

## Changes to the Federal 990

### 1) Why the dramatic change to the Form 990?

The Internal Revenue Service believes that a well-governed charity is more likely to obey the tax laws, safeguard charitable assets, and serve charitable interests than one with poor or lax governance. A charity that has clearly stated its purposes that describe its mission, has a knowledgeable and committed governing body and management team along with sound management practices is more likely to operate effectively and consistent with tax law requirements.

It is important for the charitable sector to maintain the highest level of integrity and credibility. Non profits should be held to a higher standard than for profits and as fiduciaries of other people's monies, they must exercise duty of care.

The huge growth in the nonprofit sector in recent years has influenced Congress and the IRS to greatly modify the reporting requirements for nonprofit organizations. Government has determined that the new Form 990 series of tax forms is the strongest method to communicate to all sectors of society what is transpiring in aggregate and specific accomplishments of respective organizations. Since Form 990 returns are public documents, (we provide PDF copies of returns to all our clients for you to place on your website or make available at any given time) the information they contain is available to anyone who wishes to review them. By expanding the amount of information that is to be reported in Form 990, the transparency of organizations will increase as well.

I believe the intent of the new form is to "paint" a picture of the taxpayer's status and accomplishments in the prior year by requiring numerous narrative descriptions. It appears that the goal is getting back to the original nonprofit application to ensure that the Organization is still performing the same services for the original purpose.

### 2) Two Significant Areas of the Form 990 (which have not changed dramatically)

One of the most important areas of the Form 990 is **Part III (Statement of Program Service Accomplishments)**. This section requires the Organization to provide information regarding its program services and exempt purpose achievement. The importance of this part cannot be overemphasized, for it will be the target of analysis by donors, foundations, watchdog agencies such as the Better Business Bureau, Charity Navigation and others. Reviewer of the return will want to see the Organization's specific accomplishments, how many individuals it serviced, and how it benefited the community. THIS SECTION CAN BE A SIGNIFICANT REPORTING AND MARKETING TOOL FOR AN ORGANIZATION.

Another important area of the Form 990 is **Part IX, the Statement of Functional Expenses**. This is still the place readers will find out how much of every dollar your organization spent last year

on your non-program activities: fundraising and management. It is very important not to overstate these overhead costs due to poor accounting allocation methods.

**3) When does the New Form 990 go into effect?**

The IRS released the redesigned form in December 2007, for use in reporting for tax year 2008 information filed in 2009 and beyond. The Redesigned form consists of a core form to be completed by all tax-exempt organizations required to file Form 990 and 16 schedules (as compared to 2 schedules on the old form) to be completed depending on the organization’s type of activities. Transition rules are in place to permit small organizations time to adjust to the new form.

Your Organization’s Form 990 is due 4 and one-half months after the close of your fiscal year. For example, if your fiscal year ends June 30 your 990 is due on November 15; if your fiscal year end is December 31 it is due on May 15. Which form an organization must file generally depends on its financial activity, as indicated in the chart below. The chart also shows the transition period for exempt organizations required to file a redesigned annual return beginning with 2008 tax years (returns filed beginning in 2009).

<b>2007 Tax Year (Filed in 2008 or 2009)</b>	<b>Form to File</b>	<b>Instructions</b>
Gross receipts normally ≤ \$25,000 <b>Note:</b> Organizations <u>eligible</u> to file the <i>e-Postcard</i> may <u>choose to file a full return</u> .	<a href="#">990-N</a>	n/a
Gross receipts < \$100,000, and Total assets < \$250,000	<a href="#">990-EZ</a> or <a href="#">990</a>	<a href="#">Instructions</a>
Gross receipts ≥ \$100,000, or Total assets ≥ \$250,000	<a href="#">990</a>	<a href="#">Instructions</a>
Private foundation	<a href="#">990-PF</a>	<a href="#">Instructions</a>
<b>2008 Tax Year (Filed in 2009 or 2010)</b>	<b>Form to File</b>	<b>Instructions</b>
Gross receipts normally ≤ \$25,000 <b>Note:</b> Organizations <u>eligible</u> to file the <i>e-Postcard</i> may <u>choose to file a full return</u>	<a href="#">990-N</a>	n/a
Gross receipts < \$1 million, and Total assets < \$2.5 million	<a href="#">990-EZ</a> or <a href="#">990</a>	<a href="#">Instructions</a>
Gross receipts ≥ \$1 million, or Total assets ≥ \$2.5 million	<a href="#">990</a>	<a href="#">Instructions</a>
Private foundation	<a href="#">990-PF</a>	<a href="#">Instructions</a>
<b>2009 Tax Year (Filed in 2010 or 2011)</b>	<b>Form to File</b>	<b>Instructions</b>
Gross receipts normally ≤ \$25,000 <b>Note:</b> Organizations <u>eligible</u> to file the <i>e-Postcard</i> may <u>choose to file a</u>	<a href="#">990-N</a>	n/a

<a href="#">full return</a>		
Gross receipts < \$500,000, and Total assets < \$1.25 million	<a href="#">990-EZ</a> or <a href="#">990</a>	<a href="#">Instructions</a>
Gross receipts ≥ \$500,000, or Total assets ≥ \$1.25 million	<a href="#">990</a>	<a href="#">Instructions</a>
Private foundation	<a href="#">990-PF</a>	<a href="#">Instructions</a>
<b>2010 Tax Year and later (Filed in 2011 and later)</b>	<b>Form to File</b>	<b>Instructions</b>
<b><a href="#">Gross receipts normally ≤ \$50,000</a></b> <b>Note:</b> Organizations <a href="#">eligible</a> to file the <i>e-Postcard</i> <a href="#">may choose to file a full return</a>	<a href="#">990-N</a>	n/a
Gross receipts < \$200,000, and Total assets < \$500,000	<a href="#">990-EZ</a> or <a href="#">990</a>	<a href="#">Instructions</a>
Gross receipts ≥ \$200,000, or Total assets ≥ \$500,000	<a href="#">990</a>	<a href="#">Instructions</a>
Private foundation	<a href="#">990-PF</a>	<a href="#">Instructions</a>

**NOTE:** The filing thresholds for the 990 EZ will be set permanently at \$200,000 gross receipts and \$500,000 total assets beginning with the 2010 tax year.

The IRS is expected to issue a revised Form 990-EZ. We anticipate that the 990-EZ revision will be similar to the new requirements of the 990 so we suggest that you prepare to comply with the new requirements within the next fiscal year. We have included a questionnaire/checklist that entails what those requirements will be and we suggest that your organization implements procedures to comply with the new requirements. This checklist will also help determine the additional schedules to be completed within in the Form 990.

The revised Form 990 requires substantial additional detail compared to previous reporting requirements. Some major changes in reporting requirements from the 2007 Form 990 include a new governance section and substantial revisions to the reporting of the organization's compensation of officers, directors, trustees, key employees, and highest compensated employees. The requirements to provide so much additional detail may prove burdensome and complex. This is why we suggest filing the 990-EZ for organizations below the thresholds to keep the organizations tax preparations costs reasonable.

In addition to the changes in the format of the 990 there is a new requirement for organizations that normally have gross receipts of less than \$50,000 (\$25,000 for years 2007, 2008 and 2009). Those organizations must now file Form 990-N, Electronic Notice (e-postcard) for Tax-Exempt Organizations not Required to File Form 990 or 990-EZ (with exceptions for certain §509(a)(3) supporting organizations and for certain religious organizations, governmental organizations, and political organizations).

In addition I am attaching an article from guidestar.org that I hope you will find extremely resourceful:

## **Governance and Related Topics-501©(3) Organizations**

**Click here to download a copy of the Riley & Associates, PC “new 990” checklist**

### **4) Automatic Revocation of Exemption**

It is extremely important to note that the Internal Revenue Service can automatically revoke the exemption of any organization for not filing their annual returns.

Most tax-exempt organizations are required to file an annual return or notice with the Internal Revenue Service. (See [Annual Return Filing Exceptions](#) for a list of organizations that are not required to file.) Section 6033(j) of the Internal Revenue Code automatically revokes the exemption of any organization that fails to satisfy its filing requirement for three consecutive years. The automatic revocation of exemption is effective as of the due date of the third required annual filing or notice.

Organizations on the Automatic Revocation of Exemption List (Auto-Revocation List) previously recognized as exempt under section 501(c)(3) of the Internal Revenue Code are no longer eligible to receive tax-deductible contributions under Code section 170. Publication of an organization’s name on the Auto-Revocation List serves as notice to donors and others that the organization is no longer eligible to receive tax-deductible contributions under section 170 and that donors and others may not rely on an IRS determination letter dated before the effective date of revocation or on a prior listing in either [Publication 78](#) or the BMF extract for purposes of claiming tax-deductible contributions.