let alone another 5 or 6,000. Emily V. Wade, President of MITS.

From:	Denise Vaillancourt
To:	*TE/GE-EO-F990-Revision;
CC:	Denise Vaillancourt;
Subject:	Comments on the proposed revisions to IRS form 990 and associated schedules
Date:	Wednesday, September 12, 2007 12:32:40 PM
Attachments:	

The staff of The Society for the Protection of New Hampshire Forests welcomes the opportunity to comment on the proposed revisions to IRS form 990. By way of introduction The Society for the Protection of New Hampshire Forests is a statewide land conservation organization that was founded in 1901 to protect New Hampshire's most important landscapes and promote wise use of its renewable natural resources. Today, with 10,000 member households and 50 employees, the Forest Society owns 154 reservations in 90 communities across the state, and has interests and monitoring responsibilities for 600 conservation easements.
Our comments focus primarily on Schedules M and D which include reporting that is specific to conservation easements.

Schedule M:

Line 15: We assume that the term "Qualified conservation contribution" means a qualified conservation easement contribution under section 170 (h). If so, does this mean that the organization should report ONLY those conservation easements that were donated pursuant to 170 (h) and for which the donor submitted or intends to submit an 8283. Or does this mean ALL conservation easements received by the organization, including donations for which no deduction was sought, easements purchased at fair market value, and easements conveyed to the organization as part of a regulatory mitigation agreement?

Column (b) Line 15; Revenues:
Is this the appraised value of the donated easement or land? If so, how is this figure calculated if the donor didn't have an appraisal done and claimed no income tax deduction?

Column (d) Line 15; Amount reported on 990 Part VI:
This appears to be the value of easements from the balance sheet. If so, this number will be $0 for any organization that doesn't ascribe a value to easements. (While an easement donor may receive a tax deduction based on the reduction in the value of his/her land as the result of a conservation easement, that value does

not accrue to the land trust. Accountants consider conservation easements to have no net financial value to the land trust, and in a practical sense would more logically consider them to be liabilities.) Will zeros in this column be an unexpected result as far as the IRS is concerned?

Schedule D, Part VIII:
The same question we had on the definition of the term "qualified conservation contribution" in Schedule M applies to the term as it appears in Schedule D. Many organizations, including SPNHF, hold conservation easements that were not donated pursuant to Section 170(h), and would therefore not be considered "qualified conservation contributions". Does the IRS want the numbers of these easements included or not?

Item 2 - information on conservation easements:
Compiling this information annually may be difficult and time consuming for small all volunteer organizations that don't have computerized records.
Items 2(e) and 2(f) Depending on how this is defined, this data will need to be updated for every easement every year because conditions on the land surrounding an easement can change. For example, will this need to be updated if a golf course is built by a separate owner on land adjoining land protected by a conservation easement, even if the easement was donated many years previously?
Item 2(f) is vague. How is "residential development" defined? As written this could imply that any time a house is built on land adjoining a property protected by a conservation easement, the land trust will have to report it. Such a definition will result in a large amount of data of questionable value being submitted to the IRS, as residential development is occurring on private lands adjoining conservation easements constantly and throughout the entire nation. If, on the other hand, the IRS wants to know when a conservation easement held by a land trust was granted as **PART OF** a development project, and was donated or bargain sold by the developer, during or associated with a regulated permitting process, this should be more clearly stated.

Further, there are many conservation easements where the landowner donates the easement on part of (or nearly all of) their land, but retains some land outside the conservation easement. This outside land may have an existing residence, or be set aside for a future residence. We presume that, because this is a typical case, and because the presence of such residences and/or future house sites are noted in the conservation easement appraisal of the donor, the IRS may not need to have this information supplied by the land trust. If not, please be clear that this is not what is being asked for.

Item 3 lumps together some very different items. This makes the information gathered less useful or even confusing. It might make more sense to have each

type of change listed as a separate sub-category under item 3 (3a – 3c) with a number of transactions for each category. For example: a: easements amended/ modified, b: easements transferred, c: easements released or terminated

Item 5 – staff hours:
Does "staff" mean paid staff and volunteers? If yes, say so. A preferred alternative would be to ask the organization to specify how many "paid staff hours" and how many "volunteer hours" are each devoted to monitoring and enforcement. Many small land trusts use trained volunteers to monitor their easements and have very limited paid staff hours devoted to this important work.

Form 990, Part III

Item 3b asks how many transactions were reviewed under this policy. Wouldn't it make more sense to ask how many transactions were **NOT** reviewed in regard to the policy? Citing the number of transactions that were reviewed doesn't reveal if any transactions weren't reviewed and that seems to be the real risk.

Thank you for providing the opportunity for us to comment.

Denise Vaillancourt
Vice President for Finance

Society for the Protection of New Hampshire Forests
54 Portsmouth St.
Concord, NH 03301
phone: 603-224-9945 ext 323
fax: 603-228-0423
website: www.forestsociety.org

From:	Woolf, Steven
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Comments
Date:	Wednesday, September 12, 2007 12:36:06 PM
Attachments:	990 comments final.doc

Attached please find the comments on draft Form 990 submitted by United Jewish Communities.

Please contact me if there are any questions.

Sincerely yours,

Steven Woolf

September 12, 2007

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)

Theresa Pattara
Project Manager, Form 990 Redesign, SE:T:EO

Internal Revenue Service
Form 990 Redesign
Attn: SE:T:EO
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Submitted by email to:

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

United Jewish Communities, Inc. (UJC) is a Section 501(c)(3) tax-exempt organization that represents 155 Jewish federations and 400 smaller independent network communities across North America, (collectively, the "UJC system"). In their communities, the Jewish federations and network volunteers are the umbrella Jewish fundraising organizations and the central planning and coordinating bodies for an extensive network of education, health, and social services. With thousands of affiliated organizations and schools, the UJC system is one of the United States' largest and most effective networks of social services providers. Jewish federation and network communities conduct annual fundraising campaigns that support the needs of local secular and Jewish agencies, as well as the needs of million of Jews in North America, Israel, and more than 60 countries around the world. In addition to conducting annual campaigns, many Jewish federations and their affiliated organizations raise endowment dollars for long-term giving.

UJC commends the IRS approach in the redesigned Form 990. We agree that the approach of the revised form attempts to increase transparency of nonprofit organizations through promoting compliance with the tax law and regulations and minimizing reporting burdens where possible. UJC also recognizes and supports the underlying principle that the Form 990, unlike other tax reporting forms, needs to provide meaningful information on the operations and structure of tax-exempt organizations, especially for those with detailed compensation arrangements, related entities, and complex transactions.

We note that the IRS believes that the redesigned Form 990 will result in an overall decrease in the reporting burden for the tax-exempt sector. However, we believe that many tax filers within the UJC system will face increased reporting and compliance burdens because their size, structure and breadth of activities will require the completion of several of the detailed new schedules that accompany the new core form. The benefits from increased transparency that can be achieved through voluntary compliance should be balanced with the costs from expanding reporting requirements that will be imposed on the nonprofit sector. With this balance in mind, we respectfully submit the following comments to the redesigned Form 990 and related schedules as released on June 14, 2007.

Core Form 990

We believe that a summary section, **Page 1, Part I,** of the core form can provide useful information in a readily identifiable format to the general public as well as government regulators. However, the implications that can be drawn from such a "snapshot" summary of operations must also be recognized and, as such, certain items in the summary are problematic:

- **Line 1**. The space allotted for a description of the organization's mission is inadequate to provide the reader with an overall understanding of the nature of the organization.
- **Line 2**. It is appropriate to list the three most significant activities at the beginning of the summary. We question the usefulness of the "NTEE" activity codes and whether their inclusion will provide useful information to the general public.
- **Lines 6 and 7**. Disclosure on the front page of the total number of individuals receiving compensation in excess of $100,000 as well as the amount of the reportable compensation of the highest paid individual may paint a distorted picture of the organization in a vacuum and could lead to unwarranted criticism because of the wide variation of size, structure, and activities of organizations within the tax-exempt sector.
- **Lines 8, 9, and 24**. Proposed ratios on compensation, fundraising, and expenses can raise the expectation that organizations should meet certain benchmark goals. Because there is a wide variation among nonprofit organizations, it is unrealistic to expect that such ratios will provide meaningful comparative information. Further clarification is necessary regarding the definition of "key employee" in order to maintain reporting consistency among organizations and can impact how an organization would calculate the percentage on **Line 8b.** In addition, it is important to note that requiring information on net unrelated business income taxable income from Form 990-T (**Line 9b**) may require many organizations to request an additional extension of time to file Form 990 because of the current automatic 6 month extension for Form 990-T.
- **Line 11**. Contributions from private sources (individuals, businesses, and foundations) should be separated from funds received through government grants. There is a significant difference between fundraising activities aimed at private sources and those activities designed to attract government grants. Disclosure of

information regarding fundraising is a key metric that should be provided by Form 990 and should be presented on the face of the form. See the comment below regarding **Line 19b**.

- **Line 14**. Although we understand that unrealized transactions are not reported on Form 990, the exclusion of unrealized gains and losses from total investment income distorts the presentation of investment performance of the reporting entity, particularly for organizations with large endowments that have significant unrealized investment transactions. Either the definition of **Investment Income** should be changed to include unrealized gains and losses (in conformity with generally accepting accounting principles) or the reconciliation of net assets, appearing on **Schedule D, Section XIII** of the draft Form 990 should be placed on page 1 of the core form.
- **Line 19b**. As noted above, many users of the Form 990 will not equate government grants with "fundraising" proceeds and organizations and publications that provide data on non-profit organizations use only private support in computing fundraising ratios. Inclusion of government grants in fundraising ratios will be misleading to the user, a problem that is compounded by including such revenue sources in contribution revenue on **Line 11**.

Consolidation of compensation information in one comprehensive schedule for all board members and certain employees, as provided on **Pages 2-3, Part II,** is helpful. However, we are greatly concerned about certain confidentiality issues and recordkeeping burdens that may arise from the information requested in **Section B.** Virtually every tax-filer within the UJC system will be required to perform an in-depth review of financial and governance relationships in order to determine which entities and individuals will be characterized as "disqualified persons." We question whether this reporting burden is justified. We have the following specific comments:

- **Section A, Column A**. Some tax-exempt organizations have legitimate concerns regarding security and confidentiality that need to be balanced with the overall goal of transparency. In certain cases, there may be safety and security reasons where some board members may not wish to provide the city and state of residence. An option should be permitted to enable organizations to supply their business address in cases where it deems appropriate.
- **Section A, Column D.** Although we generally agree with the use of Form W-2 for reportable compensation, Box 5 of such form only includes taxable wages, not gross wages. This could distort comparative compensation data among organizations, particularly those with deferred compensation (so-called 403(b) plans) or nontaxable benefit plans such as flexible benefit and qualified transportation plans. Such deferred or nontaxable compensation should be added back to the Form W-2 wages.
- **Line 2**. As noted above, because of the wide variation among nonprofit organizations, a requirement to disclose the total number of individuals receiving more than $100,000 in reportable compensation could lead to unwarranted criticism of the organization. Providing a single number without context does not

account for variations based on size, structure, geographic location, among other factors.

- **Section B, Line 5**. In general, this entire section is exceptionally burdensome, especially for organizations with large volunteer boards of directors. Many organizations within the UJC system find that large volunteer boards foster increased community participation in philanthropic and social service activities as well as an effective means of attracting professional and vocational expertise. Surveying large boards of directors for business relationships in general will be expensive, time-consuming and could impinge on confidential relationships. In some cases, non-compensated board members could include professionals such as attorneys and accountants who represent fellow board members or include board members who have interests in the same closely-held investments. We recommend that if this section is to be retained, **Line 5** should not apply to uncompensated persons. We recognize the need to provide more information regarding transactions with "insiders" but believe that such burden should be limited to those who receive compensation. In addition, we believe that a 5-year look-back period is too burdensome for the reporting organization to comply with relative to the benefit to be derived by the user of such information, particularly in the case of a large organization or one with a large board of directors as noted above.

In reviewing **Part III**, we note that the instructions begin with the statement that "(a)ll organizations must answer each question in section III even though certain policies and procedures may not be required under the Internal Revenue Code." UJC has actively supported "good governance" measures for nonprofit organizations and has been a major participant in the ongoing work of the Panel on the Nonprofit Sector. As an overall comment, UJC believes that to the extent that certain practices are mandated by federal or state law, it is appropriate that such practices "must" be followed by tax-exempt organizations. To the extent that such practices are recommended to advance ethical and effective behavior, it is appropriate that such principles "should" be followed by such organizations. We suggest that **Part III** contain an overall statement noting that the policies listed on the form are recommendations and not required by the tax code. We also note that certain questions ask for simple "yes" or "no" responses and should be expanded to provide supporting explanations that could provide the user with a better understanding of the reporting organization's response. Our specific comments include the following:

- **Lines 3, 4, and 5**. We note that the IRS draft instructions to the core form indicate that the Sarbanes-Oxley legislation requires certain tax-exempt organizations to adopt whistleblower and document retention policies. It is common and desirable for organizations within the UJC system to have conflict of interest policies. In most cases, these policies are directed to financial interest matters. If such policies are to deal with personal interest conflicts, it will be necessary to define "personal interest" and relationships. We question whether **Line 3b** will provide meaningful information for the user absent a more clear definition of a "transaction" that was reviewed by the organization. Do a small number of transactions mean that the

organization had few potential or actual conflicts or that it was lax in identifying when a conflict exists? Similarly, does a large number indicate a true conflict problem or a hair-trigger attitude for reviewing such conflicts? In addition, we support adoption of whistleblower policies where individuals acting in good faith report suspected violations.

- **Line 8, 9, and 10**. We fully support the need for complete and accurate financial statements for tax-exempt organizations. However, the question of whether such statements should be compiled, reviewed or audited by an independent accountant is better left to state regulation. We also believe that a full board should be able to delegate certain functions including review of the audit and the Form 990 to a designated committee (audit, finance, or executive committees) with responsibilities to report on outcomes to a full board.

UJC supports the consolidation of information on revenue in the current form into **Part IV** of the new Form 990. We have two specific comments on the statement of revenue. It may be appropriate to add a parenthetical note to **Line 1c** to distinguish contributions from fundraising from gross income from fundraising which is included on **Line 11a.** We note that the example provided in the proposed instructions is an excellent explanation of this difference for organization completing this part of the form. We suggest that government grants, currently reported on **Line 1e** be moved to the program service revenue section on **Line 2.** As noted above, government grants to provide services to the public should be reported separately from contribution revenue. Inclusion with the contribution revenue section would lead to a reporting distortion of the fundraising ratio among organizations. We also note that in **Part V,** discussed below, the draft instructions note that certain program service expenses directly related to an organization's exempt purpose (in this case, lobbying expenses on behalf of legislation to improve funding of health care for senior citizens) is to be reported in **Column B,** program service expenses, rather than **Column D, b** fundraising expenses.

We also believe that the presentation of functional expenses in **Part V** is an improvement over the current form. Reference should be included on **Line 3** that organizations must complete **Schedule F** if the total of grants to organizations and individuals outside the U.S. exceeds a certain dollar threshold, but see comments below regarding the threshold amount.

UJC believes that questions contained in **Part VII** are critical as the answers will lead an organization to determine which additional schedules need to be completed. We question whether some of the dollar thresholds for additional reporting have been set too low. For example, **Line 6a** provides that additional reporting is required for tax-exempt bonds if there is an outstanding principal amount of more than $100,000 as of the last day of the tax year.

UJC believes that consolidation of information regarding other IRS filings contained in **Part VIII** will provide the user of the new Form 990 with meaningful information in one location on the revised form. We are concerned, however, that some of the new

or expanded excise taxes created in the Pension Protection Act of 2006 ("the PPA") that would be disclosed on **Lines 5b, 5d, 6, 7a, and 7b** may require difficult interpretations for many tax-exempt organizations and suggest that the effective date of these reporting requirements be delayed until Treasury regulations interpreting such taxes have been released.

We agree with others who have recommended that the information on program service accomplishments in **Part IX** be included in **Part II** as it relates to the overall mission of the organization and is germane to a discussion of governance, compensation and other financial information. We are also concerned, however, that **Line 2** will require subjective judgments by tax-exempt organizations as to their most significant program service accomplishment which will make it difficult to compare one to another. In addition, there is a redundancy as the form already asks the organization to identify its top three accomplishments in **Part I** and again on **Lines 3a, b, and c.**

Schedule A, Public Charity Status

UJC believes that the revised **Schedule A** is extremely helpful in explaining the public support test. Specific comments include:

- **Part I, Line 11**. The revised schedule requires additional information on supporting organizations which may prove to be problematic for some filers. This information, however, will be helpful to other charitable entities including the sponsoring organizations of donor advised funds in complying with the provisions of the PPA. UJC also believes that it would be helpful for supporting organizations that support a class of beneficiary organizations such as "Jewish social services agencies in community X" to be able to check "yes" on **Part I, Line 11h** for supported organizations listed by class in the organization's declaration of trust, articles of incorporation, or other governing document.

Schedule D, Financial Statement Matters

This schedule replaces and standardizes several attachments required on the current form for details for certain types of assets. Some question whether the schedule provides sufficient lines to report a large number of investments that large tax-exempt organizations could hold to diversify their endowment portfolio. Specific other comments include:

- **Part VII, Other Liabilities**. We question whether the disclosure of the text of the audited financial statement footnote disclosing any uncertain tax position pursuant to FIN 48 will provide potential readers with useful information if such footnote is not read in the context of the entire financial statement.
- **Part IX, Donor Advised Funds**. UJC believes that this information will provide useful information on donor advised funds and compliance with the provisions of the PPA.

- **Part X11, Endowment Funds**. UJC believes that organizations should provide information on the accumulation of endowment funds and supports the revised schedule. We also believe that such funds held by related organizations should also be disclosed. We question, however, the burden that a four-year look-back requirement may have on certain smaller tax-exempt organizations. It would also be helpful to clarify whether this section applies only to permanently restricted funds or any funds considered by the organization to be endowment funds such as board-designated unrestricted funds. In addition, all uses (expenses) should be combined into a single line item as organizations have flexibility in the various ways expenditures can be sourced.

Schedule F, Foreign Activities

In principal, UJC supports the disclosure of information on grants made to conduct program activities overseas or to recipients in foreign countries. However, we share the concern that certain information regarding the activities of some tax-exempt organizations overseas may raise important issues of security to those who are providing such services abroad. Some commentators have suggested that the certain information on this schedule be treated as confidential in a manner similar to that provided to contributors listed on the current or proposed **Schedule B**. We also question whether the $5,000 threshold for detailed reporting has been set too low. We note that some commentators have suggested that the threshold for detailed information about grantees, both organizations and individuals, should be raised to $25,000. This would ease the reporting burden on many organizations within the UJC System. Specific comments include:

- **Line 2**. The proposed schedule requires grantmakers to provide a narrative report for selecting and monitoring grant recipients. UJC recommends that this line be replaced with the yes or no question found on **Schedule I, Line 1** to determine whether grantmakers maintain records to substantiate grants and grant criteria. Only those who answer no should be required to provide additional narrative information.
- **Line 4**. Information regarding grants to overseas programs and activities should not be treated differently from other types of grants. Similar requirements for disclosure should be included in **Schedule I.**
- **Line 5a.** Many organizations within the UJC system will be unable to comply with the requirement to provide information regarding relationships between grantees and persons with an interest in the organization such as a donor, officer, director, trustee, highly-compensated employee, or member of the selection committee. As noted by one large Federation within the UJC system, “it would be impractical for organizations with a large number of donors (such as ours, with over 65,000 donors) to make a good faith effort to obtain the required relationship to donor information. The question should be eliminated or limited to members of the selection committee that is empowered to recommend a grant.”

Schedule J, Supplemental Compensation Information

UJC agrees with the comments of others that the $150,000 compensation threshold that requires detailing filing of this schedule may be set to low and will require an extraordinary number of tax-exempt organizations to provide such supplemental compensation information. An alternative standard such as a percentage of total revenue should be considered. In addition, we question the need to report such compensation information in the case of Form 990 filings for certain related organizations. For example, within the UJC System, certain federation staff may serve as officers or directors of a supporting organization. **Schedule J** filing could be required on the Form 990 filed by that supporting organization as total compensation from a related organization even though none of it is paid by that supporting organization. This requirement does little other than to add to the compliance burden of both the supporting and supported organizations.

Schedule K, Supplemental Information on Tax-Exempt Bonds
UJC recognizes that the IRS has concerns regarding noncompliance with recordkeeping and reporting requirements for tax-exempt bonds issued by or on behalf of certain tax-exempt organizations. Again, we question, however, whether the threshold reporting requirement where an organization's outstanding bond issues with a principal amount greater than $100,000 is set too low.

Schedule M, Non-Cash Contributions
UJC shares the concerns expressed by others that the new schedule places significant administrative burdens on many tax-exempt organizations that do not currently record donations of non-cash contributions at "fair market value." In addition, **Column D** may require organizations to adopt some sort of "specific identification" methodology in order to value the amount of such non-cash assets that have been disposed of during the tax year. We question whether these burdens justify the information that may be obtained from this new schedule.

We appreciate the opportunity to provide comments and suggestions and again compliment those at the IRS involved in this important endeavor. If you have any questions regarding these comments, please direct them to Steven Woolf, UJC's Senior Tax Policy Counsel at (202) 736-5863 (steven.woolf@ujc.org) or to me at (202) 736-5868 (william.daroff@ujc.org).

Sincerely yours,

William C. Daroff
Vice President for Public Policy &
Director of the Washington Office.

From:	FNJSMP@aol.com
To:	*TE/GE-EO-F990-Revision;
CC:	Pat_Heck@finance-dem.senate.gov; Dean_Zerbe@finance-rep.senate.gov; jjd@umich.edu; ridpath@ohio.edu;
Subject:	Comments by The Drake Group on the Draft of a Redesigned IRS Form 990
Date:	Wednesday, September 12, 2007 12:52:55 PM
Attachments:	Splitt TDG IRS Commentary 091207.doc

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

The attached commentary, in response to your request for public comment, reflects changes in previous submissions prompted by information received from law professors John Colombo and Amy McCormick in the interim period. The bulk of the changes involved a reformatting of the RECOMMEDATIONS section with some rewording to improve clarity.

A signed print copy of the commentary was mailed this morning to the above address from Star Lake, Wisconsin via USPS Express Mail.

Again, these comments are presented on behalf of The Drake Group (TDG) and are focused on the tax-exempt National Collegiate Athletic Association (NCAA) and its member institutions.

Respectfully submitted,

Dr. Frank G. Splitt
fnjsmp@aol.com
Member, The Drake Group
http://thedrakegroup.org/splittessays.html
Former McCormick Faculty Fellow
McCormick School of Engineering and Applied Science
Northwestern University

Copies to: Messrs. Patrick Heck and Dean Zerbe, Senate Finance Committee, Dr. James Duderstadt, President Emeritus and University Professor of Science and Engineering at the University of Michigan, and Dr. B. David Ridpath, Executive Director, The Drake Group

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The Drake Group

Defending Academic Integrity in the Face of Commercialized College Sports

http://www.thedrakegroup.org

September 12, 2007

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

The attached commentary is in response to your request for public comment on the discussion draft of a redesigned Form 990, Return of Organization Exempt from Income Tax, filed by many public charities and other exempt organizations. These comments, presented on behalf of The Drake Group (TDG), are focused on the tax-exempt National Collegiate Athletic Association (NCAA) and its member institutions.

TDG believes that an IRS implementation of the recommendations contained in the commentary will not only increase tax revenues, but also help restore academic and financial integrity in colleges and universities supporting big-time sports programs, especially football and men's basketball.

Respectfully submitted,

Dr. Frank G. Splitt
fnjsmp@aol.com
Member, The Drake Group
http://thedrakegroup.org/splittessays.html
Former McCormick Faculty Fellow
McCormick School of Engineering and Applied Science
Northwestern University

Electronic copies to: Messrs. Patrick Heck and Dean Zerbe, Senate Finance Committee, Dr. James Duderstadt, President Emeritus and University Professor of Science and Engineering at the University of Michigan, and Dr. B. David Ridpath, Executive Director, The Drake Group

Comments by The Drake Group on the Draft of a Redesigned IRS Form 990

BACKGROUND -- The mission of The Drake Group (TDG), http://www.thedrakegroup.org/, is to help faculty and staff defend academic integrity in the face of the burgeoning college sport industry whose uncontrolled growth is partially fueled by the governments' favorable tax policy re the NCAA and its member schools.

The increasing commercialization of big-time (NCAA D-1A) intercollegiate athletics and its negative impact on America's higher education enterprise has become evermore apparent to academic leaders, elected public officials, the sports press, and to a growing fraction of the public. After a century of ineffective efforts to reform college sports, there is a growing concern over out-of-control commercialization that is driven by the college-sports entertainment industry to further its financial interests – exploiting college sports and its participating athletes while limiting access to higher education by real students.

There is also concern about compromised academic integrity and the distracting influence of overly commercialized college sports on school officials, on America's youth, and on the nation's diminishing prospects as a leader in the 21st century's global economy.

A revised IRS Form 990 has the potential to fully expose the Achilles' Heel of the NCAA and its member institutions – the extremely weak, if any, educational basis for the current financial structure of big-time college sports. This would not only force very major reform, but provide unassailable "cover" for reform-minded university presidents and governing boards as well. However, it is likely that the NCAA and its member institutions would stage a "no-holds-barred fight" to save the millions of dollars in benefits stemming from its current tax-exempt status by arguing that its affiliation with the educational mission of its member colleges and universities is direct rather than tangential at best.

TDG AND CONGRESS – After TDG's 2004 work with Congresswoman Jan Schakowsky's staff, prior to her Extended Remarks for the Congressional Record,[1] TDG worked closely with the staffs of the Oversight Subcommittee of the House Committee on Ways and Means and the Senate Finance Committee to reveal the brutal truth about big-time college sports that is often obfuscated by myths, misrepresentations, and misinformation promulgated by ardent defenders of the status quo. This work helped contribute to:

1. A sharply-worded letter from the House Committee Chairman Bill Thomas to NCAA President Myles Brand– seeking justification for the NCAA's tax-exempt status as an institution of higher education, specifically asking Brand to explain why, given the NCAA's similarity with pro sports entities in its dealings with media rights and other big-money issues, it should continue to be tax-exempt, and

2. The December 5, 2006, meeting of the Senate Finance Committee that, among other things, probed the NCAA's response to the Thomas letter via testimony from Dr. James Duderstadt, Emeritus President, University of Michigan.

Details on these congressional efforts as well as historical perspectives that help get at the truth about big-time college sports can be found in a recent article in *The Montana Professor.*[2]

In his most recent book,[3] Duderstadt, wrote: "While they (faculty) deplore the exploitation of student athletes and the corruption of academic values, they feel helpless to challenge the status quo in the face of pressures from coaches, athletic directors, and boosters – not to mention the benign neglect by presidents and trustees." This statement preceded Duderstadt's conclusion

that “it is time for Congress to step in, at least in a limited way, to challenge several of the current anomalies in federal tax policy that actually fuel the commercial juggernaut of big-time college sports.”

THE REVISED IRS FORM 990 – It is our understanding that the discussion draft constitutes a significant redesign of Form 990 and that the IRS anticipates using the revised form for the 2008 tax year. We also understand that the redesign of Form 990 is based on three guiding principles:

1. ***Enhancing transparency*** 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.

2. Promoting compliance means the form must accurately reflect the organization’s operations and use of assets, so the IRS may efficiently assess the risk of noncompliance.

3. Minimizing the burden on filing organizations means 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.

TDG COMMENTS

1. *General –* Although TDG agrees with the guiding principles for the revised Form 990, we believe that the revisions should be amended since the proposed Form 990 does not ask for the level of disclosure that TDG and the Congress are seeking as well as what the IRS ought to have. TDG has focused its recommendations to the U. S. Congress on the need for greater transparency and reporting that could be required of NCAA sports programs at colleges and universities. We have argued that this transparency and reporting would provide supporters, the general public, present and future students and their parents, the media, and policymakers with a much better understanding of “what is really going on” at the NCAA and their sports programs at big-time colleges and universities. Without enhanced transparency via disclosure there will be no reform in big-time college sports.

2. *The FERPA Factor* – The IRS needs be mindful of the fact that the NCAA and its member schools routinely resist requests for information or data on student athletes – citing the Family Educational Rights and Privacy Act (FERPA) and other federal laws – in effect, shielding academic corruption from public view.[4] This corruption not only allows them to sustain their phony ‘student-athlete’ ruse with its derivative tax-exempt status, but also to recruit, sign, and roster academically unqualified blue-chip athletes requisite to fielding professional-level teams for their college sports entertainment businesses. Thus, the recommendations provided herein are rooted in the compelling need to require the NCAA and its member institutions to disclose information that can provide tangible evidence that their athletes function as real students.

3. *The NCAA’S Student-Athlete* – Without facts obtained by independent parties, disclosure, and external oversight, the NCAA cannot know that athletes are really students receiving a bona fide, rather than a “pretend” college education. Since the NCAA lacks verifiable evidence – indicating that athletes are progressing on accredited-degree tracks – there appears to be no rational basis for the NCAA to use the term 'student-athlete' when referring to college athletes who are, in effect, full-time employees of their schools. The NCAA’s use of the term may very well represent a false claim in violation of laws governing truth in advertising.

Robert and Amy McCormick, from the Michigan State University College of Law, argue in a *Washington Law Review* article that grant-in-aid athletes in revenue-generating sports at NCAA Division I institutions should not be viewed as "student-athletes" as the NCAA asserts, but should, instead, be considered "employees" under the National Labor Relations Act.[5]

In many, if not most, instances, college athletes' participate in an alternative educational experience that is not part of the school's serious academic life, but rather a customized pseudo-academic experience engineered by academic support center staff members who work at the behest of the school's athletic department to maintain the eligibility of the school's athletes.

Recent and ongoing research strongly suggests prevalence clustering of entertainment-sport college athletes, especially minority athletes, in such alternative educational programs.[6, 7] In addition to such pseudo majors, the phenomenon of "one and done" athletes, who utilize college sport as a short-term stepping-stone to a professional sport career, contributes to a lessening of universities' academic standards and a marked deviation from educational missions.

Just like the NCAA, the Congress and the IRS, must take the word of school administrators that athletes are really students on track to receive a bona fide, rather than a "pretend" college education. The fact that the NCAA has never endorsed proposals for academic disclosure by its member institutions seems to indicate that NCAA officials do not want to have public evidence that could prove embarrassing to their cartel's business interests.

4. ***Transparency/Disclosure –*** It seems clear that the Congress and the IRS want transparency on the nature of a tax-exempt organization that would reveal whether or not it warrants this status. The issue here is whether or not intercollegiate athletics is an integral part of the educational mission which is indeed exempt. The way universities can establish their claim to their being integral to the educational mission is through transparency in the athletes' experience and their progress as legitimate students.

Other than the new Schedule J, there appears to be nothing in the proposed form regarding specific disclosures on college athletic programs. In fact, Schedule E, which is the schedule filled out by "private schools" exempt under 501(c)(3), has not changed at all. As mentioned previously, the proposed Form 990 does not ask for the level of disclosure that TDG and (we believe) the Congress are seeking as well as what the IRS ought to have. Even if it did, public universities could probably evade such disclosure because many, if not most or all of them, would not file a Form 990. This appears to be a major problem since public universities usually are not required to file Form 990s, because they are part of state government, not a private entity exempt under 501(c)(3). It would probably take a separate law enacted by Congress to require public universities to file a Form 990.

5. *Compensation –* The proposed revisions to Form 990 do require far more detail regarding compensation of officers, directors and "key employees" (generally defined as someone who has management-like responsibilities for "a discrete segment or activity of the organization that represents a substantial portion of the activities, assets income or expenses of the organization. . ." on new Schedule J. The new definition of "key employee" which is now essentially the same as the definition for "excess benefit transactions" in Section 4958 of the Code, is likely to include NCAA Div. I-A football and basketball head coaches, so the IRS will likely get to know somewhat more about their compensation packages than it does now, but only for organizations required to file a Form 990

Also, the Form 990 and Form 990T should be amended to include questions about the "total compensation arising out of the connection to the non-profit". For example, coaches and others are paid a small salary by the university-relatively – but they receive much larger compensation

from other sources that would not be available to them “but for” their position at the university. Accordingly, the Form 990 does not reflect the compensation that the institution is legally liable to provide. The form should show the highest paid people irrespective of the position they hold.

6. *Contingent Benefits –* Currently, quid-pro-quo contributions – payments that are required in order to receive benefits from nonprofit organizations – are eligible to be claimed as a charitable contribution, for example, seat "taxes" for premium seats or lease fees for luxury skyboxes. The large income stream stemming from the skybox boom has been assisted in large part by a 1999 IRS ruling that allows boosters to deduct most of the donations they make to lease skyboxes … donations estimated to account for billions of dollars to Division I universities.

7. *Unrelated Business Income –* The commercial connections and government subsidies to college sports are well documented. For example, Andrew Zimbalist provides the story behind the gutting of the law pertaining to Unrelated Business Income Tax (UBIT) … law that was written to provide for the taxation of the activities of a tax-exempt organization that are not substantially related to the exempt purpose for which it was formed.[8] It is understood that public universities were made subject to the UBIT provisions by special rule.

A good sense of the magnitude and ubiquitous nature of the very powerful legal and lobbying forces at the command of the NCAA and its member institutions can be obtained from the story of their suppression of the 1977 UBIT case brought against Texas Christian University by the Dallas office of the IRS.[9]

RECOMMENDATIONS

TDG believes that implementation of the following recommendations by the IRS will not only increase tax revenues, but also help restore academic and financial integrity in colleges and universities supporting big-time sports programs, especially football and men’s basketball. The recommendations and the appended explanatory notes are based on the appended references.[1-3, 5-13] It is understood that some of these recommendations may very well require congressional action.

TDG recommends that the IRS:

1. Amend the revised Form 990 and schedules to provide a meaningful level of enhanced transparency – requesting the NCAA and its member institutions to disclose information that will:

a) Provide evidence that their athletes are maintained as an integral part of the institution's student body[14]

b) Provide evidence that their athletes attend regular whole-period classes[15]

c) Provide evidence that their athletes are on accredited degree tracks and are held to the same academic standards of performance as all other students[16]

d) Provide evidence that their athletes realize a 2.0 grade-point average, quarter-by-quarter or semester-by-semester to gain and maintain eligibility for participation in athletic events, with the grades and academic records certified by the school’s chief academic officer[17]

2. Advise the NCAA and its member institutions that:

a) The need to vastly improve their transparency and reporting is a very serious matter and that their tax-exempt status will be conditioned on full disclosure

b) Their operations will be subject to IRS and congressional oversight as well to severe penalties (in addition to the loss of their tax-exempt status) for noncompliance.[18]

3. Eliminate what appear to be clear violations of fundamental tax principles such as the loopholes that were inserted in the tax laws to enable practices such as tax deductions for contingent fees on seat tickets and skybox lease payments.

4. Be more rigorous in assessing the UBIT status of the revenues received by organizations, such as the NCAA, whose sports entertainment business mission is largely tangential to the educational mission of colleges and universities.

5. Require the NCAA and their member institutions to employ a standard uniform system of accounting in their athletic departments that is subject to public financial audits.[19]

Frank G. Splitt
September 12, 2007

ACKNOWLEDGEMENTS

The author gratefully acknowledges insights and contributions from:

John Colombo -- Professor, University of Illinois at Urbana Champaign School of Law -- teaching primarily in the tax field with special focus on tax-exempt organizations,

James Duderstadt – President Emeritus and University Professor of Science and Engineering at the University of Michigan,

Jon Ericson – Former Provost and Ellis & Nelle Levitt Professor Emeritus Drake University and a founding member of The Drake Group,

John Gerdy – Author and Visiting Professor in Sports Administration at Ohio University, a former professional basketball player as well as a legislative assistant at the NCAA and the Associate Commissioner of the Southeastern Conference,

Amy McCormick – Professor, Michigan State University College of Law, and cited author on sports related law,

David Ridpath -- Assistant Professor of Sport Administration, Division of Sport Administration, Ohio University and the Executive Director of The Drake Group,

Allen Sack -- Director of the Management of Sports Industries Program at the University of New Haven and a founding member of The Drake Group,

Richard Southwell -- Director, College Sport Research Institute, Assistant Professor, Sport & Leisure Commerce, University of Memphis and a Director of The Drake Group,

Andrew Zimbalist -- Professor, Economics Department at Smith College of Economics, Smith College, and noted author in the realm of sports business.

APPENDIX – REFERENCES AND EXPLANATORY NOTES

[1] Schakowsky, Janice D. “Call for attention to the work of Dr. Frank Splitt,” Congressional Record, Extension of Remarks, March 17, 2005, – p 9, http://thedrakegroup.org/Splitt_Essays.pdf.

[2] Splitt, Frank G., “The U.S. Congress: New Hope for Constructive Engagement with the NCAA and Intercollegiate Athletics”, *The Montana Professor*, Spring 2007, http://mtprof.msun.edu/Spr2007/splitt.html

[3] Duderstadt, James J., *The View from the Helm: Leading the American University During an Era of Change,* p. 326, University of Michigan Press, Ann Arbor, Michigan, 2007

[4] FERPA is part of the Federal General Provisions Concerning Education (GEPA), a set of unfunded conditions on the receipt of federal education funds. It is commonly referred to as the Buckley Amendment to GEPA. See Matthew R. Salzwedel & Jon Ericson, “Cleaning Up Buckley: How the Family Educational Rights and Privacy Act Shields Academic Corruption in College Athletics,” *Wisconsin Law Review*, Volume 2003, Number 6, 1053-1113. Supplementary recommendations relative to FERPA that will ensure academic integrity of institutions of higher education follow:

a) Under Department of Education guidelines, “Directory Information” shall be amended to insert “courses, including the name of the professor” following “major field of study.”

b) Institutions shall make public academic records of members of student groups sufficient in number to protect the privacy of individual students, students’ courses including the grade, name of the professor and course GPA. The records shall be in the listed in order of grades received, i.e., courses in which the student received an A, courses in which the student received a B, and so forth.

[5] McCormick, Robert A. and Amy C., “The Myth of the Student-Athlete: The College Athlete as Employee,” *Washington Law Review*, Vol. 81, pp. 71-157, 2006, Available at SSRN: http://ssrn.com/abstract=893059

[6] College Sport Research Institute, "Study of 2006 NCAA Division I men’s basketball tournament players’ majors," Memphis, TN, 2007

[7] Finley, P. S. and Fountain, J. J., "Academic stacking of athletes on low-performing Division I football teams," Paper presented at the annual meeting of The Drake Group, Cleveland, OH, March 2007.

[8] Zimbalist, Andrew, *Unpaid Professionals: Commercialism and Conflict in Big-Time College Sports*, Princeton University Press, 1999; See pp. 128 and 129 in the Paperback Edition, 2001.

[9] Sack, Allen L and Staurowsky, Ellen J*., College Athletes for Hire: The Evolution and Legacy of the NCAA's Amateur Myth*, Praeger Publishers, 1998.

[10] Splitt, Frank G., “Are Big-Time College Sports Good for America?” http://www.thedrakegroup.org/Splitt_Good_for_America.pdf

[11] _____, “The U. S. Congress, Higher Education, and College Sports Reform” http://thedrakegroup.org/Splitt_The_Interface.pdf

[12] _____, "The Congressional Challenge to the NCAA Cartel's Tax-Exempt Status" http://thedrakegroup.org/Splitt_Congressional_Challenge.pdf

[13] _____, "Don't Overlook the Congress for Serious College Sports Reform" http://thedrakegroup.org/Splitt_Dont_Overlook.pdf

[14] Over the years, the NCAA has made a number of rule changes that have emphasized athletics over academics so as to move their D-1A football and men's basketball programs to professional levels. The NCAA has resisted providing college athletes meaningful opportunities to function as real students by not agreeing to:

a) Restore first-year ineligibility for freshmen with expansion to include transfer athletes;
b) Reduce the number of athletic events that infringe on student class time, with class attendance made a priority over athletics participation—including game scheduling that won't force athletes to miss classes;
c) Restore multiyear athletic scholarships—five-year scholarships that can't be revoked because of injury or poor performance (currently, an athletic scholarship is an agreement between athlete and coach/athletic department, renewed based on ATHLETIC performance), or, replace athletic scholarships with need-based scholarships – agreements between a student and the institution based on ACADEMIC performance. If the scholarship is need based, it will be awarded by the institution – just as the institution awards all other need-based aid – in that case, it does not need to be a five year award as the student will continue to receive his or her need-based aid, even if they leave the team. A strong case for switching to need-based aid as the only way to break the cycle of sponsoring professional teams on college campuses is made by John Gerdy in his most recent book, *Air Ball: American Education's Failed Experiment with Elite Athletics;* and
d) Require athletes to honor the terms of their multiyear athletic scholarship with appropriate penalties to the school and athlete for broken commitments such as 'one and out' to the NBA.

[15] Attending class is a public act; disclosing the names of courses and professors while not releasing students' grades provides the appropriate balance between a student's right to privacy and the public's right to know the conduct of faculty, administrators and governing board members. The purpose of transparency is to focus on the conduct of faculty, administrators and governing board members, not on student conduct.

Transparency would require disclosure of courses taken by the school's football and basketball team players as well as cohorts representing 50% of the players with the most playing time, the average grades for the athletes and the average grades for all students in those courses, the names of advisors and professors who teach those courses, and whole-period class attendance records for the athletes.

It is suggested that the Congress add interpretive wording to FERPA's student privacy provisions to make abundantly clear that this legislation does not prohibit release of information on the academic performance of individual athletic teams in whole or in part, so long as the data do not identify individual team members.

[16] The schools should be required to identify:

a) The Department of Education's National Advisory Committee on Institutional Quality and Integrity (NACIQI) approved accrediting organization responsible for accrediting the tracks, especially for the general studies and other 'diploma-mill-like' degree tracks commonly engineered for athletes by their school's academic support center staff, and
b) The responsible authority for academic counseling and support services for athletes. Such services should be the same for all students and in no way under the influence of the athletic department.

[17] It is reasonable to expect that a legitimate student have no less than a “C” average. The school’s chief academic officer should be held personally accountable for academic corruption.

[18] Conditioning the continuation of the NCAA's tax-exempt status on their meeting specific reporting requirements such as outlined herein and plugging the tax loopholes that help subsidize the college sports arms race will provide a strong message as to the serious of the revised Form 990 and its schedules.

Self assessment and reporting by colleges and universities, as well as weak enforcement by the NCAA, and even weaker penalties for infractions, provide an enormous incentive for schools to scheme and cheat. Failure to implement and comply with the IRS reporting requirements should put the NCAA and/or individual institutions at risk of losing their tax-exempt status. Once implemented, evidence of a continuation of existing patterns of fraud, continued efforts by universities and colleges to circumvent the intent of these measures, or, retaliation against whistleblowers, should garner severe penalties

[19] Convenience accounting and budgeting practices will continue to be used by the NCAA cartel to deceive and confuse faculty, the public, the Congress and the IRS about athletic department financials unless and until schools are forced to employ a uniform system of accounting that includes total capital expenditures, depreciation, and total staff costs from all sources, as well as be subject to public financial audits. The threat of Sarbanes-Oxley would certainly bring the NCAA and its member institutions to sharp attention.

###

From:	Ajmal Aziz
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Comments on Draft Redesigned Form 990
Date:	Wednesday, September 12, 2007 1:43:14 PM
Attachments:	Form 990 comments-draft3.doc

Hi,

The attached file contains comments on Draft Redesigned Form 990 from the Association for Healthcare Philanthropy.

Thanks.

Ajmal Aziz
Government Relations Coordinator
Association for Healthcare Philanthropy
313 Park Ave, Suite 400
Falls Church, VA 22046
aaziz@ahp.org
www.ahp.org

Association for Healthcare Philanthropy
(www.ahp.org)
313 Park Avenue, Suite 400
Falls Church, VA 22046
703-532-6243
Contact: William C. McGinly, Ph.D., CAE, President, Chief Executive Officer

Comments on IRS Draft Form 990

Submitted To
The Internal Revenue Service
September 14, 2007

Introduction

The Association for Healthcare Philanthropy (AHP) is an association of professional development executives who are responsible for the management of foundations and development departments of nonprofit health care providers throughout the United States. A critical part of their mission is supporting local health care programs through philanthropic fundraising that directly benefits the institution in which they work. These nonprofit medical facilities approach and have come to rely on the generosity of grateful patients who they have served to help underwrite wellness programs, mobile health vans, mammography screenings, hearing and eye exams, hospital facility improvements, essential equipment upgrades and health care services for the uninsured.

Established in 1967, AHP is a not-for-profit organization whose 4,500+ members manage philanthropic programs of foundations and development departments in 2,200 of the nation's not-for-profit, charitable health care providers. In 2006, this philanthropic support reached $7.9 billion according to AHP's most recent giving survey report. As a practical matter, most, if not all, of health care providers routinely factor into their budgets an expected level of philanthropic support.

AHP represents highly skilled fundraisers in health care philanthropy. Many hold the Certified Fund Raising Executive (CFRE) or the Fellow Association for Healthcare Philanthropy (FAHP) designation, which recognize professionalism in the field by documenting experience and testing knowledge in health care resource development. More than 60% of AHP members have been in the field of fundraising for 11 or more years, with 39% having been in the field for 16+ years. Our members believe in transparency and accountability in their work and follow the AHP Statement of Professional Standards and Conduct and its companion Donor Bill of Rights. In addition, in 2006 AHP launched the AHP Performance Benchmarking Service. One of the goals of

this program is to provide consistent reporting of fundraising dollars that AHP member organizations generate.

AHP members are an integral part of their health care institutions and are a critical component in attracting needed dollars to support community benefit programs. With that in mind, AHP is a supporting organization of the *Catholic Health Association's Guide for Planning and Reporting Community Benefit*.

The Association for Healthcare Philanthropy (AHP) supports the Internal Revenue Service in its efforts to revise the Form 990 to facilitate accurate, complete, and consistent reporting by exempt organizations.

The Draft Form 990 generally will be easier for exempt organizations to complete and for the public to understand. There are, however, areas in the draft Core Form and Schedules that are unclear and need revision. AHP offers the comments below to address some areas of concern that affect not-for-profit health care organizations and their institutionally related foundations. AHP is a supporting member of Independent Sector and, where appropriate, Independent Sector's suggestions are incorporated into AHP's comments below.

Implementation and Transition Periods

AHP wants its members to have an improved form as soon as possible. However, health care organizations will need adequate time to understand and implement the changes that will be required to provide complete and accurate reports. AHP does not think it is realistic to require organizations to use a new Form to report financial information and other activities for Fiscal Year 2008. We strongly encourage the Service to delay implementation of the Core Form.

The time required by hospital and hospital foundation auditors to prepare these highly complex audit statements is such that they seldom finish in time to complete IRS Form 990 within the allotted filing schedule "by the 15th day of the 5th month after the organization's accounting period ends." This sequence results in a repeat request for Extension of Time to File (IRS From 8868) for nearly all hospitals and hospital foundations every year. With this in mind, AHP recommends an additional year or more for implementation of a number of the new Schedules.

Use of the AICPA Audit Guideline

Unlike prior IRS instructions, there is no directive to follow any specific AICPA audit guideline in reporting financial details. In the past, health care organizations had to adapt their AICPA audit guide to match the general-purpose audit requirements. However, there are multiple references to the FASB SFAS 116 on how to account for revenue. AHP requests clarification on the use of the AICPA guide.

Comments on Core Form

Part I: Summary Page

AHP likes the approach taken by the Service of providing essential summary information on the first page of the Form 990. However, we have a number of concerns outlined below.

1. **Part I, Activities and Governance:** Line 6 asks for the number of individuals receiving compensation in excess of $100,000 as reported in Part II. Line 7 asks for the highest compensation amount paid to Officers, Directors, Trustees, Key Employees, Highly Compensated Employees and Independent Contractors, as reported in Part II. Line 8 asks for officer, director, trustee, and other key employee compensation from Part V, Line 5, column B, which then is divided by program and service expenses and reported as a percentage. In combination, these are sensitive details, are subject to a variety of interpretation, and may lead to an incorrect or misleading picture of an organization's operations when compared only to total program and service expenses (but not administration and general or fundraising expenses).

   We find that those who are interested in examining compensation levels are better served by the comprehensive information provided in Part II of the Core Form. A close look at the details in Part II, Section A is necessary, as it requires more compensation data on more individuals than previously. This may present a problem for hospitals with separate and/or subsidiary foundations where compensation paid to officers and directors of the hospital corporation may be paid by funds from the foundation as well as the hospital and vice versa. This same issue also will arise if the hospital "owns" other incorporated entities, either for-profit or nonprofit, where officers and directors of the hospital may receive compensation from another entity related to the parent hospital corporation. This may be a particular issue for hospitals and health care systems.

2. **Revenues, Expenses, Net Assets or Fund Balance, Granting & Fundraising:** The instructions for Line 19a and Line 19b will do nothing to eliminate the "creative accounting" associated with how expenses are reported. Further, it will increase public confusion on its interpretation. AHP's overriding concern is that the public does not understand the costs to raise philanthropic dollars. Whatever the cost, real or contrived, it is likely to be presumed as too much.

   Therefore, AHP objects to the use of percentages of revenues and expenditures as appropriate indicators of an organization's effectiveness or efficiency. Whatever fundraising expense is reported and how it is reported (i.e. percentage of funds raised) is too often misunderstood and misinterpreted. Further, this figure is misused frequently by the media and by self-appointed "watchdogs" with their ratings and scores of nonprofit financial performance. These interpretations will add to the public's confusion and raise doubts about whatever amount nonprofits report as fundraising expenses. In addition, inclusion of these percentages gives the impression that the IRS believes there is a "right" percentage for each calculation. We do not believe this is a fair perception.

AHP recommends that the IRS drop the column requiring organizations to calculate revenues and expenses on lines 11-15 and lines 17-19 as percentages of the total amounts.

We further recommend (in concurrence with the Independent Sector) that the IRS drop the following percentage calculations on the Summary Page:
The computation of officer, director, and other key employee compensation as a percentage of total program service expense (line 8b). Those who are interested in the allocation of this compensation will find a more accurate presentation on Part V, Statement of Functional Expense, line 5. There is no reason to highlight the program percentage on the Summary Page.

The computation of fundraising expenses as a percentage of contributions and grants (line 19b). This percentage can vary greatly depending on the organization's size, structure, and current priorities. A single large gift or bequest can be the result of extensive work in prior years, thus skewing the organization's reported percentages in both the current year and the prior years. Such gifts can also be the result of no direct fundraising expense by the organization in any year.

The computation of total expenses as a percentage of net assets (line 24b): This percentage is not an appropriate indication of whether an organization is spending money on current programs commensurate with its resources. An organization may be setting aside funds to purchase or build new facilities, expand its program services, or purchase equipment necessary for its programs. A more complete, useful picture of the allocation of an organization's net assets or fund balances is provided on Part VI, Balance Sheet, lines 28-35. If the IRS believes this information is important to include on the Summary Page, it would be more helpful to readers to ask organizations to indicate their unrestricted, temporarily restricted, and permanently restricted net assets than to include this misleading indicator.

3. **Gaming and Fundraising Information (lines 15, 25, and 26):** AHP believes these two activities should have separate categories and not be combined on the Core Form. Plus, there is confusion on Schedule G and what is to be reported in Part I. What is to be reported on Line 15? The answer is to be taken from Part IV, Line 3, Line 7, Line 9d, Line11c, Line 13e, and Line 13e. However, membership dues and assessments were already reported as revenue in Part I, Line 13. And, net income from fundraising events is to be reported again on Line 26. This duplication is a concern. More comments are presented in our review of Schedule G.

Part II: Compensation

As we stated above, Part II, Section A may present a problem for hospitals with separate and/or subsidiary foundations where compensation paid to officers and directors of the hospital corporation may be paid by funds from the foundation as well as the hospital and

vice versa. This same issue also will arise if the hospital "owns" other incorporated entities, either for-profit or nonprofit, where officers and directors of the hospital may receive compensation from another entity related to the parent hospital corporation. This may be a particular issue for hospitals and health care systems.

We approve of the new format as it will require full disclosure of every officer or highly paid employee with details on their compensation packages.

Part III: Governance
AHP has no comments on this section at this time.

Part IV: Revenue
An important problem continues to exist in Section IV as it does in the current IRS Form 990. Because Line 11a requires contributions reported on Line 1c to be excluded, most auditors consider fundraising event sponsorships and underwriting gifts to be "contributions" and thus to be reported in Line 1c rather than Line 11a. Only admission and/or ticket sales are reported on Line 11a. This practice reduces the amount of total event revenue and negatively impacts the net income figure. As a consequence, nonprofits frequently report net income loss for their events, which is an incorrect assessment. This net loss also causes confusion and concern with donors and volunteers who supported the event and were told the event made a profit to benefit the organization's mission.

Another area of concern is Line 1g. It is always difficult to establish the value of Noncash Gifts. Therefore the amount of revenue to be reported must be able to be documented with reliability if the hospital elects to accept such a gift and to assign a value to it that is included as an asset on its audit statement. IRS guidelines offer examples of valuation as "cost or selling price of the donated property, sale of comparable properties, replacement cost, opinions of experts, etc." These guidelines also cite IRS Publication 561. Determining the Value of Donated Property for use in valuation.

Part V: Statement of Functional Expenses
The general instructions to the draft Form 990 indicate that all organizations will be required to follow SOP 98-2 regarding joint allocation of fundraising costs. The continuing challenge to all nonprofits remains - how to report join cost allocations between these expense groups that are to be reported in Section V. The IRS instructions refer to SOP 98-2, the current AICPA guideline for joint cost allocation, but some audit firms apply a simple 80%-20% allocation between Fundraising Expenses and Management and General Expenses rather than attempt to assess the actual allocations.

Part VI: Balance Sheet
AHP has no comments on this section at this time.

Part VII: Statements Regarding General Activities
AHP has no comments on this section at this time.

Part VIII: Statements Regarding Other IRS Filings
AHP has no comments on this section at this time.

Part IX: Statement of Program Service Accomplishments
AHP has no comments on this section at this time.

Comments on Schedules

Schedule A: Supplemental Information for Organizations Exempt Under Section 501(c)(3)
AHP has no comments on this section at this time.

Schedule B: Schedule of Contributions
AHP has no comments on this section at this time.

Schedule C: Political Campaign and Lobbying Activity
AHP has no comments on this section at this time.

Schedule D: Supplemental Financial Statements
AHP has concerns with Part XII, Endowment Funds, with the IRS required disclosure of the organization's spending of endowment fund assets over a five-year period. The intent is "to improve transparency of an organization's accumulation of endowment assets including through related organizations, and the rationale for such accumulation." The implication is that funds held as endowments have to be "spent" and that their accumulation is viewed as either inappropriate or unnecessary. The question needs to answered as to whether there is any Federal law that limits a nonprofit organization's right to develop endowment funds or sets limits on either the value it may achieve or any requirements for use or retention of its investment earnings.

Schedule E: Schools
AHP has no comments on this section at this time.

Schedule F: Activities Outside of the U.S.
AHP has no comments on this section at this time.

Schedule G: Fundraising Activities
Part I, Line 3 "List all jurisdictions in which the organization is authorized to solicit funds." There are two issues here. First, this will not be an easy task for any nonprofit that solicits outside its state of residence where formal registration to solicit is not required by any State regulations. Second, there are multiple local regulations also in place for event registration and reporting, be it a county, city, town, municipality or Indian Reservation. These regulations frequently require a minimal excise tax (3% to 5%) to support the cost of necessary police and fire support of any form of public event.

Part II asks for seven sets of figures for each qualifying event ($10,000 or more in revenue): Gross receipts, Charitable contributions, Gross revenue, Cash prizes, Non-cash prizes, Rent/Facility costs, and Other direct expenses. Instructions on how to calculate

and report the value for Cash prizes and Non-cash prizes were not provided. This will pose problems.

Schedule H: Hospitals
There are two areas in Schedule H where IRS requirements may be in conflict with State regulations on both charity care and community benefit reporting. Some States already require these details and assess either a fee or tax assessment based on property value. Further, among several states where these reports are required, some prohibit public solicitation to be used to benefit charity care and/or community benefit programs. A lot of confusion already exists here and the new Schedule H will not help resolve this. AHP requests clarification and guidance on this.

The Catholic Health Association's (CHA) *A Guide for Planning and Reporting Community Benefit* is cited as a reference document in support of the new Schedule H. However, it appears this text will apply only to Part I, Community Benefit Report and not the balance of Schedule H, a detail that needs to be resolved.

Schedule I: Grants
AHP has no comments on this section at this time.

Schedule J: Supplemental Compensation Information
AHP has no comments on this section at this time.

Schedule K: Supplemental Information on Tax Exempt Bonds
AHP has no comments on this section at this time.

Schedule L Supplemental Information on Loans:
AHP has no comments on this section at this time.

Schedule M, Noncash Donations
It is always difficult to document the value of non-cash gifts. The IRS states that the method of valuation must be cited but it is still not going to be consistent across the board for nonprofits. For instance, some nonprofit organizations do not record non-cash contributions in their accounting records at their "fair market value," given the time and cost involved in establishing such values.

From:	phillip.royalty
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	comment letter on draft redesigned Form 990
Date:	Wednesday, September 12, 2007 3:06:03 PM
Attachments:	EY comment letter_draft Form 990.pdf.zip

Ladies and Gentlemen:

Ernst & Young LLP respectfully submits the attached comments in response to IR-2007-17, *IRS Releases Discussion Draft of Redesigned Form 990 for Tax-Exempt Organizations.* If you have any question or need any additional information, please call me at 202-327-8378.

Sincerely,
Phil Royalty

Phillip G. Royalty
Ernst & Young LLP
National Tax Department
1101 New York Avenue, N.W.
Washington, D.C. 20005
Phone (202) 327-8378/E-fax (866) 308-2440
EYComm 9277692/E-mail _____
Administrative assistant: Sabine Beaulieu (phone (202) 327-7553)

ERNST & YOUNG

Ernst & Young LLP
National Tax
1101 New York Avenue, N.W.
Washington, DC 20005-4213

Phone: (202) 327-6000
www.ey.com

September 12, 2007

Internal Revenue Service
Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Dear Sir or Madam:

This letter is in response to the IRS's request for comments regarding the redesigned draft Form 990.

We recommend that the instructions be revised to provide a volunteer exception to the requirement that certain individuals' compensation from related or unrelated organizations be reported. Such an exception could be similar to the volunteer exception set forth in the instructions to line 75c of the 2006 Form 990. (Please see the description of the volunteer exception on page 35 of the 2006 instructions and Example 4 on page 36.)

Many business enterprises have formed public charities for various charitable purposes, such as maintaining employer-sponsored disaster relief funds (please see IRS Publication 3833, *Disaster Relief: Providing Assistance Through Charitable Organizations*), making charitable grants to benefit the community, providing individual scholarships, and providing financial assistance to colleges and universities. Typically, the officers, directors, and trustees of the public charity are employees of the business enterprise and serve the public charity on a volunteer basis. They are compensated by the business enterprise but receive no compensation from the public charity. Requiring disclosure on the public charity's Form 990 of compensation received by these individuals from the business enterprise serves no discernible public purpose and could discourage businesses from engaging in charitable activities.

To make this change, a volunteer exception for purposes of compensation reporting, similar to the volunteer exception in the 2006 Form 990 instructions to line 75c, should be added to the definition of related organization in the glossary of the draft Form 990 instructions. Attached is a marked-up version of the definition of related organization reflecting this recommended revision.

Thank you for your consideration. If you have any questions or need any additional information, please call Howard Levenson at (202) 327-8811 or Phil Royalty at (202) 327-8378.

ERNST & YOUNG

Very truly yours,

Ernst & Young LLP

Ernst & Young

Attachment

Internal Revenue Service
Tax-Exempt & Government Entities Division
Office of Exempt Organizations
Draft Form 990 Redesign – Glossary
June 14, 2007

provided that the activity does not directly or indirectly support or oppose any candidate. For organizations other than section 501(c)(3) organizations, political campaign activities include activities that support or oppose candidates for appointive federal, state, or local public office.

principal officer

Person who, regardless of title, has ultimate responsibility for implementing the decisions of the *governing body*, or for supervising the management, administration, or operation of the organization.

prohibited tax shelter transaction

Any listed transaction, within the meaning of section 6707A(c)(2), and any prohibited reportable transactions. A *prohibited reportable transaction* is a confidential transaction within the meaning of Regulations section 1.6011-4(b)(3), and a transaction with contractual protection within the meaning of Regulations section 1.6011-4(b)(4).

qualified intellectual property

Any patent, copyright (other than certain self created copyrights), trademark, trade name, trade secret, know-how, software (other than certain "canned" or "off-the-shelf" software or self created software), or similar property, or applications or registrations of such property.

related organization

Other organizations that have one or more of the following relationships to the organization:

- Parent—an organization that *controls* the organization
- Subsidiary—an organization controlled by the organization
- Brother/Sister—an organization controlled by the same person or persons that *control* the organization, other than a parent/subsidiary relationship
- Supporting/Supported—an organization that is a 509(a)(3) supporting organization of the organization (or a supported organization, if the organization is a supporting organization)

INSERT

review of financial statement

An examination of an organization's financial records and practices by an independent accountant with the objective of assessing whether the *financial statements* are plausible, without the extensive testing and external validation procedures of an *audit*.

Sarbanes-Oxley

The Sarbanes-Oxley Act of 2002 (Pub. L. No. 107-204, 116 Stat. 745, also known as the Public Company Accounting Reform and Investor Protection Act of 2002) and commonly called "SOX" or "Sarbox. The legislation established new or enhanced governance and accountability standards for certain companies.

SFAS 116

Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made (June 1993)

SFAS 117

Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations.

sponsoring organization

A sponsoring organization is an organization that maintains one or more *donor advised funds* and is:

- An organization described in section 501(c)(3) (other than a private foundation or organization that tests for public safety),
- A domestic fraternal organization described in section 501(c)(8) or (10) that uses charitable contributions exclusively for charitable purposes,
- A cemetery company described in section 501(c)(13) , or

INSERT

For purposes of reporting, in Part II and in Schedule J (Form 990), *Supplemental Compensation Information,* compensation and benefits from related organizations, if the tax-exempt organization is controlled by a for-profit organization only because a majority of the tax-exempt organization's directors or trustees are trustees, directors, officers, employees, or agents of the for-profit organization, then the tax-exempt organization does not have to report the compensation and benefits from the for-profit organization of any person serving the tax-exempt organization as a volunteer without compensation.

From:	John Butler
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Comments on Draft Revised Form 990
Date:	Wednesday, September 12, 2007 3:27:39 PM
Attachments:	Ltr to IRS re Form 990 Rvsn 9-12-07.pdf

Thank you for the opportunity to provide comments regarding the proposed revision of the Form 990.

Attached is our firm's submission. Please contact me if you have any questions.

John

****

Capin Crouse, LLP
John S. Butler, JD
Tax Counsel

720 Executive Park Drive, # 2300
Greenwood, IN 46143

Office: 317/885-2620, ext. 325
FAX: 317/881-8120

Email: jbutler@capincrouse.com
****

CAPIN CROUSE LLP
Certified Public Accountants

720 Executive Park Drive, Suite 2300 Greenwood, IN 46143 317.885.2620 317.881.8120 fax

www.capincrouse.com

September 12, 2007

IRS
Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

Greetings:

Thank you for the opportunity to provide comments and suggestions regarding the draft revision of Form 990. We believe the guiding principles behind this revision are exactly right for this time. Much of the draft appears to work effectively toward those goals.

Based on our experience serving over 500 clients that are exempt under IRC 501 (c)(3), we noted a few elements that unduly burden the filing organization or detract from transparency and risk confusion by the public.

Our comments relate primarily to religious tax exempt organizations we serve as an auditing and tax preparation firm. These include organizations working in foreign countries and various types of organizations in the United States. While some of our clients are churches and other organizations exempt from filing Form 990, many do file Form 990.

For this letter, references to "Form 990" and various schedules are to the drafts released by the IRS, unless the context indicates otherwise.

General Comments

We applaud the addition of the Part I summary, on the first page. It provides key information and context for the details in the balance of the form. We think it will enhance the usefulness of the Form 990.

The order in which information is provided can also enhance, or detract from its usefulness. Currently, the order of the form does not seem to reflect an order which enhances understanding. We endorse the order being recommended by the AICPA.

On a practical level, users often view these forms on small computer screens and the quality of printers varies greatly. Where insufficient space is left for amounts on the form, smaller type must be used, or numbers crowded into adjacent columns. Neither enhances legibility. For example, currently it appears that larger organizations, amounts entered in Column (A) of Core Form 990, Part V will tend toward illegibility.

We recommend that prior to finalizing the form, space usage be analyzed to assure that adequate room is provided to enter requested numbers in a format that will be legible to users.

Unnecessary length should be avoided. A longer form represents more questions and information, with two negative results:

- The cost of form preparation increases, through additional effort to collect information, organize information, and place it correctly on the form.
- The user's effort increases, as he or she looks for essential information and trys to assess what is being provided.

A number of questions are asked which may reflect good practice, interesting information, or be statistically relevant. Closely tracking the statutory and regulatory requirements, however, helps keep unnecessary length out of the form. In several places of this letter we identify questions that are not part of tax law requirements. In addition to specific objections to such questions, we object on the basis of excessive length.

We recommend that questions unrelated to statutory requirements only be included when they are important for understanding the organization.

The revised Form 990 will surely ask for information not currently collected by many organizations. Even available information will seldom be in the format requested. If the revised form will be used to report activity in calendar year 2008, many organizations should begin collecting and organizing data before the final version and instructions are even published. This very short time-frame for implementation creates unnecessary expense for organizations that a longer implementation period would reduce.

We recommend implementation be delayed until 2009.

Core 990-Part I-Summary of Revenues & Expenses-Volunteers

Some of our clients (and many other organizations) receives substantial volunteer services. In many cases, these services meet the AICPA requirements for quantifying and including in audited financial statements. Most of these volunteer services relate to program services, including volunteer doctors providing medical services, volunteer engineers helping build schools, clinics and churches, and volunteer teachers.

The "summary" presentation on page one of Form 990 will distort the appearance of these organizations by omitting any reference to volunteers. The organizations will appear smaller than they actually are, and they will appear to use a higher percentage of resources on management than they actually use.

We recommend that the form include a line for the number of volunteer hours (or at the least number of volunteers) in the summary section, allowing filers to use reasonable estimates since many smaller organizations do not track the exact number.

Core 990-Part I-Summary of Revenues & Expenses-Percentages

The percentages shown in the summary focus attention on distinctions that usually have little relevance except among quite similar organizations. By providing the percentages, however, the form suggests that one dimensional percentages and ratios have relevance.

The raw data provided on the summary will facilitate users' development of ratios they consider important. Generally, however, someone developing such a ratio will be doing so in a comparison with similar entities, where such ratios may have relevance.

We recommend deleting all ratio and percentage calculations from the Form 990, except where such percentages are legally relevant (such as the public support test on Schedule A).

Core 990-Part II-Individuals' Addresses

Among our clients, the degree of confidentiality desired for board members and officers varies greatly. Some want those in their communities to be able to fully identify the board member, and may provide their home-cities and even the names of their employer on the organization's website. Others are concerned about potential harassment of their board members and provide minimal information.

With the 2006 Form 990 and instructions, the organization, knowing the potential for harassment, can make that assessment and provide as much or as little information as it desires. Their decisions continue to be theirs to make each year, enabling them to adjust to changing situations locally, or broader. Even a change in board membership can cause an adjustment, to address specific concerns.

The draft requesting City and State removes discretion. With the internet and knowing the city of residence, individuals with any community reputation or stature can be located. The burden from unwanted exposure in some organizations may be loss of quality board members.

Publication of the name without an address provides substantial benefit, to which the addition of the city/state does not significantly add:

- Publishing the names each year documents that the organization is responsible to a specific board of directors.
- Those responsible for board actions during each year are identified each year.
- Publishing the name documents the identity of the board member for future reference (if needed).
- The IRS, any governmental agency, or any litigant with sufficient reason will be able to obtain addresses from the organization and contact the board member.

We recommend that the 2006 Form 990 approach be retained.

Core 990-Part II-Section B-Line 3

In many smaller organizations, none of the listed individuals may receive any compensation.

We recommend that the line include a "Not Applicable" answer.

Core 990-Part II-Section B-Line 5

The information requested goes into substantial detail regarding individuals covering the past five years, which many organizations have not been tracking. While Congress included a 5 year time frame for disqualified persons, transactions with such persons are lawful and there has previously been no reporting requirement.

We recommend that this requirement be phased in over 5 years.

Core 990-Part III

Most of this section does not reflect statutory or regulatory requirements for tax exemption or lawful operation under other Federal tax laws. While many of the questions reflect good practices for many organizations, both Federal and state legislators have been sensitive to subtleties of nonprofit operation that this section ignores. Many smaller organizations and organizations with special circumstances do not conform to "best practices" in some of these areas and should not be stigmatized for not meeting irrelevant standards.

We strongly urge this section be deleted, and moving Lines 2 and 12 (which may relate to statutory requirements) to Part VII.

Core 990-Part V-Line 6

In a significant minority of religious organizations, family members have felt a common calling to the ministry. This may be husband and wife, siblings, or parent and child. One or more may in some years be an officer or director, making all the other family members disqualified persons under IRC 4958(f)(1). A wealthy individual may come to know about an organization through their child working there and make a substantial contribution, causing the child to become a person described in IRC 4958(c)(3)(B).

Congress identified a need for additional care in assessing reasonableness of compensation and other payments to these family members. Congress did not make these relationships illegal. Requiring that compensation to these family members be separately identified every year, however, goes beyond additional care, adversely affecting two different IRS goals:

- The term "disqualified person" does not sound honorable or good to many people in the public. It is the term Congress used in IRC 4958, and understood by lawyers, accountants and IRS agents. Members of the public, however, will tend to think an organization making payments to *disqualified persons* is doing something bad, even when compensation is reasonable, or below market. Amounts in Line 6 will tend to generate a false impression, rather than greater transparency.

- Identifying family members of officers, directors and major donors each year, and separating out their compensation from that paid others will result in more record keeping, creating a burden, which in most cases is not warranted.

We recommend that Line 6 be deleted.

As an alternative, we suggest that it only apply to compensation in excess of the amount used for "highly compensated employee" under IRC 414(q).

Core 990-Part VII- Lines 11 & 12

Similarly to the discussion of Part III, above, these questions do not reflect statutory or regulatory requirements for tax exemption or lawful operation under other Federal tax laws. While the concept of such policies is good, an organization which has not encountered such issues will not have had a reason to consider a policy. Adoption of a form-book policy to allow a "yes" answer will not facilitate compliance. Many smaller organizations and organizations with special circumstances should not be stigmatized for not meeting irrelevant standards.

We recommend that these questions be deleted.

Core 990-Part IX

This part should be moved to the second page, immediately after the Part I summary. While it does not address compliance issues directly, it is the most important part of the Form 990.

The column "Direct Revenue" is potentially confusing to both organizations and Form 990 users. If it will be retained, the form itself should contain a clarification of what is included in the column.

Schedule A- Part I, line 11h, Column (vii)

The phrasing of the instructions for Column (vii) appears to limit "support" to grants to or on behalf of the supported organization. We understand that a supporting organization can provide support though operation of programs, as well as making grants. That would be the nature of support provided by a Type III, functionally integrated supporting organization (IRC 509(f)(3)(B)).

We recommend that the instructions clarify that where a supporting organization provides support through operation of programs, the amounts spent on those programs are "support" for Column (vii).

Schedule F-Sensitive Information

A number of our clients with foreign activities engage in educational, relief and religious work in countries that are hostile to their religion. Highlighting these activities on a special schedule and describing them in detail will create risks for those involved. While this is to us the most important issue associated with Schedule F, we are not focusing on it because we believe others are addressing this issue in more detail.

However, we strongly urge the IRS, under legislation as necessary, to protect the important work and lives of legitimate charitable workers by making such information confidential rather than public information.

Schedule F-Part I, Data Collection Generally

The specificity by country required by Part I will be difficult for many organizations to achieve, and the specific details will not achieve the goal of transparency. For example:

(i) While it is easy to identify that an office is in a country, an office may well service several countries, so that associating an office with one country distorts the description of the organization's work. Regional headquarters are typically located in more stabile countries or in more pleasant climates, even when much of the work involves refugees or relief efforts in more volatile, less developed countries. The country being benefited might have no office or permanently assigned employee.

(ii) During the course of a year, an organization may change the number of offices in response to local situations and needs, perhaps with overlap in locations. While local records generally would track dates of usage, such details might not be usefully collected by the US office. Whether there were several small field offices or a consolidated main office would not affect the organization's involvement in that country.

(iii) Employees come and go from a country for vacation, furlough and training. These trips might be to the US, or another country. An organization's records might show the employee assigned to one country for the entire year, though they might be outside of the country much of a particular year.

(iv) The "Total expenditure in country" is a challenging amount to identify, because of employee and agent transitions, as described above, and ordinary cost accounting reporting by project, rather than a specific geographic area.

(v) The "Total expenditure in country" is not an amount that helps describe an organization's activities for that country, since (a) expenditures in one country may primarily benefit another country, (b) expenditures in the US may primarily relate to a foreign country, and (c) it would not include the services of volunteers.

> *Example:* A foreign language speaker might be hired in the US to translate materials, which will be printed in foreign County A, before delivery to users by volunteers (for free or below cost) in foreign county B (where the relevant language group is located). In this situation, the typical organization would consider all the "cost" as relating to country B, even though nothing might be expended in county B.

For smaller in-country operations, changes of one or a few employees or office would disproportionately affect the apparent country involvement, when the change simply reflected a temporary absence or realignment.

We recommend the following to provide greater transparency, while reducing the reporting burden:

1. No reporting should be required for a country if less than $200,000 in expenses were associated with it (amount is estimated cost of one employee, plus office and related support, plus limited grant making or other programs).

2. An aggregate schedule for all foreign operations should be added, which included the following questions:
   (a) Number of countries in which there are activities?
   (b) Number of employees or agents regularly working outside of US?
   (c) Types of foreign activities engaged in (using Column (d) Part I types of items)?
   (d) Types of services provided (using Column (e) Part I types of services)?
   (e) Total foreign related expenditures (not just amounts expended in foreign countries)?

3. For countries with more than $200,000 in associated expenses, we suggest the questions be modified to provide details by groupings, rather than specific amounts. Some examples:

   (a) Instead of "number of offices in a country," the question would provide 3 options: 0-5 offices, 6-10 offices, more than 10 offices.
   (b) Instead of "number of employees and agents", the question would provide 3 options: 0-5 employees, 6-20 employees, over 20 employees.
   (c) Instead of "total expenditure in country", the question would ask about total expenditures associated with the country, and provide 3 options: $200,000-500,000, $500,001-$1 million, over $1 million.

Schedule F, Part I, Number of Accounts

The question about the number of accounts in a country is pertinent to other United States laws, but not to exempt activity per se. Providing any significant account information, even simply how many in a country, in a publicly available document exposes the organization's asset to additional risk (an additional burden), without enhancing useful transparency. The account information is provided on TD F 90-22.1, which is not open to the public, so the objective of enhanced compliance is not neglected.

We recommend the question about number of accounts per country be deleted.

Schedule F, Part I, Line 4

While this question may generate interesting answers, it does not reflect tax requirements and it adds length to the form. Unnecessary length makes the form more expensive to prepare and harder for users to understand.

We recommend Line 4 be deleted.

Schedule F, Part II, Line 1-Grant size

Reporting of details regarding smaller grants creates additional administrative burden and increases the risks to smaller in-country organizations from their relationship to an American, religious organization.

We recommend use of a higher amount, such $50,000.

Schedule F, Part II, Line 1, Column (f) & Part III, Column (e)

The requests in columns (f) and (e) for information about the "Manner of cash disbursement" add complexity without enhancing transparency or compliance. The appropriate mechanisms for disbursing cash may vary greatly even for the same country within the same year, depending on the political and financial infrastructure of the country. Reporting would require detail that would not always be easily available, and may include information of a sensitive nature. In addition, we note that this column is not part of the US grant schedule.

We recommend deletion of Column (f) in Part II, Line 1, & Column (e) in Part III.

Schedule G-Generally

Because of the low filing threshold, many organizations which have very few fund raising events will have to file Schedule G. One effective banquet would put them over this threshold.

We recommend the filing threshold be increased to $50,000.

Schedule G, Part II-Clarification of "Special events"

On the existing Form 990, there is some confusion among organizations for whom we work regarding what types of activities should be reported under "Special events and activities" (2006 Form 990, Part I, Line 9).

A number of our clients regularly use banquets (or other social activities) for fund raising, where there is no charge, or only a nominal charge for the meal or participation. Individuals may be given an opportunity to make a contribution to cover the meal (which would be subject to the quid-pro-quo receipting requirements). The purpose of the banquet is not to sell meals, but to gather prospective donors to hear a presentation soliciting contributions.

The draft instructions start off referring to "dinners/dances," in describing events which should be listed. We request that the instructions for Schedule G, Part II, clarify that "events" does not include a banquet or other activity where the meal or participation is free or below cost, even though contributions might be solicited to cover the cost.

Schedule I-Part I, Line 2a

We recommend the reference to "donor" be modified to make it "substantial donor". As it is worded now, it would be impossible to comply.

Schedule I-Part II-Grant Size

For organizations that make a substantial number of smaller grants, the requirement to list each one separately would be substantial burden. It would provide a better understanding of the organization's activities, if similar grants could be grouped, showing the number of grantees, and the total amount granted of that type of grant.

Schedule J, Line 1, Column (E)

Line 1, Column (E), "Nontaxable Expense Reimbursements" will not enhance transparency, but will in fact obscure assessment of amounts paid to employees as compensation and may reduce compliance.

It will not enhance transparency, because such amounts are not compensation, but are amounts used for other organizational expenses. They may tie to many other areas, depending on the activities in which the executive was engaged. Whether they are reasonable or not, has nothing to do with the person who receives them, but with the operation of the organization.

In addition, such expenses may be particularly high for employees who travel extensively abroad, where direct payment by the organization is less feasible.

Such payments will obscure the concept of compensation, by appearing in the same rank as compensation components. Column (F) encourages such an analysis, by summing all compensation components of Columns (B), (C) and (D) with Column (E). Such a summing is contrary to the approach taken in Regulation Section 53.4958-4(a)(4)(ii) which explicitly states that expenses reimbursed pursuant to an accountable reimbursement plan are not an economic benefit.

In addition to being inaccurate, including accountable plan reimbursements with compensation reduces one of the motivations to use such a plan.

For over 15 years, we have been working to educate our clients to the benefits of using an accountable reimbursement plan, in order to provide better control of the organization over expenses and legitimately reduce taxable income to employees (which often reduces other organizational costs such as FICA and pension benefits). Among other motivations available, it has been a legitimate way to keep executive compensation lower. Expenses he or she might other wise have to pay have been removed from the executive's personal budget. For many executives, a nice side effect was that the amount reported on Form 990 was lower.

We recommend Column E be deleted.

Schedule R

Listing related entities raises a number of difficult issues where the entity is a foreign entity.

As noted above under the discussion of "Schedule F-Sensitive Information," there are substantial security concerns regarding personnel in foreign countries. Naming of foreign entities in those countries raises the same issues.

In addition to security concerns, we have concerns regarding data for foreign entities. For example:

- It is often difficult to identify the specific type of entity in a foreign country and relate it to the tax categories under US law. We note that the list of "corporations" in Regulation Section 301.7701-2(b)((8) only has 86 countries (several of which are US territories), but we have clients operating in over 100 countries. We are not aware of any approved list of foreign tax exempt entities.

- The choice of entity may have little to do whether activity is charitable or commercial. Some activities may occur in entities that are nominally "taxable" in their country of establishment, but have no net income and are controlled by the parent exempt entity.

- For active business operations, this reporting will generally duplicate filing being done under various foreign entity filing requirements. For those activities, such filing seems redundant.

We recommend that foreign related entities be reported only on Schedule R if the activity in the related foreign entity is not substantially related (other than through the production of funds) to the purposes for which exemption was granted to the organization. This will consolidate the foreign business activities on Schedule R.

For other foreign related entities, we request they be reported on Schedule F, and then only if the activity in a country exceeds the $200,000 threshold.

Conclusion

Thank you for this opportunity to respond to the draft revision of Form 990. We appreciate that our clients need to demonstrate to the IRS and the public that they operate in accordance with the tax law, to effectively accomplish the purposes for which they raise money and receive tax and other status benefits. We hope the above comments will be of assistance as you plan the revised Form 990.

Sincerely yours,

Capin Crouse LLP
John S. Butler, JD
Tax Counsel

From:	Bannerman, Dave
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Comments of revision to form 990
Date:	Wednesday, September 12, 2007 3:29:33 PM
Attachments:	IRS 990 letter.doc

Dear Sir/ Madam:

I have attached comments in Word format.

<<IRS 990 letter.doc>>

Sincerely,

Wm. David Bannerman

Chief Executive Officer

Ohio Masonic Home

THE OHIO MASONIC HOME

September 12, 2007

Dear Sir/ Madam:

I am very concerned about the public policy implications inherent in the changes to Form 990. While the issues of transparency and integrity are welcome, there are fundamental changes in policy that, if implemented, will restrict charitable purposes and charitable giving in the United States.

I perceive that the shift in policy is from a broad understanding of what charity and charitable purposes is to a much narrower definition of charity. The broad definition originated in the Elizabethan Code and is the foundation of modern charity in English speaking countries. The broader definition includes providing resources to the indigent, but goes on to cover many other community benefits, including education, the arts and social causes, to name a few.

The new policy appears to define charity as just for the indigent. That is not the only charity. Charity is not just relief of the burden of government. It is not just helping those who have nothing. It is also creating a better world, supporting unpopular causes and working for change.

Some organizations work for years to produce community benefit. Some may serve without regard to economic status. For instance, the Epilepsy Foundation has worked diligently to change stereotypes and combat discrimination for everyone with seizures. That work started in the years ago and is not yet finished. Clients are from all economic backgrounds and everyone receives the benefit of an awareness campaign. I think the reporting requirements for small organizations would be excessive under the new 990.

I think the Internal Revenue Service should not narrow the definition of charity and charitable organizations.

2655 West National Road
Springfield, Ohio 45504
937-525-3067

I am also concerned that Schedule H is inappropriate for use by nursing homes. Nursing homes are lumped with hospitals. They are different in purpose and in composition of service and charity. Hospitals provide acute care and treatment for traumatic events. They are, by design, supposed to provide services for short periods of time. Nursing homes provide rehabilitation and long term care, especially care for cognitive impairments. The rehabilitation function is short term. The average length of stay is less than 30 days. The long term care can be several years. The difference in services and length of stay means their charitable services and need for donations are very different when compared to hospitals. They should not be included in Schedule H.

The proposed Schedule H is designed to identify the "community benefit" provided by a hospital in lieu of taxation. Schedule H uses the Catholic Health Association's guide to community benefit as its template. The template is not a good measure of community benefit, especially for nursing homes.

Schedule H uses measures that remind me of the old Hill Burton requirements. Those were difficult to comply with and few nursing homes were ever successful in completing their obligation. Schedule H is also limited to describing education programs or literature distribution as benefits. The United Way used to use those measures in their allocation program, but abandoned those measures years ago as inadequate and easily manipulated. The United Way adopted significantly more appropriate measures of outcomes and other performance metrics. I would have thought the IRS would want to use current metrics rather than relying on the old model of measures.

Nursing homes are not hospitals. Those that are 501(c) (3) are typically found within a continuing care retirement community and would have an entirely different community benefit standard. The community benefit would be more likely to be through long term services that provided an appropriate environment for distressed elders, not through being a training center or other hospital related benefits. Their charitable purpose may well extend to all elders in distress and not just through a first dollar benefit, but through providing services even after personal resources are exhausted.

I am also concerned that the definitions of charitable purposes or tax exemption are so widely different between states. Ohio, for instance, requires a home for the aging to provide relief by "not asking anyone to leave for the inability to pay," meaning they require an ongoing charity. Pennsylvania, on the other hand, uses the exact same words and says that it is not charity or a charitable purpose because it is an obligation, not a choice. The difference is significant.

I would recommend dropping the Schedule H requirement for nursing homes.

Sincerely,

Wm. David Bannerman, CEO
The Ohio Masonic Home

2655 West National Road
Springfield, Ohio 45504
937-525-3067

From:	Greenblatt, Bruce
To:	*TE/GE-EO-F990-Revision;
CC:	Golden, Howard; Laarman, Linda (External);
Subject:	Comments on Form 990 Discussion Draft
Date:	Wednesday, September 12, 2007 3:42:55 PM
Attachments:	Mercer Form 990 Comments (09.12.2007).pdf

Attached please find Mercer's comments on the above-referenced release. We also are sending a hard copy of our comments via mail. Thank you for the opportunity to comment and for considering our views.

Best regards.

<<Mercer Form 990 Comments (09.12.2007).pdf>>

Bruce Greenblatt
Principal
Mercer
1717 Arch Street, 27th Floor
Philadelphia, PA 19103
USA

phone: +1 215 982 4298
fax: +1 215 982 4601
assistant: Julia Wright
assistant phone: +1 215 982 4429

www.mercer.com

—

Bruce Greenblatt

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

1717 Arch Street, 27th Floor
Philadelphia, PA 19103-2754
215 982 4298 Fax 215 982 4601
[redacted]
www.mercer.com

September 12, 2007

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

Subject: Comments on Discussion Draft Form 990

Ladies and Gentlemen:

Mercer is pleased to present our firm's comments on the discussion draft of the redesigned Form 990. Mercer is a global company providing human resources, benefits, compensation, and related consulting services. We consult to numerous tax-exempt organizations and their boards of directors and board compensation committees (collectively, TEOs) and have extensive experience and expertise with rules and practices affecting TEO executive and board compensation.

Mercer is a wholly owned subsidiary of Marsh & McLennan Companies. The comments expressed herein reflect the views of Mercer and not necessarily those of Mercer's parent company, other affiliates, or Mercer's or affiliates' clients.

Our comments are limited to those relating to Mercer's area of expertise - compensation (including benefits) and governance issues related to executive and board compensation - and are divided into "general considerations" and "technical comments." We have tried to limit our comments to the compensation-related items of general importance. If, following a revision of the draft form, there is another opportunity for public comment, we may wish to provide additional input.

We would welcome the opportunity to discuss these comments with you by phone or in person. Our contact information is provided below.

General Considerations

1. We applaud Form 990 redesign and the IRS's three guiding principles. We agree with the IRS that a redesign of the current form's compensation-related items is advisable. Several of the compensation-related disclosures required on the current form are difficult for TEOs to complete and may not enable a TEO to present a full and fair description of its

compensation program, absent the preparation of written attachments providing greater detail. This, in turn, means that reporting may vary from one organization to the next, with users of the form unable to clearly interpret the compensation information and make "apples to apples" comparisons of positions when reviewing multiple Forms 990.

We also agree with the three principles that the IRS states it is using to guide redesign: (i) enhancing transparency; (ii) promoting compliance; and (iii) minimizing filing organizations' burdens. Our suggestions below are intended to support these guiding principles.

2. When applying these guiding principles, the disclosure items should be such that the "reasonableness" of compensation, as that concept has been developed under Code section 4958's excess benefit transaction rules and related tax laws, can be easily evaluated. In general, the draft seems to accomplish this, but we raise two issues.

The first is that the form should be designed so that non-IRS and other non-government users of the form not be misled into thinking that compensation is unreasonable, simply because it may *appear* high. For example, the amount reported in Part I, Line 7 - "highest compensation amount" (paid to any Part II, Schedule A individual) - may largely reflect, for example, vesting in the reporting year of nonqualified deferred compensation that was earned over a large number of prior years. The compensation may be perfectly reasonable, applying longstanding Code standards. Nonetheless, to a third party who is trying to gather key "snapshot" facts about an organization – the IRS's goal for the page 1 summary information - this number may *appear* excessive, possibly generating unwarranted adverse publicity and concern about compensation, unless the third party delves into the more detailed portions of the form. We believe that an organization should not be required to report compensation values without the opportunity to provide explanatory details.

The second issue is that reporting on items that have little or nothing to do with "reasonableness," within the meaning of tax law standards, should be minimized. A key example concerns nontaxable fringe benefits and reimbursements. The IRS makes clear in the section 4958 excess benefit transaction regulations that reasonableness is evaluated by considering aggregate compensation, *disregarding* excludable fringe benefits and reimbursements (Reg. Sec. 53.4958-4(a)(4) and (b)(1).) However, Columns D and E of Schedule J of the draft form would require the reporting of these excludable amounts. We think that such a requirement could confuse Form 990 preparers and users and detract from a user's evaluation of aggregate compensation. (Even if an organization is not technically

subject to section 4958 – for example, a section 501(c)(6) trade association – we assume that aggregate compensation would typically be the measure for reasonableness.)

3. Certain compensation-related items on the draft form may require sophisticated compliance reviews and legal opinions to ensure an accurate response. These items should be reevaluated.

One example of this concern is Part II, Section B, Line 3. It requires an organization to answer yes or no to a complex question that includes multiple parts and (as indicated in a footnote to the instructions) is based on the three-step "rebuttable presumption" process for determining reasonable compensation under the Code section 4958 regulations. We believe that the IRS has the authority to gather data in this area. However, to answer this specific question properly, the individuals completing the form need to have an in-depth understanding of the regulations' meaning of, for example, independent governing body members, comparability data, deliberation, and contemporaneous substantiation.

Although an attempt to satisfy the rebuttable presumption process is not legally required, even for those organizations subject to the section 4958 regulations, we typically advise TEOs to use this type of compensation-setting process. We also think it is important for the IRS, state regulators, and interested parties in the private sector to have an understanding of how compensation decisions were made. It seems inappropriate to reduce such a complex matter as the three-step rebuttable presumption – which involves questions such as whether the governing bodies were legally "independent" and whether substantiation was legally "contemporaneous" -- to an all-or-nothing, yes/no question.

We suggest as an alternative that organizations be encouraged to provide a narrative description of their compensation approval (governance) process – with IRS instructions about key points to cover. Similar to the approach the IRS has used in General Instruction P of the current Form 990 instructions, the instructions for the new form could be used to educate organizations about best practices in this area including, but not necessarily limited to, the use of comparability data and other elements of the rebuttable presumption described in the section 4958 regulations.

We believe that the IRS has the right to gather information in the area of excess benefit transactions. However, as now written, the Part VIII, Lines 5a through 5c excess benefit-related questions are another example of questions that may require a sophisticated compliance review and legal opinion to ensure accuracy. (We recognize that the IRS may be

compelled to include Part VIII, Lines 5d and 5e in Form 990 due to the requirements of Code section 6033(b) and (f).) Recently, in its March 1, 2007, report on Form 990 reviews, the IRS said that organizations had difficulty in prior years in completing the types of excess benefit transaction questions that appear in the draft Form 990. Some organizations stated that there was an excess benefit transaction when, in fact, there was none, and a large number simply left the excess benefit transaction questions blank.

We think it is imperative that TEOs subject to the excess benefit transaction rules keep these rules at the forefront when making compensation decisions, and we applaud the IRS's efforts to educate organizations about the applicable standards. Here again, we endorse the type of approach that the IRS has used in General Instruction P of the current Form 990 instructions.

However, a question such as that in Line 5a – "Did the organization engage in an excess benefit transaction with a disqualified person during the year?" – is extremely broad and calls for a conclusion that may require extensive investigation and evaluation of legal issues to complete. Moreover, the facts regarding an excess benefit transaction, if it was concluded there was one, could rarely be squeezed into the small table included under Line 5c. The 2006 Form 990 and instructions, which require the facts regarding any excess benefit transaction to be described in an attachment, provide a better approach.

Given these issues and the risks for answering a Form 990 question incorrectly, we suggest reconsideration of the Part VIII, Lines 5a through 5c questions. Answers to other questions on the form, supplemented by narrative descriptions, should enable the IRS to draw enough preliminary conclusions about whether there have been excess benefit transactions to determine whether investigation is warranted. Further, good information on excess benefit transactions in the form's instructions and elsewhere (such as that currently included in General Instruction P and on the IRS website) may be sufficient to ensure that those engaged in such a transaction file Form 4720 and pay the applicable taxes.

4. The compensation-related items of the draft form should be reevaluated for instances in which narrative attachments should be permitted and, in some instances, perhaps encouraged or required. The immediately preceding comment provides an illustration of one situation (an explanation of the compensation-setting process) in which we think a narrative discussion would be better than a line item. Given the complexity of many organizations' compensation programs, attachments that elaborate on information provided

in line items would strengthen a TEO's ability to provide precise and clear answers to the IRS and, as important, give Form 990 users a full and transparent picture of executive compensation.

For example, a situation in which organizations should be permitted to include a narrative attachment is Schedule J, Lines 4 and 5, which ask whether an organization provided any compensation determined in whole or part by revenues or net earnings. Two different organizations might answer "yes" to this question but take revenues or net earnings into account in their compensation programs in vastly different ways. For example, one might use revenues or earnings as one, relatively small measure of performance in an incentive compensation plan, while another might base one or more employees' entire compensation package on revenues or earnings. To promote transparency and because of the risk that, absent a narrative explanation, the IRS or others might assume there is a prohibited inurement issue in all cases, organizations should be able to supplement their yes/no answers to these questions with a narrative explanation.

5. Other tax law rules, ERISA, and the SEC's proxy statement disclosure rules may provide useful analogies and promote common approaches to the disclosure of compensation on Form 990. For example, we suggest below that the disclosure requirements for deferred compensation in Form 990 be modeled, at least in part, on requirements for publicly-traded SEC registrants in the proxy statement rules. As another example, when expressing the present value of the benefit provided under a defined benefit (nonaccount balance) plan, greater uniformity in Form 990 reporting might be achieved if present value was required to be determined using, for example, the present value rules applicable under the Code to section 401(a) qualified plans or those used for financial statement purposes.

Technical Comments

1. Regardless of what the initial dollar thresholds for Part II and Schedule J reporting are, they should be indexed for cost-of-living changes. We urge the IRS to take into account TEO comments about the appropriateness of the initial thresholds. So that the thresholds remain appropriate in future years, we suggest they be adjusted annually - for example, in the same manner as section 415 limits and other limits applicable to qualified plans are adjusted.

2. More rigorous reporting for nonqualified deferred compensation and other arrangements providing retirement or retirement-type income should be required –in tabular form with accompanying narrative.

We are concerned that the proposed Schedule J requirements may not provide a clear and complete picture of nonqualified deferred compensation and similar arrangements, including qualified plans and section 403(b) plans – even though these arrangements often represent a significant part of individuals' compensation packages. For example, in Column C, there would be no differentiation between earnings or actuarial increases and other amounts, and no explanation would be required (or, perhaps, permitted) of how earnings and actuarial increases were determined.

We suggest that organizations be required to provide additional and more uniform information about their qualified plans, their 403(b) plans, and their nonqualified plans. The "pension benefits" and "nonqualified deferred compensation" tables, and related narrative disclosure requirements, set forth in the proxy statement rules for public companies that were published by the SEC last year may be a useful starting point for the IRS to design applicable requirements. In designing the requirements for nonqualified plans, however, the IRS also should take into account the special rules applicable to TEOs under section 457 of the Code, especially 457(f). Thus, for example, organizations might be required to disclose matters such as how a substantial risk of forfeiture (if there is one) is defined.

3. Organizations might be required - or at least permitted - to provide an attachment that provides additional detail on the elements of the "other compensation" in Schedule J, Column B(iv) . The ability to submit an attachment may be welcomed by TEOs completing the form so that they can explain, for example, items that may appear extraordinary but, in fact, are reasonable based on the facts and circumstances and applicable law. Attachments also will enable the IRS and other users of the form to obtain a more accurate and complete picture of a TEO's compensation.

In this regard, we commend the IRS for the proposed Schedule J instruction that would allow organizations, through footnote disclosure, to avoid the deferred compensation "double reporting" issue that currently exists: reporting an amount when it is deferred and again when it is paid.

4. The table that appears at the end of the Schedule J instructions should be reviewed and refined. We applaud the IRS's attempt to help organizations fulfill their disclosure

requirements and appreciate the hard work that, no doubt, went into the preparation of this table. Also, we recognize that the table is not intended to have "legal force" but merely be a guideline.

Nevertheless, we find certain aspects of the table overlapping or otherwise confusing. For example, "Incentive compensation paid" and "Incentive compensation deferred (taxable)" could be interpreted to be the same thing, at least in some cases. Also, if incentive compensation is deferred, the arrangement may be subject to section 457(f) of the Code, so there may be further overlap with "Amounts includible in income under section 457(f)."

Assuming the final form includes a table, it perhaps would be helpful to include fewer categories of compensation in the first column but a number of illustrations accompanying the table to explain what are reported where.

Thank you for the opportunity to provide comments on this important project. If you would like to follow up on any matter, please contact the undersigned.

Respectfully submitted,

Bruce Greenblatt
Principal
Mercer
1717 Arch Street
Philadelphia, PA 19103
Direct: 215 982 4298
[redacted]

Howard J. Golden
Principal
Mercer
1166 Avenue of the Americas
New York, NY 10036
Direct: 212 345 4561
[redacted]

From:	Patrick Melvin
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	(()
Date:	Wednesday, September 12, 2007 3:48:41 PM
Attachments:	990 response.doc

Dear Treasury Personnel,

Please see our attached letter of comment regarding the proposed 990 revisions.

Sincerely,
Desmond & Ahern, Ltd

D&A
Desmond &Ahern, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

September 11, 2007

Department of the Treasury
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20221

Via E-mail _____

Dear Treasury Department,

We are voicing our concern with this letter regarding Part II (and the related schedule J) of the Proposed 990. Part II relates to "Compensation and Other Financial Arrangements with Officers, Directors, Trustees, Key Employees, Highly Compensated Employees, and Independent Contractors."

The extent and level of information to be provided will be problematic in terms of the employment market within the nonprofit sector, and in terms of costs to accommodate the accumulation of information to prepare the form. The information requested to the level of department managers will hinder, in our opinion, the internal confidentiality organization's place on compensation. The extent of an organization's workforce, and the related compensation, will become not a source of information to protect the public, but a source of employment data. In our opinion there will be virtually no public benefit, just onerous compliance cost imposed on nonprofit organizations.

In particular, trade and professional associations exempt from income tax pursuant to 501(c)(6) of the Internal Revenue Code, could easily be inundated with 990 requests simply for the employment data.

In addition, the required disclosure of the city and state of residence for every individual listed in Part II, could very easily lead to an invasion of privacy. In light of the pervasiveness of identity theft, the listing of an individual's city and state serves no meaningful purpose that we can determine.

Very truly yours,

Desmond & Ahern, Ltd.

10827 S. WESTERN AVENUE, CHICAGO, IL 60643-3206 • PHONE 773-779-4720 • FAX 773-779-8310
www.desmondcpa.com

From:	Rob Falk
To:	*TE/GE-EO-F990-Revision;
CC:	Rob Falk; Jim Rinefierd;
Subject:	Comments on the Draft Form 990
Date:	Wednesday, September 12, 2007 4:03:21 PM
Attachments:	

September 12, 2007

Dear Sir or Madam:

The Human Rights Campaign ("HRC"), is the largest national gay, lesbian, bisexual and transgender (GLBT) advocacy organization. The HRC works for an America where GLBT people are ensured of their basic equal rights, and can be open, honest and safe at home, at work and in the community. HRC has close to 700,000 members and supporters– all committed to making this vision of equality a reality. Founded in 1980, HRC works to educate the public on a wide array of topics affecting GLBT Americans, including relationship recognition, workplace, family, and health issues. The Human Rights Campaign Foundation ("HRCF"), an HRC-affiliated 501(c)(3) organization, engages in research and provides public education and programming. The Foundation strives to end discrimination against GLBT citizens and realize a nation that achieves fundamental fairness and equality for all.

HRC supports the Internal Revenue Service's efforts to revise Form 990 to streamline accurate and complete reporting by exempt organizations, and submits these initial comments to address some concerns over the Internal Revenue Service's draft revision. Specifically, the HRC is strongly opposed to:

- Providing the city and state addresses of trustees and other key employees as required by Part II, Section A Column A, which is information that could place trustee's safety in danger when made publicly accessible by Form 990.

- The requests for good governance information in Part III, Questions 4, 5, 6, 7, 8, and 11, which inaccurately implies that certain practices are legally required. The structure and implications of these questions also fail to appreciate the enormity of the burden for small to medium sized organizations of some of these good governance suggestions.
- The request for Volunteer Hours and documentation of Political Expenditures by Volunteers under Schedule C, which is exceedingly burdensome and impractical to implement. This request will also have a possibly unconstitutional chilling effect of Freedom of Expression and Association.

I. Requesting the Home Address of Trustees (and Other Key Officers and Employees) Under Part II, Section A, Column A.

HRC greatly appreciates the IRS' interest in transparency and accountability for exempt organizations, and the need to keep records of related financial data on trustees, key officers and employees. However, we strongly oppose recording sensitive personally identifiable information in documents available for public access. Any information which can potentially be used to uniquely identify, contact, or locate a single person outside of their contact information within the organization poses serious privacy and safety concerns. Form 990 is a publicly retrievable record, and as such, the individuals whom must be listed under Part II, Section A, Column A may be subject to harassment or even grave physical danger for their affiliation with the Human Rights Campaign. It is not enough protection to omit the street address, because a person's name, city and state is all that would be necessary to retrieve the home address and phone number from multiple easily accessible databases, or even a few moments spent with a phone book. The public display of resident contact information for key individuals within the HRC is of particular concern for an organization that seeks equality for GLBT Americans, especially while 18 U.S. states still do not have laws that address hate crimes based on sexual orientation and 39 states [1] do not have laws that address hate crimes based on gender identity.

[Human Rights Campaign, *State Hate Crimes Laws* (July 9, 2007), available at http://dev.hrc.org/documents/hate_crime_laws.pdf.] For these reasons, HRC opposes the requirement of providing the city and state of residence without the option of using the organization's business address for individual contact information.

There are further legal concerns about the appropriateness of requiring personally identifiable information to be documented in non-secure records. Currently, Form 990 does not fall under the scope of the Privacy Act (5 U.S. C. 552(a)), because in its current form, it can not be considered a "record maintained on [an] individual". However, with the addition of identifiable residence information on key individuals affiliated with a filing organization, these forms would no longer be a freely accessibly public record. The Privacy Act mandates that "[n]o agency shall disclose any record which is contained in a system of records by any means of communication to any person, or to another agency, except pursuant to a written request by, or with the prior written consent of, the individual to whom the record pertains", unless the disclosure falls into an enumerated list of exceptions. Most purposes for public access of Form 990 would be covered by one of the §522 (b) exceptions, including for routine use (§522(b)(3)), inter-agency enforcement uses (§522(b)(7)), court order (§522(b)(11)), or statistical research, as long as the information is transmitted to the researcher without identifiable information (§522(b)(5)). However, the data security, notice and consent requirements of the Privacy Act would be a great burden to bear for the value of requesting data that is not necessary for contact information, provides only minimal research value, and to the extent that the IRS is interested in geographical information, could be gathered through much less intrusive means. Furthermore, it is questionable whether keeping personally identifiable information on an individual's affiliation and support for an expressive association such as the HRC would violate §552(e)(7)'s mandate to "maintain no record describing how any individual exercises rights guaranteed by the First Amendment unless expressly authorized by statute or by the individual about whom the record is maintained or unless pertinent to and within the scope of an authorized law enforcement activity", when that personally identifiable information on residence is probably unrelated to an organization's exempt status, and thus outside the scope of Form 990's

authorizing mandate.

HRC understands the need to have reliable contact information for key individuals involved in an exempt organization. HRC would support maintaining the current Form 990's policy of allowing an organization to use their main business address for contact information of key individuals, and additionally, would support a provision requiring the exempt organization to be responsible for forwarding any reasonably related business correspondence addressed to the key individual if the organization chooses to provide the main business organization as the address for a key individual on Part II of Form 990. The HRC appreciates the value that geographic data on key individuals in the exempt organization might have for research purposes, and so would also support a separate list of resident states of key individuals listed under Part III Section A, as long as the list was not matched to names, or include cities. However, the HRC cannot support the proposed draft requirements of Part II, Section A, as they are contrary to established privacy principles and can threaten the safety of individuals associated with our, and presumably many other, organizations.

II. The Confusing Structure and Misleading Implications of Part III.

HRC is opposed to the misleading structure of Part III, which does not differentiate between legal requirements of exempt organizations' management, and principles of good governance. HRC realizes the strong interest in promoting principles of good governance, but objects to the draft form and wording, which will only serve to create confusion as to the legal processes for exemption, and may imply obstacles for many smaller organizations that simply do not exist. Part III, questions 4,5,6,7,8, and 11 are not legally required for exempt status, and the inclusion of these questions mixed in with legal requirements creates the inference that an organization must comply or possibly lose exemption status.

Aside from the fact that many of these principles are not legally required, many provisions would be exceedingly impractical to implement for many small to mid-sized exempt organizations. The proposed draft Form 990 fails

to appreciate the enormity of the burden that this form implies. For example, in this day of electronic communication and records, creating a comprehensive document retention and destruction policy (Part III, Question 5) can be quite complicated, especially for an organization that may not have the resources to hire information technology staff. Finally, the wording of many of the questions presumes that a policy or document is available, as well as available for public inspection. However, many of these documents and policies are not legally required to be available to the public, and some are not even required to exist, such as an audit report, or conflict of interest policy. Few organizations would typically make all of these sensitive internal documents and policies for public inspection even when they do exist.

III. The Improper and Impractical Request for Volunteer Hours and Volunteer Political Expenditures in Schedule C, Part I-A.

Schedule C, which gathers information on political campaign and lobbying activities, requests that exempt organizations keep documentation on the number of hours volunteered by private individuals. Not only will this requirement be prohibitively burdensome for many organizations—HRC included—but can have a chilling effect on freedom of association.

There is no financial consequence for volunteered time under IRS regulations, either for the volunteer or the benefiting organization, and so it is not clear why this information would even be necessary for exempt status compliance. Moreover, requesting this unnecessary information may infringe on volunteers' constitutionally protected interest in anonymous

freedom of expression and association. [*See, e.g.*, N.A.A.C.P. v. Alabama, 357 U.S. 449, at 460 (1958) ("Immunity from state scrutiny of petitioner's membership lists is here so related to the right of petitioner's members to pursue their lawful private interests privately and to associate freely with others in doing so as to come within the protection of the Fourteenth Amendment"). McIntyre v. Ohio Elections Comm'n, 514 U.S.

334, 342 (1995) (holding unconstitutional a state law prohibiting distribution of anonymous campaign literature, which had been applied to the distribution of leaflets at a public school meeting); Talley v. State of California, 362 U.S. 60, 65-66 (1960) (holding unconstitutional a state law prohibiting distribution of anonymous handbills).] Many people volunteer to promote HRC goals specifically on condition of anonymity because of the prejudice and danger associated with fighting for GLBT equality. Any attempt to comprehensively document volunteerism would greatly threaten this vital resource for many organizations, and put a chill on freedom of association that the Constitution will not tolerate without substantial justification. Volunteerism is a protected interest that is exercised by individual Americans, and filing organizations should not be held accountable for documenting (and possibly thus limiting) the constitutionally protected independent actions of private persons.

Additionally, under standards proscribed by the Paperwork Reduction Act (44 U.S.C. 3501), this request for information is not reasonable. The HRC, like many other non-profit advocacy organizations, has a comprehensive and decentralized volunteer infrastructure, with over 33 steering committee communities, over 690 volunteer leaders, and a fluid and undocumented support structure of individuals who promote HRC's goals. These individuals can be casually committed to sporadic volunteering for specific causes, may be devoted volunteers and community leaders, or may be a one time volunteer who writes a congressmen after reading an action alert on a piece of legislation. It is impossible to track this decentralized and vast network, let alone prompt them to maintain hourly logs on their activity. A compounded problem in monitoring, tracking and recording all volunteer hours would be the immense burden of training our employees and this vast decentralized volunteer structure on the extremely sophisticated concepts of political activity and lobbying, which are legally distinctive concepts with enormous significance. It would be literally impossible to track everyone who volunteers on behalf of HRC initiatives, exceedingly burdensome to train them on complicated regulatory issues in order to document all private volunteer activity, and extremely counterproductive to the periodic large scale mobilization of interested persons that many non-profits depend upon to achieve their goals.

The HRC commends the Internal Revenue service in its efforts to minimize the confusion and complications of reporting requirements through Form 990, and sincerely hopes that the these comments are given thorough consideration as Form 990 is refined to reflect the concerns of the non-profit community. HRC would be happy to provide additional information on our concerns.

The Human Rights Campaign, Inc.

Robert Falk
General Counsel
Human Rights Campaign
And Human Rights Campaign Foundation
1640 Rhode Island Ave NW
Washington, DC 20036
202-216-1526
202-423-2851 (fax)

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[1] Human Rights Campaign, *State Hate Crimes Laws* (July 9, 2007), available at http://dev.hrc.org/documents/hate_crime_laws.pdf.

[2] *See, e.g.*, N.A.A.C.P. v. Alabama, 357 U.S. 449, at 460 (1958) ("Immunity from state scrutiny of petitioner's membership lists is here so related to the right of petitioner's members to pursue their lawful private interests privately and to associate freely with others in doing so as to come within the protection of the Fourteenth Amendment"). McIntyre v. Ohio Elections Comm'n, 514 U.S. 334, 342 (1995) (holding unconstitutional a state law prohibiting distribution of anonymous campaign literature, which had been applied to the distribution of leaflets at a public school meeting); Talley v. State of California, 362 U.S. 60, 65-66 (1960) (holding unconstitutional a state law prohibiting distribution of anonymous handbills).

From:	Vanessa Blevins
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	FORM 990 REVISION COMMENTS
Date:	Wednesday, September 12, 2007 4:18:10 PM
Attachments:	990 Redesign.doc

ATTACHED IS A WORD DOCUMENT WITH MY COMMENTS ON THE FORM 990 REVISION.

VANESSA L. BLEVINS, CPA

VANESSA L. BLEVINS, CPA

August 28, 2007

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

We commend the Internal Revenue Service for undertaking the task of redesigning the Form 990. In general the new design is better than the previous form. The instructions have more detail and the introduction of a glossary of terms is very much needed for individual organizations and professionals filing this return. There are some concerns and comments about the draft which we will address below.

First, we will address the comments and suggestions requested by the IRS:

- **Other ways to minimize the reporting for the sector and for individual organizations, including electronic filing concerns**

- **Raising the Form 990 filing thresholds for certain organizations**

- **Whether certain portions of the discussion draft Form 990 can be used as a substitute for the current Form 990-EZ**

We feel that the Form 990-EZ should be maintained or a new Form 990-EZ introduced. There could, as an alternative, be an abbreviated version of the Form 990 filed, pages 1- 4 possibly, for certain organizations. The gross receipts requirement for filing should be raised to allow more organizations to file the abbreviated form. A suggested gross receipts level may be to allow this form to be filed for those organizations with gross receipts from $ 50,000 to $ 200,000 or $ 250,000 and allowing more organizations, those with gross receipts up to $ 50,000 to file the new Form 990-N. The abbreviated Form 990 or Form 990-EZ might be allowed for other organizations that may be in excess of these amounts if certain attachments are made to the form that is already required by affiliates or other agencies of the organizations. For example a 501 (c) (5), labor union organization, that is required to file a Labor Organization Annual Report with the U.S. Department of Labor could attach this return to the Form 990-EZ or the abbreviated Form 990. We feel that these changes would minimize reporting for the sector and individual organizations without compromising tax compliance for tax – exempt organizations. We feel that the electronic filing requirements are reasonable.

308 HIGHLAND AVENUE, SUITE B
WASHINGTON C.H., OHIO 43160
PHONE: 740-333-1318 FAX: 740-333-3193
vlbcpa@ameritech.net

- **The efficiency indicators contained on the summary page (lines 19b, 24b, 25 and 26)**

The reliability of these indicators is questioned as the organizations have the ability to interpret these percentages differently by the inclusion or exclusion of certain expenses. The percentages can also vary greatly depending upon the method of accounting of the reporting entity. If the efficiency indicators are intended to make the entities aware that these percentages are important and allow each entity to compare these from year to year, they will make sense. If the IRS and/or the public is planning to use the indicators to make a determination about the success of the organization, the indicators may be misleading as a not for profit agency's success can not be measured by numbers alone.

- **Additional items or changes regarding governance and management best practices (Part III of the core form)**

Part III, 2 – does not allow enough room to describe significant changes to organizing or governing documents.

Part III, 3b – the number of transactions reviewed under a conflict of interest policy is a meaningless number. The fact that an organization has or has not reviewed any of conflicts of interest can be because of so many different factors, the number of these transactions are rendered meaningless.

- **Whether transition periods are necessary in order to ease the burden of implementing the new reporting requirements for certain form components**

The Schedule K for information on tax exempt bonds should have a longer transition period if the IRS intends to implement the new Form 990 for 2008. Many organizations have substantial change in individuals preparing the Form 990, doing the accounting, etc., for example organizations that are managed mostly by volunteers, that this information may not be readily available.

The Schedule M for Non-Cash Contributions should have a longer transition period if the IRS intends to implement the new Form 990 for 2008. Many organizations will need to implement a system to allow for tracking this information as their current systems may be inadequate or missing. They will need to have time to implement the system and at least full fiscal year to accumulate this information with the new system.

Schedule G requiring specific information on fundraising activities may require organizations to change or implement a new system for accumulating this information and should therefore have a longer transition period.

308 HIGHLAND AVENUE, SUITE B
WASHINGTON C.H., OHIO 43160
PHONE: 740-333-1318 FAX: 740-333-3193
vlbcpa@ameritech.net

A suggestion on transition periods for the above schedules would be a length of time to develop an implement changes or new internal control and tracking systems. This would take at least two fiscal years of the organizations.

- **Whether adequate care has been given to privacy concerns.**

Is there a reason for requiring the officers and employees city and state of residence? There are some privacy concerns with this requirement.

- **Whether the IRS should preclude group returns.**

This change would mostly benefit the public that is using the Form 990 and other organizations that are using the Form 990. This would allow anyone reviewing the return to see the information for that specific organization and not combined numbers that may be meaningless to the users. The group returns creates a transparency problem that could be reduced by eliminating the group return. However this may not minimize the time involved to make these filings. In all probability more time will be required for these filings and possibly place a higher burden on some small entities. This area may require a longer transition period to allow for changes in accounting methods. A suggestion might be to transition this for three years to allow for these changes.

- **Does the column for "direct revenue" on page 10 of the core form make sense?**

This could be a meaningful number for both users and prepares of this form, but it may require a transition date beyond the anticipated 2008 filing year.

- **Schedule D moved the reconciliation of revenues and expenses to audited financial statements as well as the reconciliation of net assets as the IRS finds that these sections do not apply to the majority of organizations.**

It is agreed that this section does not apply to the majority of organizations. However, is it reasonable to make this sections apply to more organizations by allowing the reconciliation to be not only for audited financial statements but for reviewed and compiled financial statements as well? This would allow for the reporting of any differences between these two major types of financial documents. Therefore those entities requiring both financial statements and Form 990's could easily see the difference between these two reporting documents.

Second we will make some suggestions on the core form and the attached schedules:

- There is not enough space to allow an organization to describe the organization's mission.

- The instructions for Part I, Line 2a and Part IX, Lines 3a – 3c that carries to Part I does not give adequate guidance to the location of the activity codes that are required.

308 HIGHLAND AVENUE, SUITE B
WASHINGTON C.H., OHIO 43160
PHONE: 740-333-1318 FAX: 740-333-3193
vlbcpa@ameritech.net

- Part II, Line 5 asks the question about relatedness of officers, directors, or key employees for a number of relationships for the last 5 years. After the first year filing this form would answering this for the last 5 years be necessary. Why not just for the current year?

- Part IX requesting significant changes in activities, describing the organizations most significant program service accomplishment for the year and describing the three main program accomplishments may not allow sufficient room for making this description. The directions indicate that there should be no attachment. Do we really want to tell our tax – exempt organizations to give us less information? A better idea might be to limit the length of any required attachment as the amount of space on this page is minimal. This may be the main explanation of the entities exempt purposes for many grant making and funding agencies.

- It would be in the public's best interest to require more than one signature for a tax – exempt entity. At least two signatures should be required and possibly these officers should be required by title, for example the chief financial officer and chief operating officer or the executive director and bookkeeper/treasurer. This would allow for more accountability of the main financial directors of an organization.

- The Schedule M will be a monumental task for many organizations. Many organizations have never accumulated this information and may be confused about how to manage a system for this information. The detailed information is to be completed by those organizations reporting more than $ 5,000 of non – cash contributions on Form 990, Part IV, line 1g. The amount should be raised to a higher reporting requirement as this seems to be very low to require this level of detail. A suggestion would be to require this schedule if the amount exceeds $ 25,000.

Finally, some general comments on undertaking such a large redesign of a form:

Many organizations have individuals preparing the information for the return and possibly preparing the return itself that have little concept of what is involved in accumulating this information. I can imagine the frustration that will experienced by all the individuals involved in this process to change practices used for many years. It is imperative that the instructions and any additional explanations be as simple and brief as possible. After saying this, it is even more important that the instructions be written in such a way that they are easy to access. Many of the transition periods suggested my ease some of this frustration. It would also be helpful for the IRS to issue details of all the changes comparing the old Form 990 requirements to the new Form 990 requirements.

308 HIGHLAND AVENUE, SUITE B
WASHINGTON C.H., OHIO 43160
PHONE: 740-333-1318 FAX: 740-333-3193
vlbcpa@ameritech.net

VANESSA L. BLEVINS, CPA

Thank you for allowing us to comment on the many changes that have been made to the Form 990. Although there are a number of changes that have been suggested above, overall the new Form 990 will accomplish the IRS's three guiding principles of enhancing transparency, promoting tax compliance, and minimizing the burden on the filing organization.

Vanessa L. Blevins, CPA

308 HIGHLAND AVENUE, SUITE B
WASHINGTON C.H., OHIO 43160
PHONE: 740-333-1318 FAX: 740-333-3193
vlbcpa@ameritech.net

From:	moongood@aol.com
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Form 990 Revisions
Date:	Wednesday, September 12, 2007 4:30:09 PM
Attachments:	

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 TO: _____

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

I submit the following comments in response to your request of June 14, 2007, regarding the draft Form 990 and accompanying schedules. Implementation of the suggested draft changes will confuse more issues than it resolves and add additional costs to the overhead burden, while the public is demanding lower costs.

I 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 I will detail, I 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. I strongly suggest that the IRS delay implementation until Fiscal Year 2009. With regard to Schedule F pertaining to activities outside the United States, I strongly suggest that the IRS delay it 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 and accurate but at the same time does not unduly burden these organizations and, at worse, endanger their personnel.

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: I do 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. I suggest 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. I 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 CEO 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: Isupport 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 begin 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.

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. I 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.

- I 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.

<u>Part IX Statement of Program Accomplishments</u>

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, I am 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. I strongly recommend that the IRS delay implementation of Schedule F until changes are made, after international humanitarian organizations are consulted more fully.

- Part I, Line 1, Activities by Country: Very few organizations maintain data on expenditures on a country-by-country basis. Many larger humanitarian organizations received 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 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, versus for example contracts and cooperative agreements. Other places in the Schedule (instructional directions for Part II, for example, referring to amounts reported on "Part V, line 3") seem to suggests 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 contracts and cooperative agreements will have literally have to list

thousands of recipients and incur considerable expense compiling such data. If this is intended only for foundation organizations who 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. I recommend that similar language be substituted in Schedule F after further consultation with foreign service organizations

- 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) 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." I strongly oppose 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 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.

My clients 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 Schedule F until it convenes a representative group of organizations providing humanitarian assistance overseas to 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.

Sincerely,

Clyde Sundblad
Financial Consultant
Santa Monica, CA

From:	Deborah Moses
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Comments IRS Draft Form 990
Date:	Wednesday, September 12, 2007 6:48:54 PM
Attachments:	

Listed below are comments for the Seva Foundation concerning the revisions to Form 990:

1. Board Member Privacy – We are asking you to please reconsider the change asking for Board Members home address and allow organizations to use the organization's business address for board members.

2. Minutes – We do not believe that committee meeting minutes should be maintained at the same level as board meeting minutes. Therefore, we are asking you to please reconsider this change.

Deborah Moses
CFO, Seva Foundation

From:	David Entler
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Comments on Form 990 revision
Date:	Wednesday, September 12, 2007 6:54:01 PM
Attachments:	Comment letter to IRS on proposed changes.pdf

To whom it may concern,

The letter attached to this e-mail contains our comments regarding the proposed revisions to the form 990. We respectfully request that you consider our concerns prior to finalizing the revisions to the form.

Sincerely,

David Entler
Vice President - Finance
Las Vegas Chamber of Commerce
702-641-5822 xt 228

---------- TEXT.htm follows ----------
<HTML><HEAD>
<META http-equiv=3DContent-Type content=3D"text/html; charset=3Dutf-8">
<META content=3D"MSHTML 6.00.2900.3157" name=3DGENERATOR></HEAD>

Las Vegas
Chamber of **Commerce**
The Voice of Business

Phone: 702.641.LVCC (5822)
Fax: 702.735.2011

3720 Howard Hughes Parkway
Las Vegas, Nevada 89169-0916
www.lvchamber.com

September 11, 2007

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

To Whom It May Concern:

The Las Vegas Chamber of Commerce recognizes the importance of a transparent and compliant reporting system and supports the intentions of the Form 990 redesign by the Internal Revenue Service (IRS). We also appreciate the opportunity to submit comments regarding the proposed changes.

While the Chamber supports honest and fair disclosure, the redesign also raises some concerns. Though the IRS intends for the redesign to "minimize the burden on filing organizations," tax-exempt organizations such as our own involved in lobbying and political efforts will be directly impacted by the changes. As an organization that advocates on behalf of business before state and local government, we are particularly concerned with the reporting requirements of Schedule C.

Specifically, suggest the following modifications:

- **Remove the requirement to break out expenditures and differentiate between grassroots lobbying and direct lobbying from Section C.** The cost to breakout lobbying expenditures would far outweigh the benefit of simply reporting lobbying expenditures as a whole. While our current accounting system accurately captures total lobbying expenditures, it does not allow for further breakout into direct vs. grassroots. To capture such data would require employees to track their time with impractical detail.

- **Remove the requirement to report volunteer hours spent on political campaign activities from Section C.** Requiring volunteers to fill out timesheets would present an extreme administrative burden. It is also unclear whether or not we would be required to report volunteer time conducted on staff's personal time and not on behalf of the Chamber.

Also of concern is Part III of the core form. We have one request for modification:

- **Remove or modify question 10, which implies our governing body should review the Form 990 before filing.** Reporting and filing accurately requires a meticulous review of detail and tracking. While our Board of Trustees meets every other month, it is sometimes necessary for the Form 990 to be done near or at deadline. The expectation that our board review the form before filing illogically handcuffs our staff and accounting practices to our board's schedule.

Las Vegas
Chamber of **Commerce**
The Voice of Business

Phone: 702.641.LVCC (5822)
Fax: 702.735.2011

3720 Howard Hughes Parkway
Las Vegas, Nevada 89169-0916
www.lvchamber.com

The Chamber strongly believes that compliance could be further improved through streamlining and simplifying reporting requirements versus complicating it with what are sure to be greater burdens. Because the new form will require many organizations, including our own, to change accounting systems and compliance practices, we are also concerned with the tight goal implementation timeline. While the IRS hopes to have a final form ready for use in the 2008 tax year for returns filed in 2009, the Chamber believes such a rapid enforcement may not allow filing organizations to fully and properly prepare.

The Las Vegas Chamber of Commerce appreciates the opportunity to comment on the Form 990 proposed changes. While the goals of the IRS are admirable and important, the actual structure of the redesign could present unintended burdens to the non-profit and charitable sector. We strongly urge the IRS to take our comments into full consideration. Please feel free to contact me 702-641-5822 should you have any questions or comments.

Sincerely,

David Entler
Vice President, Finance

From:	Carl Corsi
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	revisions form 990
Date:	Wednesday, September 12, 2007 7:10:08 PM
Attachments:	

Sirs, we learned just today about the revision proposed by the IRS, and we would like to make comments. However, we need a little time.

May we get an extension beyond the Sept, 14 deadline?????

Respectfully

Carl Corsi, Certified Public Accountant