

## Introduction to the Non-Profit Tax Return—Form 990

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### Background and purpose

- Form 990 was updated in 2008 (effective in 2009 and 2010); first major update since 1979!
- The “990” serves several key purposes, including:
  - a) Regulation of the tax-exempt sector
  - b) Providing better and more transparent public information

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### Filing requirements

- Based on gross receipts and total assets test
- Three possible forms of the 990, depending on outcome of gross receipts and total assets test
  - a) Form 990-N, Electronic Notice (e-Postcard)
  - b) Form 990-EZ, Short Form Return of an Organization Exempt from Income Tax
  - c) Form 990, Return of an Organization Exempt from Income Tax

## Introduction to the Non-Profit Tax Return—Form 990—Filing Requirements

<u>Gross Receipts and Gross Assets</u>		<u>Form</u>
\$50,000 or less*	n/a	990-N
\$50,000 to \$200,000	< \$500,000	990-EZ
> \$200,000	> \$500,000	990

\*Years ending on or after 12/31/10

Due date of return: 15<sup>th</sup> day of fifth month after end of the fiscal year.

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### Structure of the Form 990

- Twelve page core form and 16 schedules
- Part I of the core form is the *Summary*, and requires a snapshot of information to be included elsewhere in the form
- Part IV of the core form is a *Checklist of Required Schedules*, used to determine which schedules (of the 16) the organization must file
- The 16 schedules focus on areas of particular interest to either IRS or the general public

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Generally, filers will have to complete:

- Schedule A—Public Charity Status (very important for many non-profit organizations!)
- Schedule B—Contributors
- Schedule D—Supplemental Financial Statements
- Other schedules—dependent on the organization's activities

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### Areas of focus in the Form 990

A. Governance (Part VI)—requires information about the governing body, management, policies and disclosure practices

1. Interestingly, not required by tax law! This is an attempt by the IRS to present areas of focus or to encourage “behavior modification”
2. Examples: Questions regarding conflict of interest, whistleblower policies, records retention, review of the 990 before filing, etc.

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Areas of focus:

### B. Compensation of officers, directors, key employees (Part VII)

1. Must disclose compensation for current officers and directors, as well as for the 5 highest compensated employees
2. Must also include average number of hours worked by individuals

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Areas of focus:

C. Financial Information (Parts VIII, IX, X and XI) includes information from the financial statements. Also includes questions regarding audits, etc.

D. Public Charity Status and Public Support Test (Schedule A)—organization must receive at least 33 1/3% of its support from contributions, etc. related to is exempt functions

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Areas of focus:

E. Schedule B—Contributors (donating > \$5,000) must be separately reported

F. Schedule C—Political Campaigns and Lobbying Activities. Monitors amounts related to these efforts (there are specific limits on amounts used for lobbying)

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Other areas:

G. Schedule O—used specifically to provide supplemental information to questions in Part IV of the core form (Checklist of Required Schedules)

H. Schedule M—Non-Cash Contributions—used to report non-cash contributions (excluding donated services). Required to report quantity and reported financial statement amount of non-cash contributions received

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Review an example of a completed copy of  
Form 990 for a non-profit organization.