



Instructions for Form 990 Return of Organization Exempt From Income Tax

**Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code
(except black lung benefit trust or private foundation)**

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Section references are to the Internal Revenue Code unless otherwise noted.

What's New

New Penalty Provisions for Nonfiling

For annual tax periods beginning after 2006, the law requires most tax-exempt organizations, other than churches, to file an annual Form 990, 990-EZ, or 990-PF with the IRS, or to submit a Form 990-N e-Postcard to the IRS. If an organization fails to file an annual return or notice as required for 3 consecutive years, it will automatically lose its tax-exempt status. See *H. Failure-To-File Penalties*, beginning on page 7.

Redesigned Form 990 and Instructions for 2008 and 2009

The following describes both major changes to the Form 990 that became effective beginning in the 2008 tax year and additional major changes effective for the 2009 tax year.

2009 Changes

In *Part III, Program Service Accomplishments*, the instructions state that an organization must report new, significant program services or significant changes in how it conducts program services on its Form 990, Part III, rather than in a letter to IRS Exempt Organization Determinations.

In *Part IV, Checklist of Required Schedules*:

- Line 11 includes more detailed trigger questions to help the organization determine whether it needs to complete Parts VI, VII, VIII, IX, or X of Schedule D (Form 990).
- A new line 12A asks whether the organization was included in a consolidated, independent audited financial statement for the tax year.
- If the organization checks "Yes" to line 20, it must complete the entire Schedule H (Form 990), Hospitals, not just Part V of Schedule H as was required for the 2008 tax year.
- If the organization checks "Yes" to line 24a, it must complete the entire Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds, not just Part I of Schedule K as was required for the 2008 tax year.
- Line 28 includes simplified trigger questions to help the organization determine whether it needs to complete Schedule L (Form 990 or 990-EZ), Part IV.
- A new line 38 asks whether the organization completed Schedule O (Form 990), and notes that all Form 990 filers are required to complete Schedule O.

In *Part V, Statements Regarding Other IRS Filings and Tax Compliance*, the instructions for lines 1c, 7g, and 7h state a filer should leave those lines blank if the questions are not applicable.

In *Part VI, Governance, Management, and Disclosure*:

- Line 4 instructions state that an organization should report significant changes to its organizational documents on its Form 990, Part VI, rather than in a letter to EO Determinations.
- Line 5 instructions describe a modified standard for determining whether a diversion is considered material (and thereby reportable on line 5).
- Lines 9–11 have been reordered so that former line 11 is now line 9, former line 9 is now line 10, and former line 10 is now lines 11 and 11A. *Section B. Policies* has been moved so that is now above line 10.
- Line 18 instructions clarify that the organization should only check the box for “Another’s website,” if it provided another party with a copy of its Form 990, Form 990-T, or Form 1023/1024, and the other party posted, on the other party’s website during the tax year, an exact reproduction of the form(s) (other than for information permitted by law to be withheld from public disclosure, such as the names and addresses of contributors listed in Schedule B (Form 990, 990-EZ, or 990-PF)).

The instructions for *Part VII, Compensation*:

- Clarify that U.S. source income to a foreign person from the filing organization or a related organization, which is reported on Form 1042-S, should be treated as reportable compensation and reported, as applicable, in Part VII, Section A, column (E).
- Clarify when and how compensation from unrelated organizations to the filing organization’s officers, directors, trustees, and key employees must be reported in Section A.
- Include a new “leased employees” section that explains when and how compensation of leased employees must be reported in Section A.
- Clarify how compensation paid by common paymasters and other reporting and payroll agents should be reported in Section A.

In *Part VIII, Statement of Revenue*, the instructions for lines 2 (program service revenue) and 11 (miscellaneous revenue) direct filers to report on those lines codes from a new Appendix J, Business Activity Codes, which are derived from North American Industry Classification System (NAICS) codes.

In *Part IX, Statement of Functional Expenses*, line 14 instructions clarify on which lines to report various information technology-related expenses.

In *Part X, Balance Sheet*:

- Line 5 adds highest compensated employees to the list of persons from whom receivables should be reported on that line, and deletes “other related parties” from the list.
- Line 11 instructions state that an organization should report publicly traded stock in a corporation that comprises more than 5% of the organization’s total assets on line 12 (other securities), rather than on line 11 (publicly traded securities).

In *Part XI, Financial Statements and Reporting*:

- Line 1 clarifies that if the organization changed its method of accounting from a prior year or checked the “other” box, it should explain in Schedule O (Form 990).
- Line 2c clarifies that if the organization’s process for overseeing the audit, review, or compilation of its financial statements or the selection of an independent accountant has changed from the prior year, the organization should explain this change in Schedule O (Form 990).
- A new line 2d asks whether the organization’s financial statements were issued on a consolidated basis, a separate basis, or both.
- Line 3b clarifies that if the organization did not undergo a required audit under the Single Audit Act and OMB Circular A-133, it should explain why in Schedule O (Form 990) and describe any steps taken to undergo such audits.

The *Glossary* includes revised definitions of:

- **Control**, to clarify various means by which the organization can control or be controlled by another organization, for purposes of determining the organization’s **related organizations**.

- **Escrow and custodial accounts**, to exempt section 4947(a)(2) split-interest trusts from reporting in Schedule D (Form 990), Part IV, *Trust, Escrow, and Custodial Arrangements*.

- **Related organization**, to clarify that related organizations can include nonprofit organizations, stock corporations, partnerships, limited liability companies, trusts, and **governmental units** and other government entities.

2008 Changes

The Form 990 has been redesigned for 2008 and future years. The new form consists of an 11-page, 11-part core form that is required to be completed by all organizations that file Form 990 and schedules to be completed by those organizations that satisfy the applicable requirements for each schedule.

The following provides a brief summary of some major changes and features of the new form and an outline of the new core form and schedules. This summary does not describe all of the new features or changes. Some of the information previously required by the 2007 Form 990 has been eliminated or revised, and the redesigned Form 990 requires information not previously required. Some information previously required of only certain types of organizations now is required of all types of organizations completing the form. The organization should carefully review the new form and instructions in order to make sure it satisfies the new form’s reporting requirements. See the IRS website at www.irs.gov and click on the *Charities & Non-Profits* tab for more information.

Some areas of major changes in reporting requirements include governance and compensation of officers, directors, trustees, key employees, and highest compensated employees. For example, *Part VI, Governance, Management, and Disclosure*, is a new section that asks questions about the organization’s governance structure, policies, and disclosure practices. *Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*, also contains important changes, including new definitions of officer and key employee applicable to all organizations, and the extension of reporting compensation paid to the top five highest compensated employees from organizations described in sections 501(c)(3) or 4947(a)(1), as was previously the case, to all organizations filing the Form 990, such as social welfare organizations, business leagues, trade associations, and social clubs.

Other areas of significant change include determination of public charity status and public support; supplemental financial statement reporting; and fundraising, special events, and gaming. For organizations described in sections 501(c)(3) or 4947(a)(1), Schedule A (Form 990 or 990-EZ) has been revised to emphasize reporting of public charity status and public support. Schedule D (Form 990) contains new reporting requirements for conservation organizations; museums and other organizations maintaining collections of works of art and other items; credit counseling organizations and others holding funds in escrow or custodial arrangements; and organizations maintaining endowments. Schedule G (Form 990 or 990-EZ) requires reporting of certain information regarding arrangements with professional fundraisers, fundraising events, and gaming activities. Other new schedules include those for reporting foreign activities (Schedule F); hospitals (Schedule H); tax-exempt bonds (Schedule K); noncash contributions (Schedule M); and related organizations (Schedule R).

The following is an outline of the parts of the core form and the schedules.

Core form. The core form required to be completed by all organizations consists of the following eleven parts.

- *Part I, Summary* provides certain important information regarding the organization’s mission, activities, and current and prior years’ financial results.
- *Part II, Signature Block* contains the signature of an organization’s officer, and, if applicable, paid preparer.
- *Part III, Statement of Program Service Accomplishments* requires reporting of the organization’s new, ongoing, and

discontinued exempt purpose achievements and related revenue and expenses.

- *Part IV, Checklist of Required Schedules* is used by the organization to determine which schedules it must complete and file with the IRS as part of the Form 990.
- *Part V, Statements Regarding Other IRS Filings and Tax Compliance* is used by the organization to report its compliance with other federal tax reporting and substantiation requirements.
- *Part VI, Governance, Management, and Disclosure* requires information regarding the organization's governing body and management, policies, and disclosure practices.
- *Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors* is used to report compensation paid to such persons by the organization and its related organizations reported on Forms W-2, Forms 1099-MISC, and as certain other compensation.
- *Part VIII, Statement of Revenue, Part IX, Statement of Functional Expenses, and Part X, Balance Sheet*, comprise the financial statements of the organization for federal tax reporting purposes.
- *Part XI, Financial Statements and Reporting* is used to report information regarding the organization's accounting methods and its compiled, reviewed, or audited financial statements.

Schedules. The 2009 Form 990 contains 16 schedules. Each organization must complete *Part IV, Checklist of Required Schedules*, to determine those schedules it must complete. These schedules replace the prior schedules and most required attachments previously constructed and completed by the filing organization. All filers will be required to provide certain narrative responses on Schedule O (Form 990). The following is a list and brief description of the schedules.

- *Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support* is completed by organizations described in sections 501(c)(3) and 4947(a)(1) to provide information relevant to status as a public charity, including satisfaction of applicable public support tests on an ongoing basis.
- *Schedule B (Form 990, 990-EZ or 990-PF), Schedule of Contributors* is completed by organizations to provide information regarding contributions they report as revenues.
- *Schedule C (Form 990 or 990-EZ), Political Campaign and Lobbying Activities* is completed by organizations that conduct political campaign activities, organizations described in sections 501(c)(3) and 4947(a)(1) that conduct lobbying activities, and organizations subject to section 6033(e) notice and reporting requirements and potential proxy tax on certain membership dues, assessments, and similar amounts.
- *Schedule D (Form 990), Supplemental Financial Statements* is completed by organizations to supplement certain balance sheet information, as well as conservation organizations, museums and other organizations maintaining collections, credit counseling organizations and others holding funds in escrow or custodial arrangements, and organizations maintaining endowments or donor advised funds and similar funds or accounts.
- *Schedule E (Form 990 or 990-EZ), Schools* is the private school questionnaire previously contained in former Schedule A.
- *Schedule F (Form 990), Statement of Activities Outside the United States* is used to report the organization's activities conducted outside the United States.
- *Schedule G (Form 990 or 990-EZ), Supplemental Information Regarding Fundraising or Gaming Activities* requires reporting by organizations that reported certain amounts of professional fundraising expenses, revenue from fundraising events, and revenue from gaming activities.
- *Schedule H (Form 990), Hospitals* is completed by organizations that operate one or more facilities licensed or registered as a hospital under state law.
- *Schedule I (Form 990), Grants and Other Assistance to Organizations, Governments and Individuals in the United States* is used to report grants and other assistance provided by the organization to others within the United States.
- *Schedule J (Form 990), Compensation Information* is completed by organizations to provide detailed compensation

information for certain current or former officers, directors, trustees, key employees, and highest compensated employees, and certain information regarding the organization's compensation practices and arrangements.

- *Schedule K (Form 990), Supplemental Information for Tax-Exempt Bonds* is completed by organizations with outstanding tax-exempt bond liabilities.
- *Schedule L (Form 990 or 990-EZ), Transactions with Interested Persons* is completed by organizations that engage in certain types of relationships or transactions with interested persons, including excess benefit transactions, loans, grants or other financial assistance, and other financial or business transactions or arrangements.
- *Schedule M (Form 990), Noncash Contributions* is used to report contributions other than cash received by the organization.
- *Schedule N (Form 990 or 990-EZ), Liquidation, Termination, Dissolution, or Significant Disposition of Assets* is used to report major dispositions of assets by the organization.
- *Schedule O (Form 990), Supplemental Information to Form 990* is used by organizations to provide supplemental information to describe or explain the organization's responses to questions contained in the core form and schedules.
- *Schedule R (Form 990), Related Organizations and Unrelated Partnerships* is used to provide information regarding the organization's relationships with other exempt and taxable organizations.

Instructions, glossary, and appendices. The 2009 Instructions for Form 990 contain a sequencing list to help organizations determine the order in which to complete various portions of the form (see *Sequencing List To Complete the Form*); general and specific instructions for the core form and schedules; a glossary of key terms; and a compensation table to help organizations determine where and how to report types of compensation paid to officers, directors, trustees, key employees, and highest compensated employees (see *Specific Instructions* for Part VII). The instructions also contain appendices for reporting requirements and guidance regarding group returns (see *Appendix E*), and for organizations to report activities conducted indirectly through joint ventures and disregarded entities (see *Appendix F*).

Form 990-EZ Filing Amounts for 2009 and 2010

Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, can be filed by most organizations with gross receipts and total assets below certain amounts. For calendar or fiscal years beginning in 2009, most organizations with annual gross receipts less than \$500,000 and total assets less than \$1,250,000 at the end of the **tax year** can choose to file Form 990 or 990-EZ. (For 2008, these amounts were less than \$1,000,000 in gross receipts and \$2,500,000 in total assets.) Beginning in **tax year 2010**, most organizations with annual gross receipts less than \$200,000 and total assets less than \$500,000 at the end of the tax year can file either Form 990 or 990-EZ. See the table on the next page for a summary of the 2008–2010 Form 990-EZ filing amounts.

Although Form 990-EZ was not redesigned for 2008 or 2009, some changes have been made. Organizations that file the 2009 Form 990-EZ must review the instructions for Schedules A, B, C, E, G, L, and N to determine whether they must now report any of their activities or information on those schedules. Form 990-EZ filers will not be required to complete any of the other 2009 Form 990 schedules.

Annual Electronic Filing Requirement for Small Tax-Exempt Organizations

Many small tax-exempt organizations with annual gross receipts less than or equal to \$25,000 now must submit Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ, if they choose not to file Form 990 or 990-EZ. See the IRS website at www.irs.gov/charities and click on the *Form 990-N (e-Postcard)* tab for more information.

Form 990-EZ Filing Amounts for 2008–2010

File Form 990-EZ for	If gross receipts are less than	And if total assets are less than
2008 (generally filed in 2009)	\$1,000,000	\$2,500,000
2009 (generally filed in 2010)	\$500,000	\$1,250,000
2010 and later	\$200,000	\$500,000

Purpose of Form

Forms 990 and 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by section 6033.

An organization's completed Form 990 or 990-EZ, and a section 501(c)(3) organization's 990-T, Exempt Organization Business Income Tax Return, generally are available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors, is available for public inspection for section 527 organizations filing Form 990 or 990-EZ. For other organizations that file Form 990 or Form 990-EZ, parts of Schedule B (Form 990, 990-EZ, or 990-PF), can be open to public inspection. See *Appendix D* and the instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more details.

Some members of the public rely on Form 990 or Form 990-EZ as their primary or sole source of information about a particular organization. How the public perceives an organization in such cases can be determined by information presented on its return. Therefore, the return must be complete, accurate, and fully describe the organization's programs and accomplishments.

Use Form 990 or 990-EZ to send a required election to the IRS, such as the election to capitalize costs under section 266.

Phone Help

If you have questions and/or need help completing Form 990, please call 1-877-829-5500. This toll-free telephone service is available Monday through Friday.

Email Subscription

The IRS has established a subscription-based email service for tax professionals and representatives of tax-exempt organizations. Subscribers will receive periodic updates from the IRS regarding exempt organization tax law and regulations, available services, and other information. To subscribe, visit www.irs.gov/eo.

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

General Instructions

Overview of Form 990

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.



Certain Form 990 filers must file electronically. See E. When, Where, and How To File for who must file electronically.

Form 990 is an annual information return required to be filed with the IRS by most organizations exempt from income tax under section 501(a), and certain political organizations and **nonexempt charitable trusts**. Parts I through XI of the form

must be completed by all filing organizations and require reporting on the organization's exempt and other activities, finances, governance, compliance with certain federal tax filings and requirements, and **compensation** paid to certain persons. Additional schedules are required to be completed depending upon the activities and type of the organization. By completing Part IV, the organization determines which schedules are required. The entire completed Form 990 filed with the IRS, except for certain contributor information on Schedule B (Form 990, 990-EZ, or 990-PF), is required to be made available to the public by the IRS and the filing organization, and can be required to be filed with state governments to satisfy state reporting requirements.

Helpful Hints. The following hints can help you more efficiently review these instructions and complete the form.

- See *C. Sequencing List To Complete the Form* that provides guidance on the recommended order for completing the form and applicable schedules.
- Throughout these instructions, terms that are highlighted in bold are defined in the *Glossary*.
- Throughout these instructions, "the organization" and the "filing organization" both refer to the organization filing Form 990.
- The examples appearing throughout the instructions to Form 990 are illustrative only. They are for the purpose of completing this form and are not all-inclusive.
- Instructions to the Form 990 schedules are published separately from these instructions.



Organizations that have total gross income from unrelated trades or businesses of at least \$1,000 also are required to file Form 990-T, Exempt Organization Business Income Tax Return, in addition to any required Form 990, 990-EZ, or 990-N.

A. Who Must File

Most organizations exempt from income tax under section 501(a) must file an annual information return (Form 990 or 990-EZ) or submit an annual electronic notice (Form 990-N), depending upon the organization's **gross receipts** and **total assets**.

For 2009, Form 990 must be filed by an organization exempt from income tax under section 501(a) (including an organization that has not applied for recognition of exemption) if it has either (1) gross receipts greater than or equal to \$500,000 or (2) total assets greater than or equal to \$1,250,000 at the end of the tax year. This includes:

- Organizations described in section 501(c)(3) (other than **private foundations**), and
- Organizations described in other 501(c) subsections (other than black lung benefit trusts).

Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses. See *Appendix B* for a discussion of gross receipts.

For purposes of Form 990 reporting, the term *section 501(c)(3)* includes organizations exempt under sections 501(e) and (f) (cooperative service organizations), 501(k) (child care organizations), and 501(n) (charitable risk pools). In addition, any organization described in one of these sections is also subject to section 4958 if it obtains a determination letter from the IRS stating that it is described in section 501(c)(3).

Form 990-N. If an organization normally has gross receipts of \$25,000 or less, it must submit Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To

File Form 990 or 990-EZ, if it chooses not to file Form 990 or Form 990-EZ (with exceptions described below for certain section 509(a)(3) **supporting organizations** and for certain organizations described in *B. Organizations Not Required To File Form 990*). See *Appendix B* for a discussion of gross receipts.

Form 990-EZ. For tax years beginning in 2009, if an organization has **gross receipts** less than \$500,000 and **total assets** at the end of the tax year less than \$1,250,000, it can choose to file Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, instead of Form 990. See the instructions for Form 990-EZ for more information. See the special rules below regarding **controlling organizations** under section 512(b)(13) and **sponsoring organizations of donor advised funds**.

If an organization eligible to file the Form 990-N or 990-EZ chooses to file the Form 990, it must file a complete return.



The IRS has provided transitional relief to small and mid-size organizations, allowing many to file Form 990-EZ for 2009 instead of Form 990, and providing them additional time to become familiar with the new Form 990 and its requirements. The table on page 4 describes the modified thresholds for filing Form 990-EZ (instead of Form 990) during this transition period.

Foreign and U.S. possession organizations. **Foreign organizations** and **U.S. possession organizations** as well as **domestic organizations** must file Form 990 or 990-EZ unless specifically excepted under *B. Organizations Not Required To File Form 990*. Report amounts in U.S. dollars and state what conversion rate the organization uses. Combine amounts from within and outside the United States and report the total for each item. All information must be written in English.

Sponsoring organizations of donor advised funds. **Sponsoring organizations of donor advised funds**, if required to file an annual information return for the year, must file Form 990 and not Form 990-EZ.

Controlling organizations described in section 512(b)(13). A **controlling organization** of one or more **controlled entities**, as described in section 512(b)(13), must file Form 990 and not Form 990-EZ if it is required to file an annual information return for the year and if there was any transfer of funds between the controlling organization and any controlled entity during the year.

Section 509(a)(3) supporting organizations. A section 509(a)(3) **supporting organization** must file Form 990 or 990-EZ, even if its gross receipts are normally \$25,000 or less, unless it qualifies as one of the following:

1. An integrated auxiliary of a **church** as described in Regulations section 1.6033-2(h),
2. The exclusively religious activities of a **religious order**, or
3. An organization, the gross receipts of which are normally not more than \$5,000, that supports a section 501(c)(3) religious organization.

If the organization is described in (3) but not in (1) or (2) then it must file Form 990-N unless it voluntarily files Form 990 or 990-EZ.

Section 501(c)(7) and 501(c)(15) organizations. Section 501(c)(7) and 501(c)(15) organizations apply the same **gross receipts** test as other organizations to determine whether they must file Form 990, but use a different definition of gross receipts to determine whether they qualify as tax-exempt for the tax year. See *Appendix C* for more information.

Section 527 political organizations. Tax-exempt political organizations must file Form 990 or 990-EZ unless excepted under *B. Organizations Not Required To File Form 990*. A qualified state or local political organization must file Form 990 or 990-EZ only if it has gross receipts of \$100,000 or more. Political organizations are not required to submit Form 990-N.

Section 4947(a)(1) nonexempt charitable trusts. A **nonexempt charitable trust** described under section

4947(a)(1) (if it is not treated as a private foundation) is required to file Form 990 or 990-EZ, unless excepted under *B.*

Organizations Not Required To File Form 990. Such a trust is treated like an exempt section 501(c)(3) organization for purposes of completing the form. All references to a section 501(c)(3) organization shall include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A (Form 990 or 990-EZ)), unless otherwise specified. If such a trust does not have any taxable income under Subtitle A of the Code, it can file Form 990 or 990-EZ to meet its section 6012 filing requirement and does not have to file Form 1041, U.S. Income Tax Return for Estates and Trusts.

Returns when exempt status not yet established. An organization is required to file Form 990 in accordance with these instructions if the organization claims exempt status under section 501(a) but has not yet established such exempt status by filing Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, or Form 1024, Application for Recognition of Exemption Under Section 501(a) or for Determination Under Section 120, and receiving an IRS determination letter recognizing tax-exempt status. In such a case, the organization must check the "Application pending" checkbox in item B on Form 990, page 1 (whether or not a Form 1023 or 1024 has been filed) to indicate that Form 990 is being filed in the belief that the organization is exempt under section 501(a), but that the IRS has not yet recognized such exemption.

B. Organizations Not Required To File Form 990 or 990-EZ

An organization does not have to file Form 990 or 990-EZ even if it has at least \$500,000 of **gross receipts** for the tax year or \$1,250,000 of **total assets** at the end of the tax year if it is described below (except for section 509(a)(3) supporting organizations, which are described earlier). See *A. Who Must File* for determining whether the organization can file Form 990-EZ instead of Form 990. An organization described in item 10, 11, or 13 on page 6 is required to file Form 990-N unless it voluntarily files Form 990, 990-EZ, or 990-BL.

Certain religious organizations.

1. A **church**, an interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church as described in Regulations section 1.6033-2(h) (such as a men's or women's organization, religious school, mission society, or youth group).
2. A church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs and is described in Rev. Proc. 96-10, 1996-1 C.B. 577.
3. A school below college level affiliated with a church or operated by a **religious order** described in Regulations section 1.6033-2(g)(1)(vii).
4. A mission society sponsored by, or affiliated with, one or more churches or church denominations, if more than half of the society's activities are conducted in, or directed at, persons in foreign countries.
5. An exclusively religious activity of any **religious order** described in Rev. Proc. 91-20, 1991-1 C.B. 524.

Certain governmental organizations.

6. A state institution whose income is excluded from gross income under section 115.
7. A **governmental unit** or affiliate of a governmental unit described in Rev. Proc. 95-48, 1995-2 C.B. 418.
8. An organization described in section 501(c)(1). A section 501(c)(1) organization is a corporation organized under an Act of Congress that is an instrumentality of the United States, and exempt from federal income taxes.

Certain political organizations.

9. A political organization that is:
 - A state or local committee of a political party;
 - A political committee of a state or local candidate;
 - A caucus or association of state or local officials; or
 - Required to report under the Federal Election Campaign Act of 1971 as a political committee (as defined in section 301(4) of such Act).

Certain organizations with limited gross receipts.

10. An organization whose **gross receipts** are normally \$25,000 or less. To determine what an organization's gross receipts "normally" are, see *Appendix B, How to Determine Whether an Organization's Gross Receipts Are Normally \$25,000 (or \$5,000) or Less*.

11. A **foreign organization**, including organizations located in **U.S. possessions**, whose **gross receipts** from sources within the United States are normally \$25,000 or less and which did not engage in significant activity in the United States (other than investment activity). See Rev. Proc. 94-17 and Rev. Proc. 2003-21.

Certain organizations that file different kinds of annual information returns.

12. A private foundation (including a private operating foundation) exempt under section 501(c)(3) and described in section 509(a). Use Form 990-PF, Return of Private Foundation. Also use Form 990-PF for a taxable private foundation, a section 4947(a)(1) **nonexempt charitable trust** treated as a private foundation, and a private foundation terminating its status by becoming a **public charity** under section 507(b)(1)(B) (for tax years within its 60-month termination period). If the organization successfully terminates, then it files Form 990 or 990-EZ in its final year of termination.

13. A black lung benefit trust described in section 501(c)(21). Use Form 990-BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.

14. A religious or apostolic organization described in section 501(d). Use Form 1065, U.S. Return of Partnership Income.

15. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. Use Form 5500, Annual Return/Report of Employee Benefit Plan.



Subordinate organizations in a group exemption which are included in a **group return** filed by the **central organization** for the **tax year** should not file a separate form 990 for the tax year.

C. Sequencing List To Complete the Form and Schedules

You may find the following list helpful. It limits jumping from one part of the form to another to make a calculation or determination needed to complete an earlier part. Certain later parts of the form must first be completed in order to complete earlier parts. In general, first complete the core form, and then complete alphabetically Schedules A–N and Schedule R, except as provided below. Schedule O should be completed as the core form and schedules are completed. Note that all organizations filing Form 990 must file Schedule O.



A public charity described in section 170(b)(1)(A)(iv), 170(b)(1)(A)(vi), or 509(a)(2) that is not within its initial five years of existence should first complete **Part II or III of Schedule A (Form 990 or 990-EZ)** to ensure that it continues to qualify as a public charity for the tax year. If it fails to qualify as a public charity, then it must file **Form 990-PF** rather than **Form 990 or 990-EZ**.

1. Complete lines A through F and H(a) through M in the Heading of Form 990, on page 1.

2. See the instructions for definitions of **related organization** and **control** and determine the organization's **related organizations** required to be listed in Schedule R (Form 990).

3. Determine the organization's officers, directors, trustees, key employees, and five highest compensated employees required to be listed on Form 990, Part VII, Section A.

4. Complete Parts VIII, IX, and X of Form 990.

5. Complete line G in the Heading section of Form 990, on page 1.

6. Complete Parts III, V, VII, and XI of Form 990.

7. See the instructions for Schedule L (Form 990 or 990-EZ) and complete Schedule L (Form 990 or 990-EZ) (if required).

8. Complete Part VI of Form 990. Transactions reported on Schedule L (Form 990 or 990-EZ) are relevant to determining

independence of **members of the governing body** under Form 990, Part VI, line 1b.

9. Complete Part I of Form 990 based on information derived from other parts of the form.

10. Complete Part IV of Form 990 to determine which schedules must be completed by the organization.

11. Complete Schedule O (Form 990) and any other applicable schedules (for "Yes" boxes that were checked in Part IV). Use Schedule O (Form 990), to provide required supplemental information and other narrative explanations.

12. Complete Part II, *Signature Block*, of Form 990.

D. Accounting Periods and Methods

Accounting Periods

Calendar year. Use the 2009 Form 990 to report on the 2009 calendar year accounting period. A calendar year accounting period begins on January 1 and ends on December 31.

Fiscal year. If the organization has established a fiscal year accounting period, use the 2009 Form 990 to report on the organization's fiscal year that began in 2009 and ended 12 months later. A fiscal year accounting period should normally coincide with the natural operating cycle of the organization. Be certain to indicate in item A of the Heading of Form 990 the date the organization's fiscal year began in 2009 and the date the fiscal year ended in 2010.

Short period. A short accounting period is a period of less than 12 months, which exists when an organization first commences operations, changes its accounting period, or terminates. If the organization's short year ended prior to December 31, 2009 (not on or after December 31, 2009), it should use 2008 Form 990 to file for the short year.

Accounting period change. If the organization changes its accounting period, it must file a Form 990 for the short period resulting from the change. Write "Change of Accounting Period" at the top of this short-period return.

If the organization previously changed its accounting period within the 10-calendar-year period that includes the beginning of the **short period**, and it had a Form 990 filing requirement at any time during that 10-year period, it must also attach a Form 1128 to the short-period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

Accounting Methods

Unless instructed otherwise, the organization should generally use the same accounting method on the return to report revenue and expenses that it regularly uses to keep its books and records. To be acceptable for Form 990 reporting purposes, however, the method of accounting must clearly reflect income.

Accounting method change. Generally, the organization must file Form 3115 to change its accounting method. An exception applies where a section 501(c) organization changes its accounting method to comply with **SFAS 116**, Accounting for Contributions Received and Contributions Made. See Notice 96-30, 1996-1 C.B. 378. An organization that makes a change in accounting method, regardless of whether it files Form 3115, and that has **audited financial statements**, must report any adjustment required by section 481(a) on Schedule D (Form 990), Parts XI through XIV.

State reporting. Most states that accept Form 990 in place of their own forms require that all amounts be reported based on the accrual method of accounting. If the organization prepares Form 990 for state reporting purposes, it can file an identical return with the IRS even though the return does not agree with the books of account, unless the way one or more items are reported on the state return conflicts with the instructions for preparing Form 990 for filing with the IRS.

Example 1. The organization maintains its books on the cash receipts and disbursements method of accounting but prepares a Form 990 return for the state based on the accrual method. It could use that return for reporting to the IRS.

Example 2. A state reporting requirement requires the organization to report certain revenue, expense, or balance sheet items differently from the way it normally accounts for them on its books. A Form 990 prepared for that state is acceptable for the IRS reporting purposes if the state reporting requirement does not conflict with the instructions for Form 990.

An organization should keep a reconciliation of any differences between its books of account and the Form 990 that is filed. Organizations with audited financial statements are required to provide such reconciliations on Schedule D (Form 990), Parts XI through XIII.



See IRS Pub. 538, *Accounting Periods and Methods*, about reporting changes to accounting periods and methods.

E. When, Where, and How to File

File Form 990 by the 15th day of the 5th month after the organization's accounting period ends (May 15th for a calendar-year filer). If the regular due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after liquidation, dissolution, or termination.

If the return is not filed by the due date (including any extension granted), explain in a separate attachment, giving the reasons for not filing on time.

Send the return to:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

Foreign and U.S. possession organizations. If the organization's principal business, office, or agency is located in a foreign country or **U.S. possession**, send the return to:

Department of the Treasury
Internal Revenue Service Center
P.O. Box 409101
Ogden, UT 84409

Private delivery services. The organization can use only the IRS-designated private delivery services below to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. These private delivery services include only the following:

- DHL Express (DHL): DHL "Same Day" Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air AM, UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.



Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box.

Electronic filing. The organization can file Form 990 and related forms, schedules, and attachments electronically. However, if an organization files at least 250 returns of any type during the calendar year ending with or within the organization's **tax year** and has **total assets** of \$10 million or more at the end of the tax year, it must file Form 990 electronically. "Returns" for this purpose include information returns (for example, Forms W-2 and Forms 1099), income tax returns, employment tax returns (including quarterly Forms 941), and excise tax returns.

If an organization is required to file a return electronically but does not, the organization is considered not to have filed its return, even if a paper return is submitted. See Regulations section 301.6033-4 for more information.

For additional information on the electronic filing requirement, visit www.irs.gov/efile.

The IRS may waive the requirements to file electronically in cases of undue hardship. For information on filing a waiver, see Notice 2010-13, 2010-4 I.R.B. 327, available at www.irs.gov/irb/2010-04_IRB/ar14.html.

F. Extension of Time To File

Use Form 8868 to request an automatic 3-month extension of time to file. Use Form 8868 also to apply for an additional (not automatic) 3-month extension if the original 3 months was not enough time. To obtain this additional extension of time to file, the organization must show reasonable cause for the additional time requested. See the Instructions for Form 8868.

G. Amended Return/Final Return

To change the organization's return for any year, file a new return including any required schedules. Use the version of Form 990 applicable to the year being amended. The amended return must provide all the information called for by the form and instructions, not just the new or corrected information. Check the "Amended return" box in item B of the *Heading* of the return. Also, enter in Schedule O (Form 990) which parts and schedules of the Form 990 were amended and describe the amendments.

The organization can file an amended return at any time to change or add to the information reported on a previously filed return for the same period. It must make the amended return available for inspection for 3 years from the date of filing or 3 years from the date the original return was due, whichever is later.

If the organization needs a complete copy of its previously filed return, it can file Form 4506, Request for Copy of Tax Return. See www.irs.gov for information on getting blank tax forms.

If the return is a final return, see the instructions for Schedule N (Form 990 or 990-EZ) for further details.

Amended returns and state filing considerations. State law may require that the organization send a copy of an amended Form 990 return (or information provided to the IRS supplementing the return) to the state with which it filed a copy of Form 990 originally to meet that state's reporting requirement. A state may require an organization to file an amended Form 990 to satisfy state reporting requirements, even if the original return was accepted by the IRS.

H. Failure-To-File Penalties

Against the organization. Under section 6652(c)(1)(A), a penalty of \$20 a day, not to exceed the smaller of \$10,000 or 5% of the **gross receipts** of the organization for the year, can be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause. Organizations with annual **gross receipts** exceeding \$1 million are subject to a penalty of \$100 for each day failure continues (with a maximum penalty with respect to any one return of \$50,000). The penalty begins on the due date for filing the Form 990.

Tax exempt organizations that are required to file electronically but do not are deemed to have failed to file the return. This is true even if a paper return is submitted.

The penalty can also be charged if the organization files an incomplete return, such as by failing to complete a required line item or a required part of a schedule. To avoid penalties and having to supply missing information later:

- Complete all applicable line items,
- Unless instructed to skip a line, answer each question on the return,
- Make an entry (including a zero when appropriate) on all lines requiring an amount or other information to be reported, and
- Provide required explanations as instructed.

Also, this penalty can be imposed if the organization's return contains incorrect information. For example, an organization

that reports contributions net of related fundraising expenses can be subject to this penalty.

Use of a paid preparer does not relieve the organization of its responsibility to file a complete return.

Against responsible person(s). If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of \$10 a day. The maximum penalty on all persons for failures with respect to any one return shall not exceed \$5,000.

There are also penalties (fines and imprisonment) for willfully not filing returns and for filing fraudulent returns and statements with the IRS (see sections 7203, 7206, and 7207). States can impose additional penalties for failure to meet their separate filing requirements.

New penalty provisions for nonfiling. The law requires most tax-exempt organizations, other than churches, to file an annual Form 990, 990-EZ, or 990-PF with the IRS, or to submit a Form 990-N e-Postcard to the IRS. If an organization fails to file an annual return or notice as required for 3 consecutive years, it will automatically lose its tax-exempt status. Beginning in 2010, automatic revocations will start for organizations not filing for the third consecutive year. Organizations that lose their exemption must file income tax returns and pay income taxes. For details, go to www.irs.gov/efo.

I. Group Return

A central, parent, or like organization can file a **group return** on Form 990 for two or more subordinate or local organizations that are:

- Affiliated with the central organization at the time its annual accounting period ends,
- Subject to the central organization's general supervision or control,
- Exempt from tax under a **group exemption** letter that is still in effect, and
- Using the same accounting period as the central organization.

The central organization cannot use a Form 990-EZ for the group return.

A **subordinate organization** covered by a group exemption ruling can file a separate return instead of being included in the group return. If a **subordinate organization** is not required to file a return, it need not be included in the group return or file a separate return.

If the **central organization** is required to file a return for itself, it must file a separate return and cannot be included in the group return. See *B. Organizations Not Required To File Form 990* for a list of organizations not required to file.

Every year, each subordinate organization must authorize the central organization in writing to include it in the group return and must declare, under penalties of perjury, that the authorization and the information it submits to be included in the group return are true and complete.

The central organization should send the annual information update required to maintain a group exemption ruling (a separate requirement from the annual return) to:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

For special instructions regarding answering certain Form 990 questions about parts or schedules in the context of a group return, see *Appendix E*.

J. Requirements for a Properly Completed Form 990

All organizations filing Form 990 must complete Parts I through XI of the Form 990, Schedule O (Form 990) and any schedules for which a "Yes" response is indicated in Part IV. If an organization is not required to file Form 990 but chooses to do

so, it must file a complete return and provide all of the information requested, including the required schedules.

Public inspection. In general, all information the organization reports on or with its Form 990, including schedules and attachments, will be available for public inspection. Note, however, the special rules for Schedule B (Form 990, 990-EZ, or 990-PF), a required schedule for certain organizations that file Form 990. Make sure the forms and schedules are clear enough to photocopy legibly. For more information on public inspection requirements, see *Appendix D, Public Inspection of Returns*, and Pub. 557, *Tax-Exempt Status for Your Organization*.

Signature. A Form 990 is not complete without a proper signature. For details, see the instructions to Part II, *Signature Block*.

Recordkeeping. The organization's records should be kept for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must be kept for a minimum of 3 years from the date the return is due or filed, whichever is later. Keep records that verify the organization's basis in property for as long as they are needed to figure the basis of the original or replacement property. Applicable law and an organization's policies can require that the organization retain records longer than 3 years. Form 990, Part VI, line 14, asks whether the organization has a document retention and destruction policy.

The organization should also keep copies of any returns it has filed. They help in preparing future returns and in making computations when filing an amended return.

Rounding off to whole dollars. The organization must round off cents to whole dollars on the returns and schedules, unless otherwise noted for particular questions. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.49 becomes \$1 and \$2.50 becomes \$3. If the organization has to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Completing all lines. Make an entry (including a zero when appropriate) on all lines requiring an amount or other information to be reported. Do not leave any applicable lines blank, unless expressly instructed to skip that line. If answering a line is predicated on a "Yes" answer to the preceding line, and if the organization's answer to the preceding line was "No," then leave the "If Yes" line blank.

All filers must file Schedule O (Form 990). Certain questions require all filers to provide an explanation in Schedule O (Form 990). In general, answers can be explained or supplemented in Schedule O (Form 990) if the allotted space in the form or other schedule is insufficient, or if a "Yes" or "No" answer is required but the organization wishes to explain its answer.

Reporting proper amounts. Some lines request information reported on other forms filed by the organization (such as Form W-2 or Form 990-T). If the organization is aware that the amount actually reported on the other form is incorrect, it must report on Form 990 the information that should have been reported on the other form (in addition to filing an amended form with the proper amount).

Inclusion of activities and items of disregarded entities and joint ventures. An organization must report in its Form 990 all of the revenues, expenses, assets, liabilities, and net assets or funds of a **disregarded entity** of which it is the sole member, and must report in its Form 990 its share of all such items of a **joint venture** or other investment or arrangement treated as a partnership for federal income tax purposes. This includes passive investments. In addition, the organization generally must report activities of a disregarded entity or a **joint venture** in the appropriate parts of schedules of Form 990. For special instructions regarding the treatment of disregarded entities and joint ventures for various parts of the form, see *Appendix F, Disregarded Entities and Joint Ventures-Inclusion of Activities and Items*.

Assembling Form 990, schedules, and attachments.

Before filing Form 990, assemble the package of forms, schedules, and attachments in the following order.

1. Core form with Parts I through XI completed, filed in numerical order.
2. Schedules, completed as applicable, filed in alphabetical order (see Form 990, Part IV for required schedules). All pages of a required schedule must be submitted by Form 990 paper filers, even if the filer is only required to complete certain parts but not all of the schedule.
3. Attachments, completed as applicable. These include (a) name change amendment to organizing document required by item B under *Heading*; (b) list of **subordinate organizations** included in a group return required by item H under *Heading*; (c) reasonable cause explanation for a late-filed return; (d) letters regarding termination of exempt status required by Schedule N (Form 990 or 990-EZ); and (e) articles of merger or dissolution, resolutions, and plans of liquidation or merger required by Schedule N (Form 990 or 990-EZ).

Do not attach materials not authorized in the instructions or not otherwise authorized by the IRS.

Specific Instructions

Heading, Items A–M

Complete items A through M.

Item A. Accounting period. File the 2009 return for calendar year 2009 and **fiscal years** that began in 2009 and ended in 2010. For a fiscal year return, fill in the tax year space at the top of page 1. See *D. Accounting Periods and Methods* for additional information about accounting periods.

Item B. Checkboxes

Address change, name change, and initial return.

Check the appropriate box if the organization changed its address or legal name (not its “doing business as” name) since it filed its previous return, or if this is the first time the organization is filing either a Form 990 or 990-EZ.

If the organization changed its name, attach the following documents.

IF the organization is . . .	THEN attach . . .
A corporation	Amendments to the articles of incorporation with proof of filing with the state of incorporation.
A trust	Amendments to the trust agreement signed by the trustee .
An unincorporated association	Amendments to the articles of association, constitution, bylaws, or other organizing document, with the signatures of at least two officers/members.

Terminated. Check this box if the organization has terminated its existence or ceased to be a section 501(a) or section 527 organization and is filing its final return as an exempt organization or section 4947(a)(1) trust. For example, an organization should check this box when it has ceased operations and dissolved or has had its exemption revoked by the IRS. An organization that checks this box must also attach Schedule N (Form 990 or 990-EZ).

Amended return. Check this box if the organization previously filed a return with the IRS for the same tax year and is now filing another return for the same tax year to amend the previously filed return. Enter in Schedule O (Form 990) which parts and schedules of the Form 990 were amended and

describe the amendments. See *G. Amended Return/Final Return*, for more information.

Application pending. Check this box if the organization has not yet filed either a Form 1023 or Form 1024 with the IRS, or has filed one and is awaiting a response. If this box is checked, the organization must complete all parts of Form 990 and any required schedules.

Item C. Name and address. Enter the organization’s legal name on the “Name of organization” line. If the organization operates under a name different from its legal name, enter the alternate name on the “Doing Business As” (DBA) line. If multiple DBA names will not fit on the line, enter one on the line and enter the others on Schedule O (Form 990).

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line “C/O” followed by the third party’s name and street address or P.O. box.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, enter the box number instead of the street address.

For foreign addresses, enter the information in the following order: City, province or state, and the name of the country. Follow the country’s practice in placing the postal code in the address. Do not abbreviate the country name.

If a change in address occurs after the return is filed, use Form 8822, Change of Address, to notify the IRS of the new address.

Item D. Employer identification number (EIN). Use the EIN provided to the organization for filing its Form 990 and federal tax returns. The organization must have only one EIN. If it has more than one and has not been advised which to use, notify the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

State the numbers the organization has, the name and address to which each EIN was assigned, and the address of the organization’s principal office. The IRS will advise the organization which number to use.

TIP A **subordinate organization** in a **group exemption** that is filing an individual Form 990 return must use its own EIN, not that of the **central organization** or of the **group return**.

TIP A section 501(c)(9) voluntary employees’ beneficiary association must use its own EIN and not the EIN of its sponsor.

Item E. Telephone number. Enter a telephone number of the organization that members of the public and government personnel can use during normal business hours to obtain information about the organization’s finances and activities. If the organization does not have a telephone number, enter the telephone number of an organization official who can provide such information.

Item F. Name and address of principal officer. The address provided must be a complete mailing address to enable the IRS to communicate with the **principal officer** if necessary. If the officer prefers to be contacted at the organization’s address listed in item C, enter “same as C above.” For purposes of this item, “principal officer” means an **officer** of the organization who, regardless of title, has ultimate responsibility for implementing the decisions of the organization’s **governing body**, or for supervising the management, administration, or operation of the organization.

Item G. Gross receipts. On Form 990, Part VIII, column A, add line 6b (both columns (i) and (ii)), line 7b (both columns (i) and (ii)), line 8b, line 9b, line 10b, and line 12, and enter the total here. See the exceptions from filing Form 990 based on **gross receipts** and **total assets** as described in *A. Who Must File*; *B. Organizations Not Required To File Form 990*; *Appendix B. How To Determine Whether an Organization’s*

Gross Receipts Are Normally \$25,000 (or \$5,000) or Less; and Appendix C. Special Gross Receipts Tests For Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations.

Item H. Group returns. If the organization answers “No” to line H(a), it should not check a box in line H(b). If the organization answers “Yes” to line H(a) but “No” to line H(b), attach a list (not on Schedule O (Form 990)) showing the name, address, and **EIN** of each affiliated organization included in the **group return**. A central or **subordinate organization** filing an individual return should not attach such a list. Enter on line H(c) the four-digit group exemption number (GEN) if the organization is filing a group return, or if the organization is a central or subordinate organization in a **group exemption** and is filing a separate return. Do not confuse the four-digit GEN number with the nine-digit EIN number reported on item D of the form’s Heading. A **central organization** filing a group return must not report its own EIN in item D, but report the special EIN issued for use with the group return.

If attaching a list:

- Enter the form number (“Form 990”) and tax year,
- Enter the group exemption name and **EIN**,
- Enter the four-digit group exemption number (GEN), and
- Use the same size paper as the form.

Item I. Tax-exempt status. Check the applicable box. If the organization is exempt under section 501(c), check the first box and insert the appropriate subsection number within the parentheses (for example, “3” for a 501(c)(3) organization).


Item J. Website. Enter the organization’s website address. If the organization does not maintain a website, enter “N/A” (not applicable).

Item K. Form of organization. Check the box describing the organization’s legal entity form or status under state law in its state of legal domicile. These include corporations, trusts, unincorporated associations, and other entities (for example, partnerships and limited liability companies).

Item L. Year of formation. Enter the year in which the organization was legally created under state or foreign law. If a corporation, enter the year of incorporation.

Item M. State of legal domicile. For a corporation, enter the state of incorporation (country of incorporation for a foreign corporation formed outside the United States). For a trust or other entity, enter the state whose law governs the organization’s internal affairs (or the foreign country whose law governs for a foreign organization other than a corporation).

Part I. Summary

 **TIP** Because Part I generally reports information reported elsewhere on the form, complete Part I after the other parts of the form are completed. See C. Sequencing Chart To Complete the Form, on page 6.

Complete lines 3–5 and 7–22 by using applicable references made in Part I to other items.

Line 1. Describe the organization’s mission or its most significant activities for the year, whichever the organization wishes to highlight, on the summary page.

Line 2. Check this box if the organization answered “Yes,” to Part IV, line 31 or 32, and complete Schedule N (Form 990 or 990-EZ), Part I or Part II.

Line 6. Enter the number of **volunteers**, full-time and part-time, who provided volunteer services to the organization during the reporting year. Organizations that do not keep track of this information in their books and records or report this information elsewhere (such as in annual reports or grant proposals) can provide a reasonable estimate, and can use any reasonable basis for determining this estimate. Organizations can, but are not required, to provide an explanation on Schedule O (Form 990) of how this number was determined, the number of hours those volunteers served during the tax year, and the types of services or benefits provided by the organization’s volunteers.

Line 7b. If the organization is not required to file a Form 990-T for the tax year, enter “0”. If the organization has not yet filed Form 990-T for the tax year, provide an estimate of the amount it expects to report on Form 990-T, line 34, when it is filed.

Lines 8–19. If this is an initial return, or if the organization filed Form 990-EZ or 990-PF in the prior year, leave the “Prior Year” column blank. Use the same lines from the 2008 Form 990 to determine what to report for prior year revenue and expense amounts.

Part II. Signature Block

To make the return complete, an officer of the organization authorized to sign it must sign in the space provided. For a corporation or association, this officer can be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate or association officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation or association. For a trust, the authorized trustee(s) must sign. The definition of “officer” for purposes of Part II is different from the definition of **officer** (see *Glossary*) used to determine which officers to report elsewhere on the form and schedules.

Paid Preparer

Generally, anyone who is paid to prepare the return must sign the return and fill in the other blanks in the *Paid Preparer’s Use Only* area. An employee of the filing organization is not a paid preparer.

The paid preparer must:

- Sign the return in the space provided for the preparer’s signature,
- Enter the preparer information, and
- Give a copy of the return to the organization.

The paid preparer must enter the preparer’s identifying number and the firm’s **EIN** only if filing Form 990 for a section 4947(a)(1) **nonexempt charitable trust** that is not filing Form 1041, U.S. Income Tax Return for Estates and Trusts. The preparer’s identifying number is the preparer’s taxpayer identification number (PTIN), if obtained, or the preparer’s social security number (SSN).



The IRS is not authorized to redact the paid preparer’s SSN if such SSN is entered on the paid preparer’s block. Because Form 990 is a publicly disclosable document, any information entered on this block will be publicly disclosed (see Appendix D). Accordingly, any paid preparer whose identifying number must be listed on Form 990 can apply for and obtain a PTIN using Form W-7P, Application for Preparer Tax Identification Number.

Paid Preparer Authorization

On the last line of Part II, check “Yes” if the IRS can contact the paid preparer who signed the return to discuss the return. This authorization applies only to the individual whose signature appears in the *Paid Preparer’s Use Only* section of Form 990. It does not apply to the firm, if any, shown in that section.

By checking “Yes,” to this box, the organization is authorizing the IRS to contact the paid preparer to answer any questions that arise during the processing of the return. The organization is also authorizing the paid preparer to:

- Give the IRS any information missing from the return,
- Call the IRS for information about processing the return, and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

The organization is not authorizing the paid preparer to bind the organization to anything or otherwise represent the organization before the IRS.

The authorization will automatically end no later than the due date (excluding extensions) for filing of the organization’s 2010 Form 990. If the organization wants to expand the paid preparer’s authorization or revoke it before it ends, see Pub. 947, Practice Before the IRS and Power of Attorney.

Check “No” if the IRS should contact the organization or its principal officer listed in item F of the *Heading* rather than the paid preparer.

Part III. Statement of Program Service Accomplishments

Part III requires reporting regarding the organization’s program services and exempt purpose achievements. A program service is an activity of an organization that accomplishes its exempt purpose. Examples of exempt purpose achievements can include:

- A section 501(c)(3) organization’s charitable activities such as a hospital’s provision of charity care under its charity care policy, a college’s provision of higher education to students under a degree program, a disaster relief organization’s provision of grants or assistance to victims of a natural disaster, or a nursing home’s provision of rehabilitation services to residents;
- A section 501(c)(5) labor union’s conduct of collective bargaining on behalf of its members;
- A section 501(c)(6) business league’s conduct of meetings for members to discuss business issues; or
- A section 501(c)(7) social club’s operation of recreational and dining facilities for its members.

Do not report a fundraising activity as an exempt purpose achievement unless it is substantially related to the accomplishment of the organization’s exempt purposes (other than by raising funds).

Line 1. Describe the organization’s mission as articulated in its mission statement or as otherwise adopted by the organization’s **governing body**, if applicable. If the organization does not have a mission that has been adopted by its **governing body**, enter “None.”

Line 2. Answer “Yes” if the organization undertook any new significant program services during the tax year not described in the prior year’s Form 990 or 990-EZ. Describe these items in Schedule O (Form 990). If any are among the activities described on Form 990, Part III, line 4, the organization can reference the detailed description on line 4.

Line 3. Answer “Yes” if the organization made any significant changes during the year in how it conducts its program services to further its exempt purposes, or if the organization ceased conducting significant program services that had been conducted in a prior year. Describe these items on Schedule O (Form 990).



An organization must report new, significant program services or significant changes in how it conducts program services on its Form 990, Part III, rather than in a letter to IRS Exempt Organizations Determinations (“EO Determinations”). EO Determinations no longer issues letters confirming the tax-exempt status of organizations that report such new services or significant changes.

Lines 4a–4c. All organizations must describe their achievements for each of their three largest program services, as measured by total expenses incurred. If there were three or fewer of such activities, describe each program service activity. The organization can report on Schedule O (Form 990) additional activities that it considers of comparable or greater importance, although smaller in terms of expenses incurred (such as activities conducted with **volunteer** labor).

Code. For the 2009 tax year, leave this blank.

Expenses and grants. For each program service reported on lines 4a–4c, section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts must enter total expenses included on Part IX, column (B), line 25, and total grants and allocations (if any) included within such total expenses that were reported on Part IX, on column (B), lines 1–3. For all other organizations, entering these amounts is optional.

Revenue. For each program service, section 501(c)(3) and 501(c)(4) organizations must report any revenue derived directly from the activity, such as fees for services or from the sale of goods that directly relate to the listed activity. This revenue includes program service revenue reported on Part

VIII, column (A), line 2, and includes other amounts reported on Part VIII, lines 3–11, as related or exempt function revenue. Also include **unrelated business income** from a business that exploits an exempt function, such as advertising in a journal. For this purpose, charitable contributions and grants (including the charitable contribution portion, if any, of membership dues) reported on Part VIII, line 1, are not considered revenue derived from program services.

Description of program services. For each program service reported, include the following.

- Describe program service accomplishments through specific measurements such as clients served, days of care provided, number of sessions or events held, or publications issued.
- Describe the activity’s objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity.
- Give reasonable estimates for any statistical information if exact figures are not readily available. Indicate that this information is estimated.
- Be clear, concise, and complete in the description. Use Schedule O (Form 990) if additional space is needed.

Donated services. The organization can report the amount of any donated services, or use of materials, equipment, or facilities it received or used in connection with a specific program service, on the lines for the narrative description of the appropriate program service. However, do not include these amounts in revenue, expenses, or grants reported on lines 4a–4e, even if prepared in accordance with **generally accepted accounting principles**.

Public interest law firm. A public interest law firm exempt under section 501(c)(3) or section 501(c)(4) must include a list of all the cases in litigation or that have been litigated during the year. For each case:

- Describe the matter in dispute,
 - Explain how the litigation will benefit the public generally, and
 - Enter the fees sought and recovered.
- See Rev. Proc. 92-59, 1992-2 C.B. 411.

Line 4d. Other program services. Enter on Schedule O (Form 990) the organization’s other program services. The detailed description required for the three largest program services need not be provided for these other program services. Section 501(c)(3) and 501(c)(4) organizations, and section 4947(a)(1) trusts, must report on line 4d their total revenues reported on Part VIII, column (A), line 2, and their total expenses (including grants) reported in Part IX, column (B) that are attributable to these other program services, and must report on line 4e their total program service expenses from lines 4a–4d. For all other organizations, entering these amounts is optional.

Part IV. Checklist of Required Schedules

For each “Yes” answer to a question on Form 990, Part IV, complete the applicable schedule (or part or line of the schedule). See the *Glossary* and instructions for the pertinent schedules for definitions of terms and explanations that are relevant to questions in this part.

The organization is not required to answer “Yes” to a question on Form 990, Part IV, or complete the schedule (or part of a schedule) to which the question is directed if the organization is not required to provide any information in the schedule (or part of the schedule). Thus, a minimum dollar threshold for reporting information on a schedule may be relevant in determining whether the organization must answer “Yes” to a question on Form 990, Part IV.

All pages of a required schedule should be filed by Form 990 paper filers, even if the filer is only required to complete certain parts but not all of the schedule.

Line 1. Answer “Yes” if the organization is a section 501(c)(3) or a section 4947(a)(1) organization that is not a **private foundation**. Answer “Yes” if the organization claims section 501(c)(3) status but has not yet filed a Form 1023 application or received a determination letter recognizing its section 501(c)(3) status. All other organizations answer “No.”

Line 2. Answer “Yes” if any of the following are satisfied.

- A section 501(c)(3) organization met the 33 $\frac{1}{3}$ % support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi) (in such case, the organization must check “Yes” on Schedule A (Form 990 or 990-EZ), Part II, line 16a or 16b), and received from any one contributor, during the year, **contributions** of the greater of \$5,000 (in money or property) or 2% of the amount on Form 990, Part VIII, line 1h.
- A section 501(c)(3) organization did not meet the 33 $\frac{1}{3}$ % support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi), and received during the year **contributions** of \$5,000 or more from any one contributor.
- A section 501(c)(7), 501(c)(8), or 501(c)(10) organization received, during the year, **contributions** of any amount for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals, or **contributions** of \$5,000 or more not exclusively for such purposes from any one contributor.
- Any other organization that received, during the year, **contributions** of \$5,000 or more from any one contributor.

Line 3. All organizations must answer this question, even if they are not subject to a prohibition against **political campaign activities**. Answer “Yes,” whether the activity was conducted directly or indirectly through a **disregarded entity** or a **joint venture** or other arrangement treated as a partnership for federal income tax purposes and in which the organization is an owner.

Line 4. Complete only if the organization is a section 501(c)(3) organization. Other organizations leave this line blank.

Line 5. Complete only if the organization is a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Rev. Proc. 98-19, 1998-1 C.B. 547. Other organizations leave this line blank.

Line 6. Answer “Yes” if the organization maintained at any time during the organization’s tax year a **donor advised fund** or another similar fund or account (that is, any account over which the donor or a person appointed by the donor had advisory privileges with respect to the use or investment of any portion of the account, but which does not constitute a **donor advised fund**). Examples of other similar funds or accounts include, but are not limited to, the types of funds or accounts described as exceptions to the *Glossary* definition of a **donor advised fund**.

Line 7. Answer “Yes” if the organization received or held any **conservation easement** at any time during the year, regardless of how the organization acquired the easement or whether a charitable deduction was claimed by a donor of the easement.

Line 8. Answer “Yes” if at any time during the year the organization maintained collections of **works of art, historical treasures**, or other similar assets as described within **SFAS 116**, regardless of whether the organization reported revenue and assets related to such collections in its financial statements.



*Organizations that answer “Yes” to line 8 often will answer “Yes” to Part IV, line 30, which addresses current-year **contributions** of such items.*

Line 9. Answer “Yes” if at any time during the organization’s tax year the organization (1) had an **escrow or custodial account** or (2) provided **credit counseling services** and/or **debt management plan services**, such as credit repair or debt negotiations.

Line 10. Answer “Yes” if the organization, a **related organization**, or an organization formed and maintained exclusively to further one or more exempt purposes of the organization (such as a foundation formed and maintained exclusively to hold **endowment** funds to provide scholarships and other funds for a college or university described within section 501(c)(3)), held assets in **term endowment, permanent endowment, or quasi-endowment** funds at any time during the year, regardless of whether the organization follows **SFAS 117** or reports **endowments** in Part X, line 32.

See the instructions for Schedule D (Form 990), Part V, for the definitions of these types of endowments.

Line 11. Answer “Yes” if the organization reported an amount for land, buildings, or equipment on Part X, line 10; an amount for other liabilities on Part X, line 25; or if its financial statements for the tax year included a footnote that addresses its liability for uncertain tax positions under FIN 48. Also, answer “Yes” if the organization reported in Part X an amount for investments-other securities, investments-program related, or other assets, in any of lines 12, 13, or 15, that is 5% or more of the total assets reported on Part X, line 16.

Line 12. Answer “Yes” if the organization received a separate, independent **audited financial statement** prepared in accordance with **generally accepted accounting principles** for the year for which it is completing this return. All other organizations answer “No.” Do not answer “Yes” if the organization was included in a consolidated **audited financial statement** unless the organization also received a separate **audited financial statement**.

An accountant’s **compilation** or **review of financial statements** is not considered to be an audit and does not produce an **audited financial statement**. If the organization answers “No,” but has prepared, for the year for which it is completing this return, a financial statement that was not audited, the organization can (but is not required to) provide the reconciliations contained on Schedule D (Form 990), Parts XI–XIII.

Line 12A. Answer “Yes” if the organization was included in consolidated, independent **audited financial statements** prepared in accordance with **generally accepted accounting principles** for the year for which it is completing this return. All other organizations answer “No.”

Line 13. Answer “Yes” if the organization checked the box on Schedule A (Form 990 or 990-EZ), Part I, line 2, indicating that it is a **school**.

Lines 14–16. Answer “Yes” to line 14a if the organization maintained an office, or had employees or agents, outside the **United States**. Answer “Yes,” to line 14b if the organization had aggregate revenue or expenses of more than \$10,000 from or attributable to grantmaking, fundraising activities, business, investments, and program service activities outside the **United States**. In the case of indirect investments made through investment entities, the extent to which revenue or expenses are taken into account in determining whether the \$10,000 threshold is exceeded will depend upon whether the investment entity is treated as a partnership or corporation for U.S. tax purposes. For example, an organization with an interest in a foreign partnership would need to take into account its share of the partnership’s revenue and expenses in determining whether the \$10,000 threshold is exceeded. However, the organization need not take into account or report any portion of the revenues, expenses, or expenditures of a foreign corporation in which it holds an investment, provided that the corporation is treated as a separate corporation for U.S. tax purposes.

An organization that answers “Yes,” to line 14a should only complete Schedule F (Form 990) if it satisfies one or more of the dollar thresholds described on line 14b, 15, or 16 and answers “Yes” to any of those questions.

Lines 17–19. Answer “Yes” to line 17 if the total amount reported for **professional fundraising services** in Part IX (line 11e, plus portion of line 6 amount attributable to professional fundraising services) exceeds \$15,000.

Answer “Yes” to line 18 if the sum of the amounts reported on lines 1c and 8a of Form 990, Part VIII exceeds \$15,000. An organization that answers “No” should consider whether to complete Schedule G (Form 990 or 990-EZ) in order to report its **fundraising activities** or **gaming** activities for state or other reporting purposes.

Line 20. Answer “Yes” if the organization, directly or indirectly through a **disregarded entity** or **joint venture** treated as a partnership for federal income tax purposes, operated any facility that at any time during the year was, or was required to be, licensed, registered, or similarly recognized by a state as a

hospital. Except in the case of a **group return**, do not include facilities operated by another organization that is treated as a separate taxable or tax-exempt corporation for federal income tax purposes. For **group returns**, answer “Yes” if any affiliate included within the **group return** operated such a facility.

Lines 21–22. Answer “Yes” if the organization reported more than \$5,000 on Part IX, line 1, or more than \$5,000 on Part IX, line 2.

TIP Organizations that answer “No” to lines 21 and 22 should consider whether to complete Schedule I (Form 990) in order to report the provision of **grants and other assistance** in the **United States** for state or other reporting purposes.

Line 23. Answer “Yes” if the organization:

- Listed in Part VII a **former officer, director, trustee, key employee, or highest compensated employee**; or
- Reported for any person listed in Part VII more than \$150,000 of **reportable compensation** and other **compensation**.

Also answer “Yes” if, under the circumstances described in the instructions to Part VII, Section A, line 5, the filing organization had knowledge that any person listed in Part VII, Section A, received or accrued **compensation** from an **unrelated organization** for services rendered to the filing organization.

Line 24. Lines 24a–24d involve questions regarding **tax-exempt bonds**. All organizations must answer “Yes” or “No” on line 24a. Those organizations that answer “Yes” on line 24a must also answer lines 24b through 24d and complete Schedule K (Form 990). Those that answer “No” to line 24a can skip to line 25.

Line 24a. Answer “Yes” and complete Schedule K (Form 990) for each **tax-exempt bond** issued after December 31, 2002 (including refunding bonds) with an outstanding principal amount of more than \$100,000 as of the last day of the organization’s tax year.

Line 24b. For purposes of line 24b, the organization need not include the following as investments of **proceeds**.

- Any investment of **proceeds** relating to a reasonably required reserve or replacement fund as described in section 148(d).
- Any investment of **proceeds** properly characterized as replacement **proceeds** as defined in Regulations section 1.148-1(c).
- Any investment of net **proceeds** relating to a **refunding escrow** as defined in Regulations section 1.148-1(b).

Temporary period exceptions are described in section 148(c) and Regulations section 1.148-2(e). For example, there is a 3-year temporary period applicable to **proceeds** spent on expenditures for capital projects and a 13-month temporary period applicable to **proceeds** spent on working capital expenditures.

Line 24c. For purposes of line 24c, the organization is treated as maintaining an escrow account if such account is maintained by a trustee with respect to **tax-exempt bonds** issued for the benefit of the organization.

Line 24d. Answer “Yes” if the organization has received an advance ruling that its obligations were issued on behalf of a state or local **governmental unit** (see Rev. Proc. 82-26, 1982-1 C.B. 476); meets the conditions for issuing **tax-exempt bonds** as set forth in Rev. Rul. 63-20, 1963-1 C.B. 24; or is a constituted authority organized by a state or local **governmental unit** specifically to issue **tax-exempt bonds** in order to further public purposes (see Rev. Proc. 57-187, 1957-1 C.B. 65). Also answer “Yes” if the organization has outstanding qualified scholarship funding bonds under section 150(d) or bonds of a qualified volunteer fire department under section 150(e).

Lines 25a–25b. Complete lines 25a and 25b only if the organization is a section 501(c)(3) or section 501(c)(4) organization. If the organization is not described in section

501(c)(3) or 501(c)(4), skip lines 25a and 25b and leave them blank.

TIP An **excess benefit transaction** can have serious implications for the **disqualified person** that entered into the transaction with the organization, any **organization managers** that knowingly approved of the transaction, and the organization itself. A section 501(c)(3) or section 501(c)(4) organization that becomes aware that it may have engaged in an **excess benefit transaction** should obtain competent advice regarding section 4958, consider pursuing correction of any excess benefit, and take other appropriate steps to protect its interests with regard to such transaction and the potential impact it could have on the organization’s continued exempt status. See Appendix G, Section 4958 Excess Benefit Transactions, for a discussion of section 4958, and Schedule L (Form 990 or 990-EZ), Part I, regarding reporting of **excess benefit transactions**.

Lines 26–28. Lines 26 through 28 ask questions about loans from the organization to certain interested persons (or vice-versa), **grants and other assistance** provided by the organization to certain interested persons, and certain direct and indirect business transactions involving current or former governance and management officials of the organization or their associated businesses or **family members**. All organizations must answer these questions. The organization should review carefully the instructions for Schedule L (Form 990 or 990-EZ), Parts II–IV, before answering these questions and completing Schedule L (Form 990 or 990-EZ).

Line 29. The organization is required to answer “Yes” to line 29 if it received during the year more than \$25,000 in fair market value of donations, gifts, grants or other **contributions** of property other than cash, regardless of the manner received (such as for use in a charity auction). Do not include **contributions** of services or use of facilities.

Line 30. The organization is required to answer “Yes” to line 30 if during the year it received as a donation, gift, grant or other **contribution**:

- any **work of art, historical treasure**, historical artifact, scientific specimen, archeological artifact, or similar asset, including a fractional interest, regardless of amount or whether the organization maintains collections of such items; or
 - any **qualified conservation contributions** regardless of whether the contributor claimed a charitable contribution deduction for such **contribution**.
- See the Instructions for Schedule M (Form 990) for definitions of these terms.

Lines 31–32. The organization must answer “Yes” if it liquidated, terminated, dissolved, ceased operations, or engaged in a **significant disposition of net assets** during the year. See the Instructions for Schedule N (Form 990 or 990-EZ) for definitions and explanations of these terms and transactions or events. Organizations that answer “Yes” to either of these questions must also check the box in Part I, line 2 and complete Schedule N (Form 990 or 990-EZ), Part I or Part II.

Lines 33–35. The organization is required to report on Schedule R (Form 990) certain information regarding ownership or control of, and transactions with, its **disregarded entities** and tax-exempt and taxable **related organizations**. An organization that answers “Yes” to line 33 or 34 must enter its disregarded entities and related organizations on Schedule R (Form 990) and provide specified information regarding such organizations. An organization that is a **controlling organization under section 512(b)(13)** with respect to a **controlled entity** must answer “Yes” to line 35 and report transfers to or from the controlled entity. See the *Glossary* and the Instructions for Schedule R (Form 990) for definitions of these terms.

Line 36. Complete line 36 only if the organization is a section 501(c)(3) organization or a section 4947(a)(1) trust. All other organizations leave this line blank and go to line 37. See the *Glossary* and the Instructions to Schedule R (Form 990) for the types of transfers required to be reported on Schedule R (Form 990), Part V, line 2.

Line 37. Answer “Yes” if at any time during the year the organization conducted more than 5 percent of its activities, measured by total gross revenue for the tax year or **total assets** of the organization at the end of its **tax year**, whichever is greater, through an **unrelated organization** that is treated as a partnership for federal income tax purposes. The 5 percent test is applied on a partnership by partnership basis, although direct ownership by the organization and indirect ownership through disregarded or tiered entities is aggregated for this purpose. The organization need not report on Schedule R (Form 990) Part VI, either (1) the conduct of activities through an organization treated as a taxable or tax-exempt corporation for federal income tax purposes, or (2) unrelated partnerships that meet both of the following conditions.

- 95% or more of the filing organization’s gross revenue from the partnership for the partnership’s tax year ending with or within the organization’s tax year is described in sections 512(b)(1), 512(b)(2), 512(b)(3), and 512(b)(5), such as interest, dividends, royalties, rents, and capital gains (including unrelated debt-financed income); and
- The primary purpose of the filing organization’s investment in the partnership is the production of income or appreciation of property and not the conduct of a section 501(c)(3) charitable activity such as program-related investing.

Line 38. Answer “Yes,” if the organization completed Schedule O (Form 990).

TIP *Schedule O (Form 990) must be completed and filed by all organizations that file Form 990. All filers must provide narrative responses to certain questions (for example, Part VI, lines 11A and 19) on Schedule O. Certain filers must provide narrative responses to other questions (for example, Part III, line 4d; Part V, line 3b; Part VI, lines 2-7b, 9, 12c, and 15a-b for “Yes” responses; Part VI, lines 8a-b and 10b for “No” responses; Part XI, line 3b for “No” response). All filers can supplement their answers to other Form 990 questions on Schedule O.*

Part V. Statements Regarding Other IRS Filings and Tax Compliance

TIP *See Glossary for definition of terms used in the questions in this section.*

TIP *Some questions in this part pertain to other IRS forms. Forms are available by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading from the IRS website at www.irs.gov. Most forms and publications are also available at your local IRS office. See also Appendix H, Forms and Publications To File or Use.*

Line 1a. The organization must use Form 1096 to transmit paper Forms 1099, 1098, 5498, and W-2G to the IRS, which are information returns reporting certain amounts paid or received by the organization. Report all such returns filed for the calendar year ending with or within the organization’s **tax year**. If the organization transmits any of these forms electronically, add this number to the total reported. Examples of payments requiring Form 1099 reporting include certain payments to **independent contractors** for services rendered. Report on this line Forms 1099, 1098, 5498, and W-2G filed by reporting agents of the filing organization, including common paymasters and payroll agents, for the calendar year ending with or within the organization’s tax year.

Line 1b. Form W-2G pertains to certain gambling winnings.

Line 1c. For more information on backup withholding for missing or incorrect names or taxpayer identification numbers, see Pub. 1281, Backup Withholding for Missing and Incorrect Name/TIN(s). If back-up withholding rules did not apply to the organization because it did not make a reportable payment to a vendor or provide reportable gaming (gambling) winnings to a prize winner, then leave line 1c blank.

Line 2a. Include on this line the number of the organization’s employees reported on a Form W-3 by both the filing organization and reporting agents of the filing organization,

including common paymasters and payroll agents, for the calendar year ending with or within the filing organization’s tax year.

Line 2b. If the organization reported at least one employee on line 2a, answer whether it filed all required federal employment tax returns (which include Form 940, Employer’s Federal Unemployment (FUTA) Tax Return, and Form 941, Employer’s Quarterly Federal Tax Return) relating to such employees. For more information, see the discussion of employment taxes in Pub. 557.

Line 3a. Check “Yes” on line 3a if the organization’s total gross income from all of its **unrelated trades or businesses** is \$1,000 or more for the year. Gross income is the amount of **gross receipts** less the cost of goods sold. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations, for a description of **unrelated business income** and the Form 990-T filing requirements for organizations having such income.



Neither Form 990-T nor Form 990 is a substitute for the other. Report on Form 990 items of income and expense that are also required to be reported on Form 990-T when the organization is required to file both forms.

Line 3b. Answer “Yes” if the organization filed Form 990-T by the time this Form 990 is filed. Check “No” if the organization has filed an extension but has not filed the Form 990-T. If “No,” provide an explanation on Schedule O (Form 990).



*All tax-exempt organizations must pay estimated taxes with respect to their **unrelated business income** if they expect their tax liability to be \$500 or more. Use Form 990-W, Estimated Tax on Unrelated Business Taxable Income For Tax-Exempt Organizations, to compute these amounts.*

Line 4a. Answer “Yes” if either (1) or (2) below applies.

1. At any time during the calendar year ending with or within the organization’s **tax year**, the organization had an interest in, or signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account); and

a. The combined value of all such accounts was more than \$10,000 at any time during the calendar year; and

b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.

2. The organization owns more than 50% of the stock in any corporation that would answer “Yes” to item 1 above.

If “Yes,” file Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, by June 30 after the end of the calendar year with the Department of the Treasury at the address shown on the form. Do not file Form TD F 90-22.1 with the IRS or attach it to Form 990.

Form TD F 90-22.1 is available by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at www.irs.gov.

Line 4b. Enter the name of each foreign country in which a foreign account described on line 4a is located.

Line 5. Answer “Yes” on line 5a if the organization was party to a prohibited tax shelter transaction as described in section 4965(e) at any time during the organization’s **tax year**. A prohibited tax shelter transaction is any listed transaction, within the meaning of section 6707A(c)(2), and any prohibited reportable transaction. 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).

An organization that files Form 990 (other than a section 527 political organization) and that is a party to a prohibited tax shelter transaction must file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction, and may also have to file Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, and pay an excise tax imposed by section 4965. For more information, see the instructions to Forms 8886-T and 4720.

Line 6. Answer “Yes” only if the organization has annual gross receipts that are normally greater than \$100,000 and if it solicited contributions not deductible under Code section 170 during the tax year.

Any fundraising solicitation (including solicitation of member dues) by or on behalf of any section 501(c) or 527 organization that is not eligible to receive **contributions** deductible as charitable contributions for federal income tax purposes must include an explicit statement that contributions or gifts to it are not deductible as charitable contributions. The statement must be in an easily recognizable format whether the solicitation is made in written or printed form, by television or radio, or by telephone.

Failure to disclose that contributions are not deductible could result in a penalty of \$1,000 for each day on which a failure occurs. The maximum penalty for failures by any organization, during any calendar year, shall not exceed \$10,000. In cases where the failure to make the disclosure is due to intentional disregard of the law, more severe penalties apply. No penalty will be imposed if the failure is due to reasonable cause.

All organizations that qualify under section 170(c) to receive **contributions** that are deductible as charitable contributions for federal income tax purposes (such as domestic section 501(c)(3) organizations other than organizations that test for public safety) should answer “No” on line 6a.

Line 7. Line 7 is directed only to organizations that can receive deductible charitable **contributions** under section 170(c). See Pub. 526, Charitable Contributions, for a description of such organizations. All other organizations should leave lines 7a through 7h blank and go to line 8.

Lines 7a and 7b. If a donor makes a payment in excess of \$75 partly as a contribution and partly in consideration for goods or services provided by the organization, the organization generally must notify the donor of the value of goods and services provided.

Example. A donor gives a charity \$100 in consideration for a concert ticket valued at \$40 (a quid pro quo **contribution**). In this example, \$60 would be deductible. Because the donor’s payment exceeds \$75, the organization must furnish a disclosure statement even though the taxpayer’s deductible amount does not exceed \$75. Separate payments of \$75 or less made at different times of the year for separate fundraising events will not be aggregated for purposes of the \$75 threshold.



See section 6113 and Notice 88-120, 1988-2 C.B. 454.

Lines 7c and 7d. If the organization is required to file Form 8282, Donee Information Return, to report information to the IRS and to donors about dispositions of certain donated property made within 3 years after the donor contributed the property, it must answer “Yes” and indicate number of Forms 8282 filed.

Lines 7e and 7f. If, in connection with a transfer to or for the use of the organization, the organization directly or indirectly pays premiums on any personal benefit contract, or there is an understanding or expectation that any person will directly or indirectly pay such premiums, the organization must report on Form 8870, Information Return for Transfers Associated with Certain Personal Benefit Contracts, the premiums it paid, and the premiums paid by others but treated as paid by the organization. The organization must report and pay an excise tax, equal to premiums paid, on Form 4720. A personal benefit contract is generally any life insurance, annuity, or endowment contract that benefits, directly or indirectly, the transferor, a member of the transferor’s family, or any other person designated by the transferor (other than an organization described in section 170(c)).

Line 7g. Form 8899, Notice of Income from Donated Intellectual Property, must be filed by certain organizations that received a charitable gift of qualified intellectual property that produces net income. The organization should check “Yes” if it provided all required Forms 8899 for the year for net income

produced by donated qualified intellectual property. *Qualified intellectual property* is 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. If the organization did not receive a contribution of qualified intellectual property, leave line 7g blank.

Line 7h. A donor of a (1) motor vehicle for use on public roads, (2) a boat, or an (3) airplane cannot claim a charitable **contribution** deduction in excess of \$500 unless the donee organization provides the donor with a Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, with respect to the donation (or a written acknowledgment with the same information). See the instructions for Form 1098-C for more information. If the organization did not receive a contribution of a car, boat, airplane, or other vehicle, leave line 7h blank.

Line 8. A **sponsoring organization** of a **donor advised fund** must answer “Yes” if any one of its donor advised funds had excess business holdings at any time during the organization’s **tax year**. A section 509(a)(3) **supporting organization** of the type described below must answer “Yes” if it had excess business holdings at any time during the organization’s tax year. All other organizations should leave this line blank and go to line 9. If “Yes,” see the instructions for Schedule C of Form 4720 to determine whether the organization is subject to the excess business holdings tax under section 4943 and is required to file Form 4720.

Donor advised funds. For purposes of the excise tax on excess business holdings under section 4943, a donor advised fund is treated as a **private foundation**.

Supporting organizations. Only certain supporting organizations are subject to the excess business holdings tax under section 4943. These include:

- Type III supporting organizations that are not functionally integrated; and
- Type II supporting organizations that accept any gift or **contribution** from a person who, by himself or in connection with a related party, controls a supported organization of such Type II supporting organization.

To determine whether the organization is a supporting organization and if so, what type of supporting organization it is, see the Instructions for Schedule A (Form 990 or 990-EZ), Part I, line 11.

Line 9. Line 9 is required to be completed by **sponsoring organizations** maintaining a **donor advised fund**. All other organizations can leave this line blank and go to line 10.

Line 9a. Answer “Yes” if the organization made any taxable distributions under section 4966 during the organization’s **tax year**.

Under section 4966, a taxable distribution includes a distribution from a **donor advised fund** to an individual. A taxable distribution also includes a distribution from a donor advised fund to an estate, partnership, association, company, or corporation unless:

- The distribution is for a charitable purpose (for example, a purpose described in section 170(c)(2)(B)), and
- The organization exercises expenditure responsibility with respect to the distribution.

The above does not apply to distributions to any organization described in section 170(b)(1)(A) (other than a disqualified **supporting organization**, defined in section 4966(d)(4)), to the sponsoring organization of such donor advised fund, or to any other donor advised fund.

Line 9b. Answer “Yes” if the organization made a distribution from a **donor advised fund** to a donor, **donor advisor**, or related person during the organization’s **tax year**. For purposes of this question, a *related person* is any **family member** of the donor or donor advisor and any **35% controlled entity** (as defined in section 4958(f)) of the donor or donor advisor.



If an organization makes a distribution from a donor advised fund resulting from the advice of a donor, donor advisor, family member, or a 35% controlled entity of any of these persons, which distribution directly or indirectly provides a more than incidental benefit to one of such persons, section 4967 imposes a tax on (1) the person upon whose advice the distribution was made, (2) the beneficiary of the distribution, and (3) the fund manager for knowingly agreeing to make the distribution. The persons liable for the section 4967 tax must file Form 4720 to pay the tax. If an organization makes a distribution from a donor advised fund to a donor, donor advisor, family member, or 35% controlled entity of these persons, then the transaction might be a section 4958 transaction. Such transactions include any grant, loan, compensation, or other similar payment to these persons, as well as any other payment resulting in excess benefit.

Line 10. Answer lines 10a and 10b only if the organization is exempt under section 501(c)(7).



A section 501(c)(7) organization is not exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion if the social club:

1. Is an auxiliary of a fraternal beneficiary society exempt under section 501(c)(8), and
2. Limits its membership to the members of a particular religion; or the membership limitation is:
 - a. A good-faith attempt to further the teachings or principles of that religion, and
 - b. Not intended to exclude individuals of a particular race or color.

Line 10a. Enter the amount of initiation fees, capital contributions, and unusual amounts of income included in Part VIII. *Statement of Revenue*, line 12, *Total Revenue*, but not included in the definition of **gross receipts** for section 501(c)(7) exemption purposes as discussed in *Appendix C*. However, if the organization is a college fraternity or sorority that charges membership initiation fees but not annual dues, do not include such initiation fees.

Line 10b. Enter the amount of **gross receipts** included in Part VIII. *Statement of Revenue*, line 12, *Total Revenue*, derived from the general public for use of the organization's facilities, that is, from persons other than members or their spouses, dependents, or guests.



Include the amount entered on line 10b of Form 990 on the club's Form 990-T if required to be filed. Investment income earned by a section 501(c)(7) organization is not tax-exempt income unless set aside for the following purposes: religious, charitable, scientific, literary, educational, or prevention of cruelty to children or animals.

If the combined amount of an organization's gross investment income and other **unrelated business income** exceeds \$1,000, it must report the investment income and other unrelated business income on Form 990-T.

Line 11. Answer lines 11a and 11b only if the organization is exempt under section 501(c)(12).

One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85% of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term *gross income* means **gross receipts** without reduction for any cost of goods sold.

Gross income for mutual or cooperative electric companies is figured by excluding any income received or accrued from the following.

1. Qualified pole rentals.
2. Any provision or sale of electric energy transmission services or ancillary services if the services are provided on a

nondiscriminatory open access basis under an open access transmission tariff; approved or accepted by the Federal Energy Regulatory Commission (FERC) or under an independent transmission provider agreement approved or accepted by FERC (other than income received or accrued directly or indirectly from a member).

3. The provision or sale of electric energy distribution services or ancillary services, if the services are provided on a nondiscriminatory, open-access basis to distribute electric energy not owned by the mutual or electric cooperative company:

a. To end-users who are served by distribution facilities not owned by the company or any of its members (other than income received or accrued directly or indirectly from a member), or

b. Generated by a generation facility not owned or leased by the company or any of its members and which is directly connected to distribution facilities owned by such company or any of its members (other than income received or accrued directly or indirectly from a member).

4. From any nuclear decommissioning transaction.

5. From any asset exchange or conversion transaction.

For a mutual or cooperative telephone company, *gross income* does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, from qualified pole rentals, from the sale of display listings in a directory furnished to the telephone company's members, or from prepayment of a loan under section 306A, section 306B, or section 311 of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).

Line 12. All organizations that are not section 4947(a)(1) trusts are to leave line 12 blank.

If a section 4947(a)(1) **nonexempt charitable trust** has no taxable income under Subtitle A, its filing of Form 990 can be used to meet its income tax return filing requirement under section 6012. Such a trust must, if it answers "Yes" on line 12a, report its tax-exempt interest received or accrued (if reporting under the accrual method) during the **tax year** on line 12b.

Part VI. Governance, Management, and Disclosure

All organizations must complete Part VI. Use Schedule O (Form 990) to provide required supplemental information as described in this part, and to provide any additional information that the organization considers relevant to this part.

Part VI requests information regarding an organization's **governing body** and management, governance policies, and disclosure practices. Although federal tax law generally does not mandate particular management structures, operational policies, or administrative practices, every organization is required to answer each question in Part VI. For example, all organizations must answer lines 11 and 11A, which ask about the organization's process, if any, it uses to review Form 990, even though the governing body is not required by federal tax law to review Form 990.

Even though the information on policies and procedures requested in Section B generally is not required under the Internal Revenue Code, the IRS considers such policies and procedures to generally improve tax compliance. The absence of appropriate policies and procedures can lead to opportunities for **excess benefit transactions**, inurement, operation for non-exempt purposes, or other activities inconsistent with exempt status. Whether a particular policy, procedure, or practice should be adopted by an organization depends on the organization's size, type, and culture. Accordingly, it is important that each organization consider the governance policies and practices that are most appropriate for that organization in assuring sound operations and compliance with tax law. For more governance information relating to charities, see www.irs.gov/eo and click on *life cycle*.

Section A. Governing Body and Management

Line 1a. The **governing body** is the group of persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of **directors** (sometimes referred to as board of **trustees**) of a corporation or association, or the board of trustees of a trust (sometimes referred to simply as the trustees, or trustee, if only one trustee).

Enter the number, as of the end of the organization's tax year, of **members of the governing body** of the organization with power to vote on all matters that come before the governing body (other than when a conflict of interest disqualifies the member from voting). If members of the governing body do not all have the same voting rights, explain material differences on Schedule O (Form 990).

If the organization's governing body delegated authority to act on its behalf to an executive committee or similar committee with broad authority to act on behalf of the governing body, and the committee held such authority at any time during the organization's **tax year**, describe on Schedule O (Form 990) the composition of the committee, whether any of the committee's members are not on the governing body, and the scope of the committee's authority. The organization need not describe on Schedule O (Form 990) delegations of authority that are limited in scope to particular areas or matters, such as delegations to an audit committee, investment committee, or compensation committee of the governing body.

Line 1b. Enter the number of independent voting members of the organization's **governing body** as of the end of the organization's tax year. A **member of the governing body** is considered "independent" only if all three of the following circumstances applied at all times during the organization's tax year.

1. The member was not compensated as an **officer** or other employee of the organization or of a **related organization** (see the instructions for Schedule R (Form 990)) except as provided in the religious exception discussed below.

2. The member did not receive total **compensation** or other payments exceeding \$10,000 during the organization's tax year from the organization and related organizations as an **independent contractor**, other than **reasonable compensation** for services provided in the capacity as a member of the governing body. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a director of the organization does not cease to be independent merely because he or she also receives payments of \$7,500 from the organization for other arrangements.

3. Neither the member, nor any **family member** of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) that is required to be reported on Schedule L (Form 990 or 990-EZ) for the organization's tax year, or in a transaction with a taxable or tax-exempt related organization of a type and amount that would be reportable on Schedule L (Form 990 or 990-EZ) if required to be filed by the related organization.

A **member of the governing body** is not considered to lack independence merely because of the following circumstances.

1. The member is a donor to the organization, regardless of the amount of the contribution.

2. Religious exception: The member has taken a *bona fide* vow of poverty and either (a) receives **compensation** as an agent of a **religious order** or a section 501(d) religious or apostolic organization, but only under circumstances in which the member does not receive taxable income (see Rev. Rul. 77-290, 1977-2 C.B. 26 and Rev. Rul. 80-332, 1980-2 C.B. 34) or (b) belongs to a religious order that receives sponsorship or payments from the organization or a related organization which do not constitute taxable income to the member.

3. The member receives financial benefits from the organization solely in the capacity of being a member of the

charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization's terms of membership.

Example 1. B is a voting member of the organization's board of directors. B is also a partner with a profits and capital interest greater than 5% in a law firm, C, that charged \$120,000 to the organization for legal services in a court case. The transaction between C and the organization must be reported on Schedule L (Form 990 or 990-EZ) because it is a transaction between the organization and an entity of which B is a more than 5% owner, and because the payment to C from the organization exceeded \$100,000 (see the instructions to Schedule L (Form 990 or 990-EZ), Part IV, regarding both factors). Accordingly, B is not an independent member of the governing body because the \$120,000 payment must be reported on Schedule L (Form 990 or 990-EZ) as an indirect business transaction with B. If B were an associate attorney (an employee) rather than a partner with a greater than 5% interest, and not an officer, director, trustee, key employee, or owner of the law firm, the transaction would not affect B's status as an independent member of the organization's governing body.

Example 2. D is a voting member of both the organization's governing body and the governing body of C, a related organization. D's daughter, E, received \$40,000 in taxable compensation as a part-time employee of C. D is not an independent member of the governing body, because E received compensation from C, a related organization to D, and the compensation was of a type (compensation to a family member of a member of C's governing body) and amount (over \$10,000) that would be reportable on Schedule L (Form 990 or 990-EZ) if the related organization, C, were required to file Schedule L (Form 990 or 990-EZ).

See also *Examples 2 and 3* in the Instructions for Part VII, Section A, line 5 on page 30.

Reasonable effort. The organization need not engage in more than a **reasonable effort** to obtain the necessary information to determine the number of **independent voting members of its governing body** and can rely on information provided by such members. For instance, the organization can rely on information it obtains in response to a questionnaire sent annually to each member of the governing body that includes the name, title, date, and signature of each person reporting information, and containing the pertinent instructions and definitions for line 1b, to determine whether the member is or is not independent.

Line 2. Answer "Yes" if any of the organization's **officers, directors, trustees, or key employees**, as reported in Part VII, Section A, had a **family relationship** or business relationship with another of the organization's officers, directors, trustees, or key employees, as reported in Part VII, Section A, at any time during the organization's **tax year**. For each family and business relationship, identify the persons and describe their relationship on Schedule O (Form 990). It is sufficient to enter "family relationship" or "business relationship" without greater detail.

Business relationship. Business relationships between two persons include any of the following.

1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a **trustee, director, officer, key employee, or greater-than-35% owner**.

2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year. *Indirect transactions* are transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner. Such transactions do not include charitable contributions to tax-exempt organizations.

3. The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity (but not in the same tax-exempt organization).

Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (for example, ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.

Privileged relationship exception. For purposes of line 2, a “business relationship” does not include a relationship between an attorney and client, a medical professional (including psychologist) and patient, or a priest/clergy and penitent/communicant.

Example 1. B is an officer of the organization, and C is a member of the organization’s governing body. B is C’s sister’s spouse. The organization must report that B and C have a family relationship.

Example 2. D and E are officers of the organization. D is also a partner in an accounting firm with 300 partners (with a $\frac{1}{300}$ interest in the firm’s profits and capital) but is not an officer, director, trustee, or key employee of the accounting firm. D’s accounting firm provides services to E in the ordinary course of the accounting firm’s business, on terms generally offered to the public, and receives \$100,000 in fees during the year. The relationship between D and E is not a reportable business relationship, either because (1) it is in the ordinary course of business on terms generally offered to the public, or (2) D does not hold a greater-than-35% interest in the accounting firm’s profits or capital.

Example 3. F and G are trustees of the organization. F is the owner and CEO of an automobile dealership. G purchased a \$45,000 car from the dealership during the organization’s tax year in the ordinary course of the dealership’s business, on terms generally offered to the public. The relationship between F and G is not a reportable business relationship because the transaction was in the ordinary course of business on terms generally offered to the public.

Example 4. H and J are members of the organization’s board of directors. Both are CEOs of publicly traded corporations and serve on each other’s boards. The relationship between H and J is a reportable business relationship because each is a director or officer in the same business entity.

Example 5. K is a key employee of the organization, and L is on its board of directors. L is a greater-than-35% partner of a law firm that charged \$60,000 during the organization’s tax year for legal services provided to K that were worth \$600,000 at the law firm’s ordinary rates. Thus, the ordinary course of business exception does not apply. However, the relationship between K and L is not a reportable business relationship, because of the privileged relationship of attorney and client.

Reasonable effort. The organization is not required to provide information about a family or business relationship between two **officers, directors, trustees, or key employees** if it is unable to secure the information after making a **reasonable effort** to obtain it. An example of a reasonable effort would be for the organization to distribute a questionnaire annually to each such person that includes the name, title, date, and signature of each person reporting information and contains the pertinent instructions and definitions for line 2.

Line 3. Answer “Yes” if at any time during the organization’s tax year the organization used a management company or other person to perform any management duties customarily performed by or under the direct supervision of **officers, directors, trustees, or key employees**. Such management duties include, but are not limited to, hiring, firing, and supervising personnel, planning or executing budgets or financial operations, or supervising exempt operations or unrelated trades or businesses of the organization. Management duties do not include administrative services (such as payroll processing) that do not involve significant managerial decision-making. Management duties also do not

include investment management unless the filing organization conducts investment management services for others.

Line 4. The organization must report significant changes to its organizing or enabling document by which it was created (articles of incorporation, association, or organization; trust instrument; constitution; or similar document), and to its rules governing its affairs commonly known as bylaws (or regulations, operating agreement, or similar document). Report changes made since the prior Form 990 was filed, or that were not reported on any prior Form 990. Do not report changes to policies described or established outside of the organizing or enabling document and bylaws (or similar documents), such as adoption of, or change to, a policy adopted by resolution of the **governing body** that does not entail a change to the organizing document or bylaws.

Examples of significant changes to the organizing or enabling document or bylaws include changes to:

- The organization’s exempt purposes or mission;
- The number, composition, qualifications, authority, or duties of the governing body’s voting members;
- The number, composition, qualifications, authority, or duties of the organization’s **officers or key employees**;
- The role of the stockholders or membership in governance;
- The distribution of assets upon dissolution;
- The provisions to amend the organizing or enabling document or bylaws;
- The quorum, voting rights, or voting approval requirements of the governing body members or the organization’s stockholders or membership;
- The policies or procedures contained within the organizing documents or bylaws regarding **compensation** of officers, directors, trustees, or key employees, conflicts of interest, whistleblowers, or document retention and destruction; and
- The composition or procedures contained within the organizing document or bylaws of an audit committee.

Example. Organization X has a written conflicts of interest policy that is not contained within the organizing document or bylaws. The policy is changed by board resolution. The policy change does not need to be reported on line 4.

Examples of insignificant changes made to organizing or enabling documents or bylaws that are not required to be reported here include changes to the organization’s registered agent with the state and to the required or permitted number or frequency of governing body or member meetings.

Describe significant changes on Schedule O (Form 990), but do not attach a copy of the amendments or amended document to Form 990 (or recite the entire amended document verbatim), unless such amended documents reflect a change in the organization’s name. See the instructions for *Item B* under *Heading, Items A–M*, regarding attachments required in the event of a change in the organization’s name.



An organization must report significant changes to its organizational documents in Form 990, Part VI, rather than in a letter to EO Determinations. EO

Determinations no longer issues letters confirming the tax-exempt status of organizations that report significant changes to their organizational documents, though it will, on request, issue an affirmation letter confirming an organization’s name change. If an exempt organization becomes a different legal entity, such as by changing its legal structure from a trust to a corporation or by dissolving in one state and incorporating in another, then a new exemption application is required to establish that the new legal entity qualifies for exemption.

Line 5. Answer “Yes” if the organization became aware during the organization’s **tax year** of a material diversion of its assets, whether or not the diversion occurred during the year. If “Yes,” explain the nature of the diversion, amounts or property involved, corrective actions taken to address the matter, and pertinent circumstances on Schedule O (Form 990), although the person or persons who diverted the assets should not be identified by name.

A *diversion of assets* includes any unauthorized conversion or use of the organization’s assets other than for the

organization's authorized purposes, including but not limited to embezzlement or theft. Report diversions by the organization's **officers, directors, trustees, employees, volunteers, independent contractors**, grantees (diverting grant funds), or any other person, even if not associated with the organization other than by the diversion. A diversion of assets does not include an authorized transfer of assets for fair market value consideration, such as to a **joint venture** or for-profit subsidiary in exchange for an interest in the joint venture or subsidiary. For this purpose, a diversion is considered material if the gross value of all diversions (not taking into account restitution, insurance, or similar recoveries) discovered during the organization's tax year exceeds the lesser of (1) 5% of the organization's gross receipts for its tax year, (2) 5% of the organization's total assets as of the end of its tax year, or (3) \$250,000.

Note. A diversion of assets can in some cases constitute inurement of the organization's net earnings. In the case of section 501(c)(3) and 501(c)(4) organizations, it also can be an **excess benefit transaction** taxable under section 4958 and reportable on Schedule L (Form 990 or 990-EZ).

Line 6. Answer "Yes" if the organization is organized as a stock corporation, a joint-stock company, a partnership, a **joint venture**, or a limited liability company. Also answer "Yes" if the organization is organized as a non-stock, nonprofit, or not-for-profit corporation or association with members. For purposes of Form 990, Part VI, *member* means (without regard to what a person, including a corporation or other legal entity, is called in the governing documents) any person who, pursuant to a provision of the organization's governing documents or applicable state law, has the right to participate in the organization's governance or to receive distributions of income or assets from the organization. For instance, for purposes of Part VI, a membership organization includes members with the following kinds of rights.

1. The members elect the members of the **governing body** (but not if the persons on the governing body are the organization's only members) or their delegates.
2. The members approve significant decisions of the governing body.
3. The members can receive a share of the organization's profits or excess dues or a share of the organization's net assets upon the organization's dissolution.

Answer "No" if the organization is a trust for federal tax purposes. Describe on Schedule O (Form 990) the classes of members or stockholders with the rights described above.

Line 7a. Answer "Yes" on line 7a if at any time during the organization's tax year there were one or more persons (other than the organization's **governing body** itself, acting in such capacity) that had the right to elect or appoint one or more members of the organization's governing body, whether periodically, or as vacancies arise, or otherwise. If "Yes," describe on Schedule O (Form 990) the class or classes of such persons and the nature of their rights.

Line 7b. Answer "Yes" on line 7b if at any time during the organization's tax year there were one or more persons (whether members, stockholders, or otherwise) who had the right to approve or ratify decisions of the organization's **governing body**, such as approval of the governing body's election or removal of members of the governing body, or approval of the governing body's decision to dissolve the organization. If "Yes," describe on Schedule O (Form 990) the class or classes of such persons, the decisions that require their approval, and the nature of their voting rights.

Line 8. Answer "Yes" on lines 8a and 8b if the organization contemporaneously documented by any means permitted by state law every meeting held and written action taken during the organization's tax year by its **governing body** and committees with authority to act on behalf of the governing body (which ordinarily do not include advisory boards). Documentation permitted by state law can include approved minutes, email, or similar writings that explain the action taken, when it was taken, and who made the decision. For this purpose, *contemporaneous* means by the later of (1) the next meeting of

the governing body or committee (such as approving the minutes of the prior meeting) or (2) 60 days after the date of the meeting or written action. If "No," explain on Schedule O (Form 990) the organization's practices or policies, if any, regarding documentation of meetings and written actions of its governing body and committees with authority to act on its behalf.

Line 9. The IRS needs a mailing address to contact the organization's **officers, directors, trustees, or key employees**. The organization can use its official mailing address stated on the first page of Form 990 as the mailing address for such persons. Otherwise, enter on Schedule O (Form 990) the mailing addresses for such persons that are to be contacted at a different address. Such information will be available to the public.

Section B. Policies

Line 10a. Answer "Yes" if the organization had during its tax year any local chapters, disregarded entities, branches, lodges, units, or similar affiliates over which the organization has the legal authority to exercise direct or indirect supervision and control (whether or not in a **group exemption**) and local units that are not separate legal entities under state law over which the organization has such authority.

Line 10b. *Written policies and procedures governing the activities of chapters, branches, and affiliates to ensure their consistency with activities of the organization* are documents used by the organization and its local units to address the policies, practices, and activities of the local unit. Such policies and procedures can include required provisions in the chapter's articles of organization or bylaws, a manual provided to chapters, a constitution, or similar documents. If "No," explain on Schedule O (Form 990) how the organization ensures that the local unit's activities are consistent with its own or are consistent with its tax-exempt purposes.

Note. The **central organization** (parent organization) named in a **group exemption** letter is required to exercise oversight over its **subordinate organizations** as a condition of the group exemption.

Line 11. Answer "Yes" only if a copy of the organization's final Form 990 (including required schedules), as ultimately filed with the IRS, was provided to each **voting member of the organization's governing body**, whether in paper or electronic form, prior to its filing with the IRS. The organization can answer "Yes" if it emails all of its governing body members a link to a password-protected web site on which the entire Form 990 can be viewed, and notes in the email that the Form 990 is available for review on that site.

Line 11A. Describe on Schedule O (Form 990) the process, if any, by which any of the organization's **officers, directors, trustees**, board committee members, or management reviewed the prepared Form 990, whether before or after it was filed with the IRS, including specifics regarding who conducted the review, when they conducted it, and the extent of any such review. If no review was or will be conducted, enter "No review was or will be conducted."

Example. The return preparer emails a copy of the final version of Form 990 to each Board member before it was filed. However, no board member undertakes any review of the form either before or after filing. Because such a copy of the final version of the form was provided to each voting member of the organization's governing body before it was filed, the organization can answer "Yes" even though no review took place. The organization must describe its Form 990 review process (or lack thereof) on Schedule O (Form 990).

Line 12a. Answer "Yes" if as of the end of the organization's tax year, the organization had a written **conflict of interest policy**. A conflict of interest policy defines conflicts of interest, identifies the classes of individuals within the organization covered by the policy, facilitates disclosure of information that can help identify conflicts of interest, and specifies procedures to be followed in managing conflicts of interest. A *conflict of interest* arises when a person in a position of authority over an organization, such as an **officer, director**, or manager, can

benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. For this purpose, a conflict of interest does not include questions involving a person's competing or respective duties to the organization and to another organization, such as by serving on the boards of both organizations, that do not involve a material financial interest of, or benefit to, such person.

Example. B is a member of the governing body of X Charity and of Y Charity, both of which are section 501(c)(3) public charities with different charitable purposes. X Charity has taken a public stand in opposition to a specific legislative proposal. At an upcoming board meeting, Y Charity will consider whether to publicly endorse the same specific legislative proposal. While B may have a conflict of interest in this decision, the conflict does not involve a material financial interest of B's merely as a result of Y Charity's position on the legislation.

Line 12b. Answer "Yes" if the organization's **officers, directors, trustees, and key employees** are required to disclose or update annually (or more frequently) their interests and those of their **family members** that could give rise to conflicts of interest, such as a list of **family members**, substantial business or investment holdings, and other transactions or affiliations with businesses and other organizations and those of family members.

Line 12c. If "Yes" to line 12c, describe on Schedule O (Form 990) the organization's practices for monitoring proposed or ongoing transactions for conflicts of interest and dealing with potential or actual conflicts, whether discovered before or after the transaction has occurred. The description should include an explanation of which persons are covered under the policy, the level at which determinations of whether a conflict exists are made, and the level at which actual conflicts are reviewed. Also explain any restrictions imposed on persons with a conflict, such as prohibiting them from participating in the **governing body's** deliberations and decisions in the transaction.

Lines 13 and 14. A whistleblower policy encourages staff and volunteers to come forward with credible information on illegal practices or violations of adopted policies of the organization, specifies that the organization will protect the individual from retaliation, and identifies those staff or board members or outside parties to whom such information can be reported. A document retention and destruction policy identifies the record retention responsibilities of staff, **volunteers**, board members, and outsiders for maintaining and documenting the storage and destruction of the organization's documents and records. Answer "Yes" if the organization had these policies in place as of the last day of the organization's **tax year**.



Certain federal or state laws provide protection against whistleblower retaliation and prohibit destruction of certain documents. For instance, while the federal Sarbanes-Oxley legislation generally does not pertain to tax-exempt organizations, it does impose criminal liability on tax-exempt as well as other organizations for (1) retaliation against whistleblowers that report federal offenses, and (2) for destruction of records with the intent to obstruct a federal investigation. See 18 U.S.C. sections 1513(e) and 1519. Also note that an organization is required to keep books and records relevant to its tax exemption and its filings with the IRS. Some states provide additional protection for whistleblowers.

Line 15. Answer "Yes" on line 15a if the organization used a process for determining **compensation** (reported in Part VII or Schedule J (Form 990)) of the CEO, executive director, or other person who is the **top management official**, that included all of the following elements.

- Review and approval by a **governing body** or compensation committee, provided that persons with a conflict of interest with respect to the compensation arrangement at issue were not involved. For purposes of this question, a member of the governing body or compensation committee has a conflict of interest with respect to a compensation arrangement if any of the following circumstances apply.

1. The member (or a family member of the member) is

participating in or economically benefiting from the compensation arrangement.

2. The member is in an employment relationship subject to the direction or control of any person participating in or economically benefiting from the compensation arrangement.

3. The member receives compensation or other payments subject to approval by any person participating in or economically benefiting from the compensation arrangement.

4. The member has a material financial interest affected by the compensation arrangement.

5. The member approves a transaction providing economic benefits to any person participating in the compensation arrangement, who in turn has approved or will approve a transaction providing economic benefits to the member. See Regulations section 53.4958-6(c)(1)(iii).

- Use of data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations.
- Contemporaneous documentation and recordkeeping with respect to deliberations and decisions regarding the compensation arrangement.

Answer "Yes" on line 15b if the process for determining compensation of one or more **officers or key employees** other than the **top management official** included all of the elements listed above.

If the answer was "Yes" on line 15a or 15b, describe the process on Schedule O (Form 990), identify the offices or positions for which the process was used to establish compensation of the persons who served in those offices or positions, and enter the year in which this process was last undertaken for each such person.

Line 16. Answer "Yes" on line 16a if at any time during its tax year the organization invested in, contributed assets to, or otherwise participated in a joint venture or similar arrangement with one or more taxable persons. For purposes of line 16, a joint venture or similar arrangement (or a "venture or arrangement") means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to (1) whether the organization controls the venture or arrangement, (2) the legal structure of the venture or arrangement, or (3) whether the venture or arrangement is treated as a partnership for federal income tax purposes, or as an association, or corporation for federal income tax purposes. Disregard ventures or arrangements that meet both of the following conditions.

1. 95% or more of the venture's or arrangement's income for its tax year ending with or within the organization's **tax year** is described in sections 512(b)(1)–(5) (including unrelated debt-financed income).

2. The primary purpose of the organization's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

Answer "Yes" on line 16b if, as of the end of the organization's tax year, the organization had both:

1. adopted a written policy or procedure that requires the organization to negotiate, in its transactions and arrangements with other members of the venture or arrangement, such terms and safeguards as are adequate to ensure that the organization's exempt status is protected, and

2. taken steps to safeguard the organization's exempt status with respect to the venture or arrangement.

Some examples of safeguards include the following:

- Control over the venture or arrangement sufficient to ensure that the venture furthers the exempt purpose of the organization.
- Requirements that the venture or arrangement give priority to exempt purposes over maximizing profits for the other participants.
- The venture or arrangement not engage in activities that would jeopardize the organization's exemption (such as political intervention or substantial lobbying for a section 501(c)(3) organization).

- All contracts entered into with the organization be on terms that are at arm's length or more favorable to the organization.

Section C. Disclosure

Line 17. Use Schedule O (Form 990) if additional space is necessary.



Some states require or permit the filing of Form 990 to fulfill state exempt organization or charitable solicitation reporting requirements.

Line 18. Check the box for “Own website” only if the organization posted an exact reproduction (other than for information permitted by law to be withheld from public disclosure, such as the names and addresses of contributors listed in Form 990, Schedule B) of its Form 990, Form 990-T (for section 501(c)(3) organizations), or application for recognition of exemption (Form 1023 or 1024) on its web site during its **tax year**. Check the box for “Another’s website” only if the organization provided, and another person or organization posted on its website, an exact reproduction (other than for information permitted by law to be withheld from public disclosure, such as the names and addresses of contributors listed in Form 990, Schedule B) of any such forms during the tax year. Explain on Schedule O (Form 990) if the organization does not make publicly available upon request any of Forms 1023, 1024, 990, or 990-T, if such disclosure is required by law. Exempt organizations must make publicly available their Form 1023 or 1024 application for recognition of exemption. Applications filed before July 15, 1987, need not be made publicly available unless the organization had a copy on July 15, 1987. Organizations that file Form 990 must make it publicly available for a period of three years from the date it is required to be filed (including extensions) or, if later, is actually filed. Organizations are not required to make publicly available the names and addresses of contributors (as set forth on Schedule B (Form 990, 990-EZ, or 990-PF), and on Form 1023 or 1024). Section 501(c)(3) organizations that file Form 990-T also are required to make their Form 990-T publicly available for the corresponding three-year period, for forms filed after August 17, 2006 (unless the form was filed solely to request a refund of telephone excise taxes). See *Appendix D* for more information on public inspection requirements.

Line 19. Explain on Schedule O (Form 990) whether the organization makes its governing documents, (for example, articles of incorporation, constitution, bylaws, trust instrument) **conflict of interest policy**, and **financial statements** (whether or not audited) available to the general public, and if so, how it makes them available to the public (for example, posting on the organization’s website, posting on another website, providing copies on request, inspection at an office of the organization, etc.). If the organization does not make any of these documents available to the public, enter “No documents available to the public.”

Federal tax law does not require that such documents be made publicly available unless they were included on a form that is publicly available (such as Form 1023 or 1024).

Line 20. Provide the name of the person who possesses the organization’s books and records, and the business address and telephone number of such person (or of the organization if the books and records are kept by such person at a personal residence). If the books and records are kept at more than one location, provide the name, business address, and telephone number of the person responsible for coordinating the maintenance of the books and records. The organization is not required to provide the address or telephone number of a personal residence of an individual. If provided, however, such information will be available to the public.

Part VII. Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Overview. Form 990, Part VII requires the listing of the organization’s current or former **officers, directors, trustees, key employees** and **highest compensated employees**, and current **independent contractors**, and reporting of certain **compensation** information relating to such persons.

All organizations are required to complete Part VII, and when applicable, Schedule J (Form 990), for certain persons. Compensation must be reported for the calendar year ending with or within the organization’s **tax year**. In some cases, persons are reported in Part VII or Schedule J (Form 990) only if their **reportable compensation** (as explained below) or total compensation (as explained below) from the organization and **related organizations** (as explained in the *Glossary* and in the instructions for Schedule R (Form 990)) exceeds certain thresholds. In some cases, compensation from an **unrelated organization** must be reported on Form 990. See the instructions for Part VII, Section A, line 5 on page 30. The amount of compensation reported on Form 990, Part VII, for a listed person may differ from the amount reported on Form 990, Part IX, line 5, for such person due to factors such as a different accounting period (calendar vs. **fiscal year**) or a different accounting method.

Form 990, Part VII relies on definitions of reportable compensation and other compensation. *Reportable compensation* generally refers to compensation reported on Form W-2, box 5, and Form 1099-MISC, box 7. Organizations also must report other compensation in Part VII, as discussed in *Other compensation* beginning on page 23.

Organizations must report compensation for both current and former officers, directors, trustees, key employees, and highest compensated employees. The distinction between current and former such persons is discussed below. The determination of “former” uses a 5-year look-back period.

Organizations must report compensation from themselves and from related organizations, which generally consist of parents, subsidiaries, brother/sister organizations, supporting organizations, and supported organizations. See the instructions for Schedule R (Form 990) for a fuller discussion of related organizations.

Part VII, Section A requires reporting of officers, directors, trustees, key employees, and up to five of the organization’s highest compensated employees. Compensation from related organizations must also be taken into account in determining a person’s compensation and reported separately in Part VII, Section A, columns (E) and (F).

Use Schedule J-2 (Form 990), Continuation Sheet for Form 990, if more space is needed to enter additional persons. Use as many Schedules J-2 (Form 990) as needed.

Section B requires reporting of the five highest compensated independent contractors. Section B does not require reporting of compensation from related organizations.

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

Overview. Organizations are required to enter in Part VII, Section A, the following **officers, directors, trustees**, and **employees** of the organization whose **reportable compensation** from the organization and **related organizations** (as explained in the instructions for Schedule R (Form 990)) exceeded the following thresholds.

- Current officers, directors, and trustees (no minimum compensation threshold).
- Current **key employees** (over \$150,000 of reportable compensation).

- Current five highest compensated employees other than officers, directors, trustees, or listed key employees (over \$100,000 of reportable compensation).
- Former officers, key employees, and **highest compensated employees** (over \$100,000 of reportable compensation, with special rules for former highest compensated employees).
- Former directors and trustees (over \$10,000 of reportable compensation in the capacity as a former director or trustee).

Special rules described beginning on page 24 apply to **disregarded entities** of which the organization is the sole member.

To determine which persons are current or former officers, directors, trustees, key employees, or highest compensated employees, see the instructions to Part VII, Section A, column (C) beginning on page 24.

Fiscal year filers. To determine which persons are listed in Part VII, Section A, the organization must use the calendar year ending with or within the organization's **fiscal year** for some (those whose **compensation** must exceed minimum thresholds in order to be reported) and the fiscal year for others. Report officers, directors, and trustees that served at any time during the fiscal year (such as "current" **officers, directors, and trustees**). Report the following persons based on **reportable compensation** and status for the calendar year ending within the fiscal year.

- Current **key employees** (over \$150,000 of **reportable compensation** from the organization and **related organizations**).
- Current five **highest compensated employees** (over \$100,000 of reportable compensation from the organization and related organizations), other than current officers, directors, trustees, and key employees.
- Former officers, key employees, and five highest compensated employees (over \$100,000 of reportable compensation from the organization and related organizations, with special rules for former highest compensated employees).
- Former directors and trustees (over \$10,000 of reportable compensation for services in the capacity as director or trustee of the organization, from the organization and related organizations).

Report compensation on Form 990, Part VII, for the calendar year ending within the organization's **fiscal year**, including that of current officers, directors, and trustees, even if the fiscal year is used to determine which such persons must be listed in Part VII.

Director or trustee. A "director or trustee" is a member of the organization's **governing body**, but only if the member has voting rights. A director or trustee that served at any time during the organization's **tax year** is deemed a current director or trustee. Members of advisory boards that do not exercise any governance authority over the organization are not considered directors or trustees.

An "institutional trustee" is a trustee that is not an individual or natural person but an organization. For instance, a bank or trust company serving as the trustee of a trust is an institutional trustee.

Officer. An **officer** is a person elected or appointed to manage the organization's daily operations. An officer that served at any time during the organization's **tax year** is deemed a current officer. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its **governing body**, or as otherwise designated consistent with state law, but, at a minimum, include those officers required by applicable state law. Officers can include a president, vice-president, secretary, treasurer and, in some cases, a Board Chair. In addition, for purposes of Form 990, including Part VII, Section A, and Schedule J (Form 990), treat as an officer the following persons, regardless of their titles.

1. *Top management official.* The person who has ultimate responsibility for implementing the decisions of the governing body or for supervising the management, administration, or operation of the organization.
2. *Top financial official.* The person who has ultimate responsibility for managing the organization's finances.

If ultimate responsibility resides with two or more individuals (for example, co-presidents or co-treasurers), who can exercise such responsibility in concert or individually, then treat all such individuals as officers.

Key employee. For purposes of Form 990, a current **key employee** is an **employee** of the organization (other than an **officer, director or trustee**) who meets all three of the following tests, applied in the following order:

1. *\$150,000 Test:* Receives **reportable compensation** from the organization and all **related organizations** in excess of \$150,000 for the **calendar year** ending with or within the organization's **tax year**.
2. *Responsibility Test:* At any time during the calendar year ending with or within the organization's **tax year**:
 - a. Has responsibilities, powers, or influence over the organization as a whole that is similar to those of officers, directors, or trustees;
 - b. Manages a discrete segment or activity of the organization that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole; or
 - c. Has or shares authority to control or determine 10% or more of the organization's capital expenditures, operating budget, or compensation for **employees**.
3. *Top 20 Test:* Is one of the 20 employees other than officers, directors, and trustees who satisfy the *\$150,000 Test* and *Responsibility Test* with the highest reportable compensation from the organization and **related organizations** for the calendar year ending with or within the organization's **tax year**.

If the organization has more than 20 individuals who meet the *\$150,000 Test* and *Responsibility Test*, report as **key employees** only the 20 individuals that have the highest reportable compensation from the organization and related organizations. Note that any others, up to five, might be reportable as current **highest compensated employees**, with over \$100,000 in reportable compensation. Use the calendar year ending with or within the organization's tax year for determining the organization's current key employees.

An individual that is not an employee of the organization (or of a **disregarded entity** of the organization) is nonetheless treated as a key employee if he or she serves as an officer or director of a disregarded entity of the organization and otherwise meets the standards of a key employee set forth above. See *Disregarded Entities*, on page 24, for treatment of certain employees of a disregarded entity as a key employee of the organization.

If an employee is a key employee of the organization for only a portion of the year, that person's entire compensation for the calendar year ending with or within the organization's tax year, from both the filing organization and related organizations, should be reported in Part VII, Section A.

Management companies and similar entities that are **independent contractors** should not be reported as key employees. The organization's **top management official** and **top financial official** are deemed officers rather than key employees.

In the examples set forth below, assume the individual involved is an employee that satisfies the *\$150,000 Test* and *Top 20 Test* and is not an **officer, director, or trustee**.

Example 1. T is a large section 501(c)(3) university. L is the dean of the law school of T, which generates more than 10% of the revenue of T, including contributions from alumni and foundations. Although L does not have ultimate responsibility for managing the university as whole, L meets the *Responsibility Test* and is reportable as a key employee of T.

Example 2. S chairs a small academic department in the College of Arts and Sciences of the same university, T, described above. As department chair, S supervises faculty in the department, approves the course curriculum, and oversees the operating budget for the department. The department represents less than 10% of the university's activities, assets, income, expenses, capital expenditures, operating budget, and

employee compensation. Under these facts and circumstances, S does not meet the *Responsibility Test* and is not a key employee of T.

Example 3. U is a large acute-care section 501(c)(3) hospital. U employs X as a radiologist. X gives instructions to staff with respect to the radiology work X conducts, but X does not supervise other U employees, manage the radiology department, or have or share authority to control or determine 10% or more of U's capital expenditures, operating budget, or employee compensation. Under these facts and circumstances, X does not meet the *Responsibility Test* and is not a key employee of U.

Example 4. W is a cardiologist and head of the cardiology department of the same hospital U described above. The cardiology department is a major source of patients admitted to U and consequently represents more than 10% of U's income, as compared to U as a whole. As department head, W manages the cardiology department. Under these facts and circumstances, W meets the *Responsibility Test* and is a key employee of U.

Five highest compensated employees. The organization is required to enter its current five **highest compensated employees** whose **reportable compensation** combined from the organization and **related organizations** is greater than \$100,000 for the calendar year ending with or within the organization's **tax year** and who are not also current **officers, directors, trustees, or key employees** of the organization. Such individuals are the "current" five highest compensated employees. These can include persons who meet some but not all of the tests for key employee status. The organization is not required to enter more than the top five such persons, ranked by amount of reportable compensation. Use the calendar year ending with or within the organization's tax year for determining the organization's current five highest compensated employees.

Example. X is an employee of Y University and is not an officer, director, or trustee. X's reportable compensation for the calendar year exceeds \$150,000, and X meets the *Responsibility Test*. X would qualify as a key employee of Y, except that 20 employees had higher reportable compensation and otherwise qualify as key employees; therefore, those 20 are listed as the organization's key employees. X has the highest reportable compensation from the organization and related organizations of all employees other than the 20 key employees. X must be listed as one of the organization's five highest compensated employees.

\$10,000 exceptions for reporting compensation. Report compensation paid or accrued by the filing organization and **related organizations**. Special rules apply with respect to reporting **reportable compensation** and other compensation.

All reportable compensation paid by the filing organization must be reported. Reportable compensation paid by a related organization is not required to be reported unless (1) it is \$10,000 or more for the calendar year ending with or within the organization's tax year (the "\$10,000-per-related-organization exception"), or (2) it is paid for past services to the filing organization in the person's capacity as a former director or trustee.

A particular item of other compensation (such as described in the compensation table beginning on page 27) paid or accrued by the filing organization is not required to be reported unless (1) it is \$10,000 or more for the calendar year ending with or within the organization's tax year (the "\$10,000-per-item exception") or (2) it is one of the five types of compensation (generally constituting deferred compensation and health benefits) that must be reported regardless of amount (see the instructions for column (F)). The same principles apply with respect to items of other compensation paid or accrued by a related organization (applied separately to each related organization).



The \$10,000 exceptions do not apply to reporting compensation on Schedule J (Form 990), Part II.

Reportable compensation. Reportable compensation consists of:

- For **officers** and other **employees**, amounts required to be reported on Form W-2, box 5;
- For **directors** and individual **trustees**, amounts required to be reported on Form 1099-MISC, box 7 (plus Form W-2, box 5 if also compensated as an officer or employee); and
- For **institutional trustees**, fees for services paid pursuant to a contractual agreement or statutory entitlement. While the compensation of institutional trustees must be reported on Form 990, Part VII, it need not be reported on Schedule J (Form 990).

If the organization did not file a Form 1099-MISC because the amounts paid were below the threshold reporting requirement, then include and report the amount actually paid.



Corporate officers are considered **employees** for purposes of Form W-2 reporting, unless they perform no services as officers, or perform only minor services and neither receive nor are entitled to receive, directly or indirectly, any **compensation**. Corporate **directors** are considered **independent contractors**, not employees, and director compensation, if any, generally is required to be reported on Form 1099-MISC. See Regulations section 31.3401(c)-1(f).

For certain kinds of employees and for retirees, box 5 of Form W-2 can be zero or blank. For instance, recipients of disability pay, certain members of the clergy, and religious workers who are not subject to social security and Medicare taxes as employees can receive compensation that is not reported in box 5. In such case, the amount required to be reported on Form W-2, box 1 must be reported as reportable compensation.

If an officer, director, trustee, key employee, or highest compensated employee of the organization is a foreign person who received U.S. source income during the calendar year ending with or within the organization's **tax year** from the filing organization or a **related organization**, and if such income was reported on Form 1042-S, box 2, then treat this income as **reportable compensation** and report it in Part VII, Section A, column (D) or (E). For foreign persons for whom compensation reporting on Form W-2, Form 1099-MISC, or Form 1042-S is not required, treat as reportable compensation in column (D) or (E) the total value of the compensation paid in the form of cash or property during the calendar year ending with or within the organization's tax year. Report other compensation from foreign organizations as "other compensation" in column (F).

To determine whether an individual received more than \$100,000 (or \$150,000) in reportable compensation in the aggregate from the organization and **related organizations**, add the following amounts.

- The amount reported on Form W-2, box 5 or Form 1099-MISC, box 7, issued to the individual by the organization.
- Amounts reported on Form W-2, box 5 or Form 1099-MISC, box 7, issued to the individual by each related organization that reported \$10,000 or more.

To determine whether an individual received solely in his or her capacity as a former trustee or director of the organization more than \$10,000 in reportable compensation for the calendar year ending with or within the organization's **tax year**, in the aggregate, from the organization and all related organizations (and thus must be reported on Form 990, Part VII and Schedule J (Form 990), Part II), add the amounts reported on all Forms 1099-MISC, box 7, and, if relevant, all Forms W-2, box 5, issued to the individual by the organization and all related organizations for the calendar year ending with or within the organization's tax year. Report such amounts only to the extent that such amounts relate to the individual's past services as a trustee or director of the organization, and do not disregard any payments from a related organization if below \$10,000, for such purpose.

Other compensation. Other compensation includes **compensation** other than **reportable compensation**, including **deferred compensation** not currently reportable on Form W-2, box 5 or Form 1099-MISC, box 7, and certain nontaxable benefits, as discussed in detail in the instructions for Schedule J, (Form 990), Part II. See the instructions for other

compensation reported in column (F) on page 26, which includes a table to show where and how to report certain types of compensation in Part VII, Section A, and Schedule J (Form 990).

Disregarded entities. **Disregarded entities** (such as a limited liability company that is wholly owned by the organization and not treated as a separate entity for federal tax purposes) are generally treated as part of the organization rather than as **related organizations** for purposes of Form 990, including Part VII and Schedule J (Form 990). A person is not considered an **officer** or **director** of the organization by virtue of being an officer or director of a disregarded entity, but he or she can qualify as a **key employee** or **highest compensated employee** of the organization. An officer, director, or employee of a disregarded entity is a key employee of the organization if he or she meets the *\$150,000 Test* and *Top 20 Test* for the filing organization as a whole, and if, with respect to the *Responsibility Test*, the person has responsibilities, powers or influence over a discrete segment or activity of the disregarded entity that represents at least 10 percent of the activities, assets, income, or expenses of the filing organization as a whole, or has or shares authority to control or determine the disregarded entity's capital expenditures, operating budget, or compensation for employees that constitutes at least 10 percent of the filing organization's respective items as a whole. If an officer or director of a disregarded entity also serves as an officer, director, trustee, or key employee of the organization, report this individual as an officer, director, trustee, or key employee, as applicable, of the organization, and add the compensation, if any, paid by the disregarded entity to this individual to the compensation, if any, paid directly by the organization to this individual. Report the total aggregate amount in Column (D).

Management companies. **Management companies**, as **independent contractors**, are reported on Form 990, Part VII (if at all) only in Section B. *Independent Contractors*, and are not reported on Schedule J (Form 990), Part II. If a current or former **officer, director, trustee, or key employee** has a relationship with a management company that provides services to the organization, then the relationship can be reportable on Schedule L (Form 990 or 990-EZ), Part IV. A key employee of a management company can be reported as a current officer of the filing organization if he or she is the filing organization's **top management official** or **top financial official** or is designated as an officer of the filing organization. However, that person does not qualify as a key employee of the filing organization solely on the basis of being a key employee of the management company. If a current or former officer, director, trustee, key employee, or **highest compensated employee** receives **compensation** from a management company that provides services to the organization and is a related organization, then the individual's compensation from the management company must be reported on Form 990, Part VII, Section A, columns (E) and (F). Questions pertaining to management companies also appear on Form 990, Part VI, line 3 and Schedule H (Form 990), Part IV.

Leased employees. In some cases, instead of hiring a management company, an exempt organization "leases" one or more "employees" from another company, which may be in the business of leasing employees. The compensation paid to the leasing company should be treated like compensation to a management company for purposes of Form 990 compensation reporting.

The organization should report employees of an employee leasing company or a management company as the organization's own employees if such persons are common law employees of the filing organization under state law.

Compensation from unrelated organizations. If a current or former **officer, director, trustee, key employee, or highest compensated employee** received or accrued compensation or payments from an **unrelated organization** (other than from certain **management companies** or leasing companies, as discussed above) in exchange for services rendered to the filing organization in that person's capacity as an officer, director,

trustee, or employee of the filing organization, then the filing organization must report (subject to the *taxable organization employee exception* on this page) such amounts as **compensation** from the filing organization if it has knowledge of the arrangement, regardless of whether the unrelated organization treats the amounts as compensation, grants, contributions, or otherwise.

Compensation from unrelated organizations (except for compensation from certain **management companies** or leasing companies, and compensation described in *Taxable organization employee exception* on this page) must be treated as reportable compensation in determining whether the dollar thresholds are met for reporting (1) current or former employees as current or former key employees or highest compensated employees, or (2) former officers, director or trustees, on Form 990, Part VII, Section A. If the Form 990, Part VII thresholds for reporting are met, then the compensation from the individual or unrelated organization must be reported as compensation in Part VII. The compensation may also need to be reported in Form 990, Schedule J, Part II (see the instructions for Form 990, Part VII, Section A, line 5.)

Taxable organization employee exception. Do not report as compensation any payments from an unrelated taxable organization that employs the individual and continues to pay the individual's regular compensation while the individual provides services without charge to the filing organization, but only if the unrelated organization does not treat the payments as a charitable contribution to the filing organization.

Column (A). For each person required to be listed, enter the name in the top of each row and the person's title or position with the organization in the bottom of the row. If more than one title or position, list all. List persons in the following order: individual **trustees** or **directors**, **institutional trustees**, **officers**, **key employees**, **highest compensated employees**, and former such persons. Use Schedule J-2 (Form 990) if space is needed for additional persons or titles.

Column (B). For each person listed in column (A), estimate the average hours per week devoted to the organization during the year. Entry of a specific number is required for a complete answer. Enter "-0-" if applicable. Do not include statements such as "as needed," "as required," or "40+." If the average is less than one hour per week, then the organization can enter a decimal rounded to the nearest tenth (for example, 0.2 hours per week). For each person listed in column (A), provide an estimate of the average hours per week (if any) devoted to related organizations on Schedule O (Form 990).

Column (C). For each person listed in column (A), check all applicable boxes for positions with the organization. For a former **officer, director, trustee, key employee, or highest compensated employee**, check only the "Former" box and indicate the former status in the person's title.

"Current" officers, directors, trustees, key employees, and highest compensated employees. A "current" officer, director, or trustee is a person that was an officer, director, or trustee at any time during the organization's **tax year**. A "current" key employee or highest compensated employee is a person who was a key employee or highest compensated employee for the calendar year ending with or within the organization's tax year.

If the organization files Form 990 based on a **fiscal year**, use the fiscal year to determine the organization's "current" officers, directors, and trustees. Whether or not the organization files Form 990 based on a **fiscal year**, use the calendar year ending with or within the organization's **tax year** to determine the organization's "current" **key employees** and five highest compensated employees.

Do not check the "Former" box if the person was a current officer, director or trustee at any time during the organization's tax year, or a current key employee or among the five highest compensated employees for the calendar year ending with or within the organization's tax year. A current employee (other than a current officer, director, trustee, key employee, or highest compensated employee) can be reported on Form 990, Part VII and Schedule J (Form 990), Part II: (1) as a former

director or trustee because he or she formerly served as a director or trustee and received more than \$10,000 in **reportable compensation** in the capacity as a former director or trustee, or (2) a former officer or key employee (but not as a former highest compensated employee) because he or she qualified as an officer or key employee within the last five years and received more than \$100,000 of reportable compensation. In such case indicate the individual's former position in his or her titles (for example, "former president").

"Former" officers, directors, trustees, key employees, and highest compensated employees. Check the "Former" box with respect to former officers, directors, trustees, and key employees only if both conditions below apply.

- The organization reported (or should have reported, applying the instructions in effect for such years) an individual on any of the organization's Forms 990, 990-EZ or 990-PF, for any one or more of the five prior years in one or more of the following capacities: officer, director, trustee, or key employee.
- The individual received **reportable compensation** in the calendar year ending with or within the organization's current **tax year** in excess of the threshold amount (\$100,000 for former officers and key employees, \$10,000 for services in the capacity as a director or trustee).

If a person was reported (or should have been reported) as an officer, director, trustee or key employee on any of the organization's prior five Forms 990, 990-EZ or 990-PF, and the person was still employed at any time during the organization's tax year either (1) by the organization in a lesser capacity other than as an officer, director, trustee, key employee, or highest compensated employee; or (2) by a related organization in any capacity, but not by the filing organization, check only the "Former" box.

Whether or not the organization files Form 990 based on a **fiscal year**, use the calendar year ending within the organization's tax year to determine all "former" officers, directors, trustees, key employees, and five highest compensated employees (because their status depends on their reportable compensation, which is reported for the calendar year).

Check the "Former" box with respect to former five highest compensated employees only if all four conditions below apply.

1. The individual was not an **employee** of the organization at any time during the calendar year ending with or within the organization's tax year.
2. The individual was reported (or should have been reported, applying the instructions in effect for such years) on any of the organization's Forms 990, 990-EZ, or 990-PF for one or more of the five prior years as one of the five highest compensated employees.
3. The individual's reportable compensation exceeded \$100,000 for the calendar year ending with or within the organization's tax year.
4. The amount of the individual's reportable compensation for such year would place him or her among the organization's current five highest compensated employees if the individual were an employee during the calendar year ending with or within the organization's tax year.

Transition rule for non-section 501(c)(3) organizations. Organizations other than section 501(c)(3) organizations do not report any former **highest compensated employees** on Form 990.

Example 1. X was reported as one of Y Charity's five highest compensated employees of over \$50,000 on Y's 2007 Form 990. For 2009, X is not a current officer, director, trustee, key employee, or highest compensated employee of Y. X is not an employee of Y during the 2009 calendar year ending with or within Y's tax year. X receives reportable compensation in excess of \$100,000 from Y for past services and would be among Y's five highest compensated employees if X were a current employee. Y must report X as a former highest compensated employee on Y's 2009 Form 990, Part VII, Section A.

Example 2. T was reported as one of Y Charity's five highest compensated employees of over \$50,000 on Y's 2007 Form 990. For 2009, T is not a current officer, director, trustee, key employee, or highest compensated employee of Y, although T is still an employee of Y during the 2009 calendar year ending with or within Y's tax year. T receives reportable compensation in excess of \$100,000 from Y and related organizations for such calendar year. T is not reportable as a former highest compensated employee on Y's 2009 Form 990, Part VII, Section A, because T was an employee of Y during the calendar year ending with or within Y's tax year.

Example 3. Z was reported as one of Y Charity's key employees on Y's 2007 Form 990. For 2009, Z is not a current officer, director, trustee, key employee, or highest compensated employee of Y. For 2009, Z receives reportable compensation of \$90,000 from Y as an employee (and no reportable compensation from related organizations). Because Z receives less than \$100,000 reportable compensation in 2009 from Y and its related organizations, Y is not required to report Z as a former key employee on Y's 2009 Form 990, Part VII, Section A.

Columns (D) & (E). Enter the amounts required to be reported (whether or not actually reported) on Form W-2, box 5 or Form 1099-MISC, box 7, issued to the person for the calendar year ending with or within the organization's **tax year**. Enter an amount for each person in each of columns (D) and (E). Enter "-0-" if the person received no **reportable compensation**. For **institutional trustees** that do not receive a Form 1099-MISC, enter the amount that the organization would have reported in box 7 if a Form 1099-MISC had been required.

Reportable compensation paid to the person by a **related organization** at any time during the entire calendar year ending with or within the filing organization's tax year should be reported in column (E), even if the related organization was related to the filing organization for only a portion of the tax year.

Common paymaster or payroll/reporting agent. Treat amounts paid by a common paymaster (as defined in Regulations section 31.3121(s)-1(b)(2)) or a payroll or reporting agent (reported on Form 2678 or 8655 to perform certain employment tax services on behalf of the organization) for services performed for the organization as if paid directly by the organization. Similarly, treat amounts paid by a common paymaster or a payroll or reporting agent for services performed for a **related organization** as if paid directly by the related organization.

\$10,000-per-related-organization exception. For purposes of column (E), the organization need not include payments from a single related organization if less than \$10,000 for the calendar year ending with or within the organization's tax year, except to the extent paid to a former **director** or former **trustee** of the filing organization for services as a director or trustee of the organization. For example, if an officer of the organization received **compensation** of \$6,000, \$15,000, and \$50,000 from three separate related organizations for services provided to those organizations, the organization needs to report only \$65,000 in column (E) for the officer.

Volunteer exception. The organization need not report in column (E) or (F) compensation from a related organization paid to a **volunteer officer**, director, or trustee of the organization if the related organization is a for-profit organization, is not owned or controlled directly or indirectly by the organization or one or more related tax-exempt organizations, and does not provide management services for a fee to the organization.

Bank or financial institution trustee exception. If the organization is a trust with a bank or financial institution trustee that is also trustee of another trust, it need not report in column (E) or (F) compensation from the other trust for services provided as the trustee to the other trust.

Reasonable effort. The organization is not required to report compensation from a **related organization** to a person listed on Form 990, Part VII, Section A, if the organization is unable to secure the information on compensation paid by the

related organization after making a **reasonable effort** to obtain it. In such case, the organization shall report the efforts undertaken on Schedule O (Form 990). An example of a reasonable effort is for the organization to distribute a questionnaire annually to each of its current and former officers, directors, trustees, key employees, and highest compensated employees that includes the name, title, date, and signature of each person reporting information and containing the pertinent instructions and definitions for Form 990, Part VII, Section A, columns (E) and (F).

Column (F). Other compensation generally includes compensation not currently reportable on Form W-2, box 5 or Form 1099-MISC, box 7, including nontaxable benefits other than disregarded benefits, as discussed in the instructions for Schedule J, (Form 990), Part II. Treat amounts paid or accrued under a **deferred compensation** plan, or held by a deferred compensation trust, that is established, sponsored, or maintained by the organization (or a **related organization**) as paid, accrued, or held directly by the organization (or the related organization). Enter an amount for each person. (Enter “-0-” if applicable.) Report a reasonable estimate if actual numbers are not readily available.

Other compensation paid to the person by a **related organization** at any time during the calendar year ending with or within the filing organization’s tax year should be reported in column (F), even if the related organization was related to the filing organization for only a portion of the tax year.

The following items of compensation provided by the filing organization and related organizations must be reported as “other compensation” in column (F) in all cases regardless of the amount, to the extent they are not included in column (D).

1. Tax-deferred contributions by the employer to a qualified defined contribution retirement plan.
2. The annual increase in actuarial value of a qualified defined benefit plan, whether or not funded or vested.
3. The value of health benefits provided by the employer, or paid by the employee with pre-tax dollars, that are not included in reportable compensation. For this purpose, health benefits include payments of health benefit plan premiums, medical reimbursement and flexible spending programs, and the value of health coverage (rather than actual benefits paid) provided by an employer’s self-insured or self-funded arrangement. Health benefits include dental, optical, drug, and medical equipment benefits. They do not include disability or long-term care insurance premiums or benefits for this purpose.
4. Tax-deferred contributions by the employer and employee to a nonqualified defined contribution plan, whether or not funded, vested, or subject to a substantial risk of forfeiture.
5. The annual increase in actuarial value of a nonqualified defined benefit plan, whether or not funded, vested, or subject to a substantial risk of forfeiture.

\$10,000-per-item exception. Except for the five items listed above, neither the organization nor a **related organization** is required to report on Form 990, Part VII, Section A any item of “other compensation” (as set forth in the table beginning on page 27) if its total value is less than \$10,000 for the calendar year ending with or within the organization’s tax year.

Amounts excluded under the two separate \$10,000 exceptions (the \$10,000-per-related-organization and \$10,000-per-item exceptions) are to be excluded from **compensation** in determining whether an individual’s total **reportable compensation** and other compensation exceeds the thresholds set forth on Form 990, Part VII, Section A, line 4. If the individual’s total compensation exceeds the relevant threshold, then the amounts excluded under the \$10,000 exceptions are included in the individual’s compensation reported on Schedule J (Form 990). Thus, the total amount of compensation reported on Schedule J (Form 990) can be higher than the amount reported on Form 990, Part VII, Section A.

The \$10,000-per-item exception applies separately with respect to each item of other compensation from the organization and from each related organization.

Example.

Organization X provides the following compensation to its current officer:

\$110,000	Reportable compensation (including \$5,000 pre-tax employee contribution to qualified defined contribution retirement plan)
5,000	Tax-deferred employer contribution to qualified defined contribution retirement plan
5,000	Nontaxable employer contribution to health benefit plan
4,000	Nontaxable dependent care assistance
500	Nontaxable group life insurance premium
8,000	Moving expense (nontaxable as qualified under section 132)

Organization Y, a related organization, also provides compensation to the officer as follows:

\$21,000	Reportable compensation (including \$1,000 pre-tax employee contribution to qualified defined contribution retirement plan)
1,000	Tax-deferred employer contribution to qualified defined contribution retirement plan
5,000	Nontaxable tuition assistance

The officer receives no compensation in the capacity as a former director or trustee of X, and no unrelated organization pays the officer for services provided to X. The organization can disregard as other compensation the (a) \$4,500 in dependent care and group life insurance payments from the organization (under the \$10,000-per-item exception); (b) the \$8,000 moving expense from the organization (excluded under section 132) on both Form 990, Part VII and Schedule J (Form 990), Part II; and (c) the \$5,000 in tuition assistance from the related organization (under the \$10,000-per-item exception) in determining whether the officer’s total reportable and other compensation from the organization and related organizations exceeds \$150,000. In this case, total reportable compensation is \$131,000, and total other compensation (excluding the excludible items below \$10,000) is \$11,000. Under these circumstances, the officer’s dependent care, group life, moving expenses, and tuition assistance items need not be reported as other compensation on Form 990, Part VII, Section A, column (F), and the officer’s total reportable and other compensation (\$142,000) is not reportable on Schedule J (Form 990). If instead, the officer’s reportable compensation from Y were \$30,000 rather than \$21,000, then the officer’s total reportable and other compensation (\$151,000) would be reportable on Schedule J (Form 990), including the dependent care, group life, and tuition assistance items, even though these items would not have to be reported as other compensation in Form 990, Part VII.

Compensation table for reporting in Part VII, Section A, or Schedule J (Form 990), Part II. The following table may be useful in determining how and where to report items of **compensation** on Form 990, Part VII, Section A and on Schedule J, (Form 990), Part II. The list is not comprehensive but covers most items for most organizations. Many items of compensation may or may not be taxable or currently taxable, depending on the plan or arrangement adopted by the organization and other circumstances. The list attempts to take into account these varying facts and circumstances. The list is merely a guideline to report amounts for those persons required to be listed. In all cases, items included on Form W-2, box 5 and Form 1099-MISC, box 7 are required to be reported on Part VII, Section A and, for applicable persons, Schedule J, (Form 990), Part II, column (B). Items listed as “taxable” or “taxable in current year” are currently includible in reportable compensation, but are not necessarily subject to federal income tax in the current year.

Type of Compensation	Where to Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Base salary/wages/fees paid	x				
Base salary/wages/fees deferred (taxable)	x				
Base salary/wages/fees deferred (nontaxable)				x	
Bonus paid (including signing bonus)		x			
Bonus deferred (taxable in current year)		x			
Bonus deferred (not taxable in current year)				x	
Incentive compensation paid		x			
Incentive compensation deferred (taxable in current year)		x			
Incentive compensation deferred (not taxable in current year)				x	
Severance or change of control payments made			x		
Sick pay paid by employer	x				
Third party sick pay			x		
Other compensation amounts deferred (taxable in current year)		x			
Other compensation amounts deferred (not taxable in current year)				x	
Tax gross-ups paid			x		
Vacation/sick leave cashed out			x		
Stock options at time of grant				x	
Stock options at time of exercise			x		
Stock awards paid by taxable organizations substantially vested			x		
Stock awards paid by taxable organizations not substantially vested				x	
Stock equivalents paid by taxable organizations substantially vested			x		
Stock equivalents paid by taxable organizations not substantially vested				x	
Loans—forgone interest or debt forgiveness			x		
Contributions (employer) to qualified retirement plan				x	
Contributions (employee deferrals) to section 401(k) plan	x				
Contributions (employee deferrals) to section 403(b) plan	x				
Qualified or nonqualified retirement plan defined benefit accruals (reasonable estimate of increase in actuarial value)				x	
Qualified or nonqualified retirement (defined contribution) plan investment earnings (no reportable or other compensation)					
Taxable distributions from qualified retirement plan (reported on Form 1099-R but not reportable or other compensation on Form 990)					

Type of Compensation	Where to Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Distributions from nongovernmental section 457(b) plan (no reportable or other compensation on Form 990)					
Amounts includible in income under section 457(f)			x		
Amounts deferred (plus earnings) under section 457(b) plan (substantially vested)			x		
Amounts deferred under section 457(b) plan (not substantially vested)				x	
Contributions to nonqualified plans (substantially vested)			x		
Contributions to nonqualified plans (not substantially vested)				x	
Increase in earnings of nonqualified plan			x		
Scholarships and fellowship grants (taxable)			x		
Health benefit plan premiums (taxable)			x		
Health benefit plan premiums (nontaxable)					x
Medical reimbursement and flexible spending programs (taxable)			x		
Medical reimbursement and flexible spending programs (nontaxable)					x
Other health benefits (taxable)			x		
Other health benefits (nontaxable)					x
Life, disability, or long-term-care insurance (taxable)			x		
Life, disability, or long-term-care insurance (nontaxable)					*
Split-dollar life insurance (see Notice 2002-8, 2002-1 C.B. 398)			x		
Housing provided by employer (taxable)			x		
Housing provided by employer (nontaxable)					*
Personal legal services (taxable)			x		
Personal legal services (nontaxable)					*
Personal financial services (taxable)			x		
Personal financial services (nontaxable)					*
Dependent care assistance (taxable)			x		
Dependent care assistance (nontaxable)					*
Adoption assistance (taxable)			x		
Adoption assistance (nontaxable)					*
Tuition assistance for family (taxable)			x		
Tuition assistance for family (nontaxable)					*
Cafeteria plans (nontaxable health benefit)					x
Cafeteria plans (nontaxable benefit other than health)					*
Liability insurance (taxable)			x		
Employer-provided automobile (taxable)			x		
Employer-subsidized parking (taxable)			x		
Travel (taxable)			x		

Type of Compensation	Where to Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Moving (taxable)			x		
Meals and entertainment (taxable)			x		
Social club dues (taxable)			x		
Spending account (taxable)			x		

Note. Items marked with asterisk “*” instead of an “x” are excludible from Form 990, Part VII, Section A, column (F), if below \$10,000.

Line 3. Complete Schedule J (Form 990) for each of the following persons.

- Each individual listed in Part VII, Section A, as a former **officer**, former **key employee**, or a former **highest compensated employee**. To determine whether an individual received more than \$100,000 in **reportable compensation** in the aggregate from the organization and **related organizations**, add the amounts reported on all Forms W-2, box 5 and Forms 1099-MISC, box 7 issued to the individual by the organization and all related organizations (disregarding amounts from a related organization if below \$10,000) for the **calendar year** ending with or within the organization’s **tax year**.
- Each individual that received, solely in the capacity as a former **director** or former **trustee** of the organization, more than \$10,000 of reportable compensation (Part VII, Section A, columns (D) and (E)) during the year from the organization or related organizations. To determine whether an individual received or accrued more than \$10,000 in reportable compensation solely in the capacity as a former trustee or

director of the organization, add the amounts reported on all Forms 1099-MISC, box 7 and, if applicable, Forms W-2, box 5, issued to the individual by the organization and all related organizations, to the extent that such amounts relate to the individual’s past services as a trustee or director of the organization and not of a related organization. The \$10,000-per-related-organization exception does not apply for this purpose.

Line 4. Complete Schedule J (Form 990) for each individual listed in Section A who received or accrued more than \$150,000 of reportable and other compensation from the organization and related organizations. To determine whether any listed individual received or accrued more than \$150,000 of reportable and other compensation, add all **compensation** included in Part VII, Section A, columns (D), (E), and (F).

The following chart explains which **officers, directors, trustees, key employees, and highest compensated employees** must be reported on Form 990, Part VII, Section A, and on Schedule J (Form 990), as well. See also line 5 for additional individuals who must be reported on Schedule J, (Form 990), Part II.

Matrix for Part VII, Section A, Lines 3 and 4

Position	Current or former	Enter on Form 990, Part VII, Section A . . .	Enter on Schedule J (Form 990), Part II . . .
Directors and Trustees	Current	All	If reportable and other compensation > \$150,000 in the aggregate from organization and related organizations (do not report institutional trustees)
	Former	If reportable compensation in capacity as former director or trustee > \$10,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A (do not report institutional trustees)
Officers	Current	All	If reportable and other compensation > \$150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation > \$100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A
Key employees	Current	All	All
	Former	If reportable compensation > \$100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A
Other Five Highest Compensated Employees	Current	If reportable compensation > \$100,000 in the aggregate from organization and related organizations	If reportable and other compensation > \$150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation > \$100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A

Line 5. Complete Schedule J (Form 990) for any individual listed on Form 990, Part VII, Section A if the person receives or accrues **compensation** from an **unrelated organization** for services rendered to the filing organization in the person’s capacity as an **officer, director, trustee, or employee** of the filing organization. Also, specify on Schedule J (Form 990), Part III, the name of the unrelated organization, the type and amount of compensation it paid or accrued, and the person receiving or accruing such compensation. See *Compensation from unrelated organizations* on page 24.

For purposes of line 5, disregard:

1. Payments from a **deferred compensation** trust or plan established, sponsored, or maintained by the organization (or a related organization), and deferred compensation held by such trust or plan;
2. Payments from a common paymaster for services provided to the organization (or to a related organization); or
3. Payments from an unrelated taxable organization that employs the individual and continues to pay the individual’s regular compensation while the individual provides services without charge to the filing organization, but only if the unrelated organization does not treat the payments as a charitable contribution to the filing organization.

Example 1. A is the CEO (and the **top management official**) of the organization. In addition to compensation paid by the organization to A, A receives payments from B, an unrelated corporation (using the definition of relatedness on Schedule R (Form 990)), for services provided by A to the organization. B also makes rent payments for A’s personal residence. The organization is aware of the compensation arrangement between A and B, and does not treat the payments as paid by the organization for Form W-2 reporting purposes. A, as the top management official of the organization, must be listed as an officer of the organization in Part VII,

Section A. However, the amounts paid by B to A require that the organization answer “Yes” on line 5 and complete Schedule J (Form 990) with respect to A.

Example 2. C is an attorney employed by a law firm that is not a related organization with respect to the organization. The organization and the law firm enter into an arrangement where C serves the organization, a section 501(c)(3) legal aid society pro bono, on a full-time basis as its vice-president and as a board member while continuing to receive her regular compensation from the law firm. The organization does not provide any compensation to C for the services provided by C to the organization, and does not report C’s compensation on Form W-2 or Form 1099-MISC. The law firm does not treat any part of C’s compensation as a charitable contribution to the legal aid society. Under these circumstances, the amounts paid by the law firm to C do not require that the organization answer “Yes” on line 5, with respect to C. Also, nothing in these facts would prevent C from qualifying as an independent member of the organization’s governing body for purposes of Form 990, Part VI, line 1b.

Example 3. D, a volunteer director of the organization, is also the sole owner and CEO of M management company (an unrelated organization), which provides management services to the organization. The organization pays M an annual fee of \$150,000 for management services. Under the circumstances, the amounts paid by M to D (in the capacity as owner and CEO of M) do not require that the organization answer “Yes” on line 5, with respect to D. However, the organization must report the transaction with M, including the relationship between D and M, on Schedule L (Form 990 or 990-EZ), Part IV. Also, D does not qualify as an independent member of the organization’s governing body because D receives indirect financial benefits from the organization through M that are reportable on Schedule L (Form 990 or 990-EZ), Part IV.

Section B. Five Highest Compensated Independent Contractors

Complete this table for the five highest compensated **independent contractors** that received more than \$100,000 in compensation for services, whether professional or other services, from the organization. Independent contractors include organizations as well as individuals and can include professional fundraisers, law firms, accounting firms, publishing companies, **management companies**, and investment management companies. Do not report public utilities as independent contractors. See Pub. 1779, Independent Contractor or Employee, and Pub. 15-A, Employer's Supplemental Tax Guide, for distinguishing **employees** from independent contractors.

Column (C). Enter the amount the organization paid, whether reported on Form 1099-MISC, box 7 or paid pursuant to the parties' agreement or applicable state law, for the calendar year ending with or within the organization's tax year.

Compensation includes fees and similar payments to independent contractors but not reimbursement of expenses. However, for this purpose, the organization must report gross payments to the **independent contractor** that include expenses and fees if the expenses are not separately reported to the organization.



Form 1099-MISC is not always required to be issued for payments to an independent contractor.

Part VIII. Statement of Revenue

Column (A).

All organizations must complete column (A), reporting their **gross receipts** for all sources of revenue. All organizations (except section 527 political organizations) must complete columns (B) through (D). Refer to specific instructions in this part for completing each column.



If the organization enters an amount in column (A) for lines 2a through 2e or lines 11a through 11c, it must also enter a corresponding business activity code from Appendix J, Business Activity Codes. If none of the listed codes, or other 6-digit codes listed on the NAICS website at <http://www.census.gov/eos/www/naics/>, accurately describe the activity, enter "900099." Use of these codes does not imply that the business activity is unrelated to the organization's exempt purpose.

Column (B).

In column (B), report all revenue from activities substantially related to the organization's exempt purposes. Use of revenue for the organization's exempt purposes does not make the activity that produced the income (e.g., fundraising activity) substantially related to the organization's exempt purposes. Also report here any revenue that is excludable from gross income other than by section 512, 513, or 514, such as interest on state and local bonds that is excluded from tax by section 103.

Column (C).

In column (C), report any **unrelated business** revenue received by the organization during the **tax year** from an **unrelated trade or business**. See Pub. 598 and Instructions for Form 990-T for more information.

Column (D).

In column (D), report any revenue excludable from **unrelated business income** by section 512, 513, or 514. Examples of such revenue include receipts from the sale of donated merchandise, interest (unless debt-financed), and receipts from **bingo** games.

Line 1. In General

On lines 1a through 1f, report cash and noncash amounts received as voluntary **contributions**, gifts, grants or other

similar amounts from the general public, **governmental units**, foundations, and other exempt organizations. The general public includes individuals, corporations, trusts, estates, and other entities. Voluntary contributions are payments, or the part of any payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization. Contributions are reported on line 1 regardless of whether they are deductible by the contributor. The noncash portion of contributions reported on lines 1a through 1f is also reported on line 1g.

Report gross amounts of contributions collected in the organization's name by fundraisers.

Report all expenses of raising contributions in Part IX, column (D), *Fundraising Expenses*. The organization must enter on Part IX, line 11e fees for **professional fundraising services** relating to the gross amounts of contributions collected in the organization's name by **professional** fundraisers.

Report the value of **noncash contributions** at the time of the donation. For example, report the fair market value of a donated car at the time the car was received as a donation.

Reporting on line 1 in accordance with **SFAS 116** is acceptable for Form 990 purposes, but not required by IRS. An organization that receives a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 1. Accruals of present value increments to the unpaid grant should be reported on line 1 in future years.

Contributions do not include:

- Grants, fees or other support from **governmental units**, foundations or other exempt organizations that represent a payment for a service, facility, or product that primarily gives some economic or physical benefit to the payer.
- The portion of any fundraising solicitation representing payment for goods, services, or anything else at retail value.
- Donations of services or of use of materials, equipment, or facilities.
- Unreimbursed expenses of **officers, employees, or volunteers**. (See the explanations of charitable contributions and employee business expenses in Pub. 526 and Pub. 463, respectively.)
- Payments received from employers for welfare benefits under plans described in sections 501(c)(9), (17), and (18). Report these amounts on line 2, *Program Service Revenue*.

Line 1a. Enter on line 1a the total amount of **contributions** received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as from a United Way organization). Federated fundraising agencies normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state, and allocate part of the net proceeds to each participating organization on the basis of the donors' individual designations and other factors.



Federated fundraising agencies must, like all other filers, identify the sources of contributions made to them on lines 1a through 1g.

Line 1b. Report on line 1b membership dues and assessments that represent **contributions** from the public rather than payments for benefits received or payments from affiliated organizations.

Example. M is an organization whose primary purpose is to support the local symphony orchestra. Members have the privilege of purchasing subscriptions to the symphony's annual concert series before they go on sale to the general public, but must pay the same price as any other member of the public. They also are entitled to attend a number of rehearsals each season without charge. Under these circumstances, M's receipts from members are contributions reported on line 1b. Membership dues that are not contributions because they compare reasonably with available benefits are reported on line 2, *Program service revenue*.

Membership dues can consist of both contributions and payment for goods and services. In that case, the portion of the membership dues that is a payment for goods or services

should be reported on line 2, *Program service revenue*. The portion that exceeds the fair market value of the goods or services provided should be reported on line 1b.

See Pub. 1771, Charitable Contributions—Substantiation and Disclosure Requirements.

Line 1c. Enter the total amount of **contributions** received from **fundraising events**, which includes, but is not limited to, **gaming** events, dinners, auctions, and other events conducted for the sole or primary purpose of raising funds for the organization's exempt activities

Example. An organization holds a dinner, charging \$400 per person for the meal. The dinner has a retail value of \$160. A person who purchases a ticket is really purchasing the dinner for \$160 and making a contribution of \$240. The contribution of \$240, which is the difference between the buyer's payment and the retail value of the dinner, would be reported on line 1c and again on line 8a (within the parentheses). The revenue received (\$160 retail value of the dinner) would be reported in the right-hand column on line 8a.

If a contributor gives more than \$400, that person would be making a larger contribution, the difference between the dinner's retail value of \$160 and the amount actually given. Rev. Rul. 67-246, 1967-2 C.B. 104, explains this principle in detail. See also the instructions for lines 8a through 8c and Pub. 526.

Organizations that report more than \$15,000 total on lines 1c and 8a must also answer "Yes" to Part IV, line 18 and complete Part II of Schedule G (Form 990 or 990-EZ).

Line 1d. Enter on line 1d amounts contributed to the organization by **related organizations**. Do not report amounts reportable on line 1a.

Line 1e. Enter the total amount of **contributions** in the form of grants or similar payments from local, state, or federal government sources, as well as foreign governments. Include grant amounts from **U.S. possessions**.

A grant or other payment from a **governmental unit** is reported here if its primary purpose is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the governmental unit. In other words, the payment is recorded on line 1e if the general public receives the primary and direct benefit from the payment and any benefit to the governmental unit is indirect and insubstantial as compared to the public benefit.

The following are examples of governmental grants and other payments that are treated as contributions and reported on line 1e.

- Payments by a governmental unit for the construction or maintenance of library or museum facilities open to the public.
- Payments by a governmental unit to nursing homes to provide health care to their residents.
- Payments by a governmental unit to child placement or child guidance organizations under government programs to better serve children in the community.

Line 1f. Enter all other **contributions**, gifts, and similar amounts the organization received from sources not reported separately on lines 1a through 1e. This amount includes contributions from **donor advised funds** (unless the **sponsoring organization** is a **related organization**).

Line 1g. Enter on line 1g the value of **noncash contributions** included on lines 1a through 1f. If this amount exceeds \$25,000, the organization must answer "Yes" to Part IV, line 29 and complete and attach Schedule M (Form 990).

Noncash contributions are anything other than cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization. Value noncash donated items, like cars and **securities**, as of the time of their receipt, even if sold immediately after they were received.

Example. A charity receives a gift of stock from an unrelated donor. The stock is delivered to the charity's broker, who sells it on the same day and remits the sales proceeds, net

of commissions, to the charity. The value of the stock at the time of the contribution must be reported on line 1f and also on line 1g. The sale of the stock, and the related sales expenses (including the amount reported on lines 1f and 1g), must be reported on lines 7a through 7d.



*Museums and other organizations that elect not to capitalize their collections (in accordance with **SFAS 116**) should not report an amount on line 1g for **works of art** and other collection items donated to them.*

For more information on **noncash contributions** see the Instructions for Schedule M (Form 990).

Line 1h. Enter on line 1h the total of lines 1a through 1f (but not line 1g).



The organization may also need to attach Schedule B (Form 990, 990-EZ, or 990-PF). See the instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more information.

Line 2. On lines 2a through 2e, enter the organization's five largest sources of program service revenue. Program services are primarily those that form the basis of an organization's exemption from tax. For a more detailed description of program service revenue, refer to the instructions for Part IX, column (B).

On line 2f, enter the total received from all other sources of program service revenue not listed individually on lines 2a through 2e. On line 2g, enter the total of column (A), lines 2a through 2f.

Program service revenue. Program service revenue includes income earned by the organization for providing a government agency with a service, facility, or product that benefited that government agency directly rather than benefiting the public as a whole. Program service revenue also includes tuition received by a school, revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; interest income on loans a credit union makes to its members; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; insurance premiums received by a fraternal beneficiary society; and registration fees received in connection with a meeting or convention.

Program-related investments. Program service revenue also includes income from **program-related investments**. These investments are made primarily to accomplish an exempt purpose of the investing organization rather than to produce income. Examples are scholarship loans and low interest loans to charitable organizations, indigents, or victims of a disaster.

Rental income from an exempt function is another example of program-related investment income. For purposes of this return, report all rental income from an affiliated organization on line 2.

Unrelated trade or business activities. Unrelated trade or business activities (not including any **fundraising events** or **fundraising activities**) that generate fees for services can also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

Sales of inventory items by hospitals, colleges, and universities. Books and records maintained in accordance with generally accepted accounting principles for hospitals, colleges, and universities are more specialized than books and records maintained according to those accounting principles for other types or organizations that file Form 990. Accordingly, **hospitals**, colleges, and universities can report, as program service revenue on line 2, sales of inventory items otherwise reportable on line 10a. In that event, enter the applicable cost of goods sold as program service expense in column (B) of Part IX. No other organizations should report sales of inventory items on line 2.

Common Types of Program Service Revenue:

- Medicare/Medicaid payments, and other payments for medical services.

- Fees and contracts from government agencies for a service, facility, or product that primarily benefited the government agencies.

Example 1. A payment by a governmental agency to a medical clinic to provide vaccinations to the general public is a contribution reported on line 1e. A payment by a governmental agency to a medical clinic to provide vaccinations to employees of the agency is program service revenue reported on line 2.

Example 2. A payment by a governmental agency to an organization to provide job training and placement for disabled individuals is a contribution reported on line 1e. A payment by a governmental agency to the same organization to operate the agency's internal mail delivery system is program service revenue reported on line 2.

- Income from program-related investments. Report interest, dividends, and other revenues from those investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that borrowed the funds to pursue the filing organization's exempt function.
- Membership dues and assessments received that compare reasonably with the membership benefits provided by the organization. Organizations described in section 501(c)(5), (6), or (7) generally provide benefits that have a reasonable relationship with dues.

Examples of membership benefits include:

- Subscriptions to publications,
- Newsletters (other than one only about the organization's activities),
- Free or reduced-rate admissions to events sponsored by the organization,
- Use of the organization's facilities, and
- Discounts on articles or services that members and nonmembers can buy



For each amount entered on lines 2a through 2e, the organization must also enter a corresponding business activity code from Appendix J, Business Activity Codes. Select the most specific 6-digit code available that describes the activity producing the income. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity. For example, a credit union reporting income from consumer lending activities should use code 522291. Sales revenue from a museum gift shop should be reported with code 453220. An organization operating a thrift store should use code 453310 to report sales revenue. An organization providing credit counseling services should use code 541990. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes does not imply that the activity is unrelated to the organization's exempt purpose.

Line 3. Enter the amount of interest income from savings and temporary cash investments, dividend and interest income from equity and debt **securities** (stocks and bonds), amounts received from payments on securities loans, as defined in section 512(a)(5), as well as interest from notes and loans receivable. Do not include unrealized gains and losses on investments carried at market value.

Line 4. Enter all investment income actually or constructively received from investing the **proceeds** of a tax-exempt **bond issue**, which are under the control of the organization. For this purpose, do not include any investment income received from investing proceeds which are technically under the control of the **governmental issuer**. For example, proceeds deposited into a **defeasance escrow** which is irrevocably pledged to pay the principal and interest (debt service) on a bond issue is not under the control of the organization.

Line 5. Enter on line 5 royalties received by the organization from licensing the ongoing use of its property to others. Typically, royalties are received for the use of intellectual property, such as patents and trademarks. Royalties also include payments to the owner of property for the right to exploit natural resources on the property, such as oil, natural gas, or minerals.

Line 6a. Enter on line 6a the rental income received for the year from investment property. Allocate revenue to real property and personal property in the spaces provided. Do not include on line 6a rental income related to the filing organization's exempt function (program service). Report such income on line 2. For example, an exempt organization whose exempt purpose is to provide low-rental housing to persons with low income would report that rental income as program service revenue on line 2.

Only for purposes of completing this return, the filing organization must report any rental income received from an affiliated exempt organization as program service revenue on line 2.

Rental revenue can be from an activity that is related or unrelated to the organization's exempt purpose. In general, rents from real property are excluded in computing **unrelated business income**, while rental income from personal property is included. There are special rules when rents are received from personal property leased with real property (a mixed lease). In general, rental revenue from real property is excluded from unrelated business revenue when:

- The determination of the amount of such rents is not based on income or net profits derived by any person from the property leased other than an amount based on a fixed percentage of the gross receipts or sales,
- The lease does not include personal services other than customary ones such as trash removal and cleaning of public areas,
- Any portion attributable to personal property is 10% or less of the total rent, and
- The real property is not debt-financed within the meaning of section 512, 513, or 514. (Rent from debt-financed real property is generally includible in unrelated business income, but there can be exceptions based on use of the property. See Pub. 598.)

Rent received from leased personal property is generally taxable except when leased with real property, and the rent attributable to the personal property does not exceed 10% of the total rents from all leased property.

Line 6b. Enter on Line 6b the expenses paid or incurred for the income reported on line 6a. Include interest related to rental property and depreciation if it is recorded in the organization's books and records. If the organization reported on line 2 any rental income reportable as program service revenue, report any rental expense allocable to such activity on the applicable lines of Part IX, column (B).

Line 6c. Subtract line 6b from line 6a for both columns (i) and (ii) and enter on line 6c. Show any loss in parentheses.

Line 6d. Add line 6c, columns (i) and (ii) and enter on line 6d. Show any loss in parentheses.

Lines 7a through 7d. Enter on lines 7a through 7c all sales of **securities** in column (A). Use column (B) to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other non-inventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).

On line 7a, for each column, enter the total gross sales price of all such assets. Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 7b. On line 7c, enter the net gain or loss. Show any loss in parentheses.

On lines 7a and 7c, also report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts.

Combine the gain or loss figures reported on line 7c, columns (i) and (ii) and report that total on line 7d. Show any loss in parentheses. Do not include any unrealized gains or losses on **securities** carried at market value in the books of account.

For reporting sales of securities on Form 990, the organization can use the more convenient average cost basis method to figure the organization's gain or loss. When a security is sold, compare its sales price with the average cost basis of the particular security to determine gain or loss.

However, for reporting sales of securities on Form 990-T, do not use the average cost basis to determine gain or loss.

The organization should maintain books and records to substantiate information regarding any securities or other assets sold for which market quotations were not published or were not otherwise readily available. The recorded information should include:

- A description of the asset,
- Date acquired,
- Whether acquired by donation or purchase,
- Date sold and to whom sold,
- Gross sales price,
- Cost, other basis, or, if donated, value at time acquired,
- Expense of sale and cost of improvements made after acquisition, and
- Depreciation since acquisition, if depreciable property.

Line 8a. Enter in the line 8a box the gross income from fundraising events, not including the amount of contributions from fundraising events reported on line 1c. Report the line 1c amount in the line 8a parenthetical. If the sum of the amounts reported on line 1c and the line 8a box exceeds \$15,000, then the organization must answer “Yes” to Part IV, line 18 and complete Schedule G (Form 990 or 990-EZ), Part II. If gaming is conducted at a fundraising event, the income and expenses must be allocated between the gaming and the fundraising event in Form 990, Part VIII.

Compute the organization’s gross income from fees, ticket sales or other revenue from **fundraising events**.

Fundraising events include:	Fundraising events do not include:
<ul style="list-style-type: none"> • Dinners/dances, • Door-to-door sales of merchandise, • Concerts, • Carnivals, • Sports events, and • Auctions. 	<ul style="list-style-type: none"> • Sales or gifts of goods or services of only nominal value, • Raffles or lotteries in which prizes have only nominal value, and • Solicitation campaigns that generate only contributions. <p>Proceeds from these activities are considered contributions and should be reported on line 1f.</p>

Fundraising events do not include events or activities that substantially further the organization’s exempt purpose even if they also raise funds. Revenue from such program service activities are reported on line 2.

Example. An organization formed to promote and preserve folk music and related cultural traditions holds an annual folk music festival featuring concerts, handcraft demonstrations, and similar activities. Because the festival directly furthers the organization’s exempt purpose, income from ticket sales should be reported on line 2 as program service revenue.

Fundraising events sometimes generate both **contributions** and income, such as when an individual pays more than the retail value for the goods or services furnished. Report in parentheses the total amount from fundraising events that represents contributions rather than payment for goods or services. Treat the following as contributions.

- Amounts paid in excess of retail value of goods or service furnished. See *Example* for line 1c.
- Amounts received from fundraising events when the organization gives items of only nominal value to recipients.

Example. In return for a contribution of any amount, donors receive a keychain with the organization’s logo. All amounts received should be reported as contributions on line 1f and all associated expenses on the appropriate lines in Part IX, column (D). In such a case, no amounts would be reported on line 8.

Line 8b. Enter on this line both the cost or other basis of any items sold at the events and the expenses that relate directly to the production of the revenue portion of the fundraising activity. In the line 1c dinner example referred to earlier, the cost of the

food and beverages served would be one of the items reported on line 8b. Indirect fundraising expenses, such as certain advertising expenses associated with raising these **contributions**, must be reported on the appropriate lines in Part IX, column (D) and not on line 8b.

Line 8c. Enter on line 8c the difference between lines 8a and 8b. Show any loss in parentheses. The organization must report net income from **fundraising events** as unrelated business revenue (column (C)) or as revenue excluded from tax under sections 512, 513, or 514 (column (D)).

Example. If an organization receives a donation of a painting appraised at \$5,000 at the time of donation, sells it for \$7,500 at an auction, and incurs \$500 in costs related to selling the painting at auction, it should report \$5,000 on line 1f (and on line 1g), the \$7,500 gross proceeds from the auction on line 8a, the \$5,000 contribution value and \$500 in auction costs on line 8b, and the net proceeds of \$2,000 (\$7,500 – \$5,500) on line 8c. If the painting sold at auction for \$2,500, the organization would report a net loss of \$3,000 (\$2,500 – \$5,500) on line 8c. The organization would also need to report this contribution of art on Schedule M, line 1 if it received over \$25,000 in noncash contributions during the filing year.

Line 9a. Organizations that report more than \$15,000 on line 9a must also answer “Yes” to Part IV, line 19 and complete Part III of Schedule G (Form 990 or 990-EZ).

Types of gaming include, but are not limited to:	
<ul style="list-style-type: none"> - Bingo - Pull tabs - Instant bingo - Raffles - Scratch-offs - Charitable gaming tickets - Break-opens - Hard cards - Banded tickets - Jar tickets - Pickle cards 	<ul style="list-style-type: none"> - Nevada Club tickets - Casino nights - Las Vegas nights - Coin-operated gambling devices including: <ul style="list-style-type: none"> • Slot machines • Electronic video slot or line games • Video poker • Video blackjack • Video keno • Video bingo • Video pull tab games

Many games of chance are taxable. Income from **bingo** games is not generally subject to the tax on unrelated business income if the games meet the legal definition of bingo. For a game to meet the legal definition of bingo, wagers must be placed, winners must be determined, and prizes or other property must be distributed in the presence of all persons placing wagers in that game.

A wagering game that does not meet the legal definition of bingo does not qualify for the exclusion, regardless of its name. For example, **instant bingo**, in which a player buys a pre-packaged bingo card with **pull-tabs** that the player removes to determine if he or she is a winner, does not qualify. See Pub. 598.

Line 9b. Enter on this line the expenses that relate directly to the production of the revenue portion of the **gaming** activity.

Direct expenses of gaming include:

- Cash prizes,
- Noncash prizes,
- Compensation to **bingo** callers and workers,
- Rental of gaming equipment, and
- Cost of bingo supplies such as **pull tabs**, etc.

Line 9c. Enter the difference between 9a and 9b. Show any loss in parentheses.

Line 10a. Enter the organization’s gross income from sales of inventory items, less returns and allowances. Sales of inventory items reportable on line 10a are sales of items that are donated to the organization, that the organization makes to sell to others, or that it buys for resale. Sales of inventory do not, however, include the sale of goods related to a **fundraising event**, which must be reported on line 8. Sales of investments

on which the organization expected to profit by appreciation and sale are not reported here. Report sales of investments on line 7.

The organization must report the sales revenue regardless of whether the sales activity is an exempt function of the organization or an **unrelated trade or business**.

Line 10b. Enter the cost of goods sold related to the sales of inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a portion of overhead expenses. Marketing and distribution costs are not included in the cost of goods sold but are reported in column (B), *Program service expenses*, of Part IX.

Line 10c. Enter in the appropriate columns (A) through (D), the net income or (loss) from the sale of inventory items. Show any loss in parentheses.

Line 11. Enter all other types of revenue not reportable on lines 1 through 10. Enter the three largest sources on lines 11a through 11c and all other revenue on line 11d.



For each amount entered on lines 11a, 11b and 11c, the organization must also enter a corresponding business activity code from Appendix J, Business Activity Codes. Select the most specific 6-digit code available that describes the activity producing the income. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes does not imply that the activity is unrelated to the organization's exempt purpose.

Line 12. For column (A), add lines 1h, 2g, 3 through 5, 6d, 7d, 8c, 9c, 10c, and 11e. For columns (B) through (D), add lines 2a through 2f, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11a through 11d. The amounts reported on line 12 in columns (B), (C), and (D), plus the amount reported on line 1h, should equal line 12, column (A).

Part IX. Statement of Functional Expenses

Use the organization's normal accounting method to complete this section. If the organization's accounting system does not allocate expenses, the organization can use any reasonable method of allocation. The organization must report amounts accurately and document the method of allocation in its records. Do not report in Part IX expenses that must be reported on lines 6b, 7b, 8b, 9b, or 10b in Part VIII.

Column (A)—Total

Section 501(c)(3) and 501(c)(4) organizations as well as section 4947(a)(1) nonexempt charitable trusts must complete columns (A) through (D).

All other organizations must complete column (A) but can complete columns (B), (C), and (D).



State reporting requirements can be different from IRS reporting requirements applicable to Part IX.

Column (B)—Program Services

Program services are mainly those activities that further the organization's exempt purposes. Fundraising expenses should not be reported as program-service expenses even though one of the organization's purposes is to solicit **contributions**.

Include **lobbying** expenses in this column if the lobbying is directly related to the organization's exempt purposes.

Example. Foundation M, an organization exempt under section 501(c)(3), has the exempt purpose of improving health care for senior citizens. Foundation M operates in State N. The legislature of State N is considering legislation to improve funding of health care for senior citizens. Foundation M lobbies state legislators in support of the legislation. Since this lobbying is directly related to Foundation M's exempt purpose, it would be considered an exempt function expense, and would be included under Column (B).

Program services can also include the organization's **unrelated trade or business** activities. Publishing a magazine is a program service even though the magazine contains both editorials and articles that further the organization's exempt purpose as well as advertising, the income from which is taxable as **unrelated business income**.

Also include costs to secure a grant to conduct research, produce an item, or perform a service, whether the activities were conducted to meet the grantor's specific needs or to benefit the public directly. Do not report these costs as fundraising expenses in column (D), even if the organization reports the grant on Part VIII, line 1, as a **contribution**.

Column (C)—Management and General

Use Column (C) to report expenses that relate to the organization's overall operations and management, rather than to **fundraising activities** or program services. Overall management usually includes the salaries and expenses of the organization's chief executive officer and his or her staff, unless a part of their time is spent directly supervising program services or fundraising activities. In that case, their salaries and expenses should be allocated among management, fundraising, and program services.

Expenses incurred to manage investments must be reported in column (C). **Lobbying** expenses should be reported in this column if they do not directly relate to the organization's exempt purposes.

Organizations must also report the following in column (C): costs of board of directors meetings; committee meetings, and staff meetings (unless they involve specific program services or **fundraising activities**); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, human resources, and other centralized services; preparation, publication, and distribution of an annual report; and management of investments.

However, report expenses related to the production of program-related income in column (B) and expenses related to the production of rental income in Part VIII, on line 6b. Rental expenses incurred for the organization's office space or facilities are reported on line 16.

Do not use this column to report costs of special meetings or other activities that relate to fundraising or specific program services.

Column (D)—Fundraising

Fundraising expenses are the expenses incurred in soliciting **contributions**, gifts, and grants. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns and (b) soliciting bequests and grants from foundations or other organizations, or government grants reported on Part VIII, line 1. This includes participating in federated fundraising campaigns; preparing and distributing fundraising manuals, instructions, and other materials; and conducting **fundraising events** that generate contributions reportable on Part VIII, line 1c, or revenue reported on Part VIII, on line 8a.

Example. For an employee who works on fundraising 40 percent of the time and program management 60 percent of the time, an organization must allocate that employee's salary 40 percent to fundraising and 60 percent to program service expenses. It cannot report the 100 percent of salary as program expenses simply because the employee spent over 50 percent of his time on program management.

Allocating Indirect Expenses

Direct costs are expenses that can be identified specifically with an organization's activity or project, and can be assigned to an activity or project with a high degree of accuracy. Indirect costs are costs that cannot be identified specifically with an activity or project. For example, a computer bought by a university specifically for a research project is a direct cost. In contrast,

the costs of software licensing for programs that run on all the university's computers are indirect costs.

Colleges, universities, hospitals, and other organizations that incur indirect expenses in various cost centers (such as organizational memberships, books and subscriptions, and regular telecommunications costs) can allocate and report such expenses in the following manner:

1. Report the expenses of all indirect cost centers on column (C), lines 5 through 24.
2. As a separate line item of line 24, enter "Allocation of [name of indirect cost center] expenses."
 - a. If any of the cost center's expenses are allocated to expenses listed in Part VIII such as the expenses attributable to **fundraising events** and activities, enter such expenses as a negative figure in columns (A) and (C).
 - b. Allocate expenses to column (B) or (D) as positive amounts.
 - c. Add the amounts in columns (B) and (D) and enter the sum as a negative offsetting amount in column (C). Do not make any entries in column (A) for these offsetting entries.

Example. An organization reports in column (C) \$50,000 of its actual management and general expenses and \$100,000 of expenses of an indirect cost center that are allocable in part to other functions. The total of lines 5 through 24 of column (C) would be \$150,000 before the indirect cost center allocations were made. Assume that of the \$100,000 total expenses of the cost center, \$10,000 was allocable to fundraising; \$70,000 to various program services; \$15,000 to management and general functions; and \$5,000 to special events and activities. To report this in Part IX under this optional method:

1. Indicate the cost center, the expenses of which are being allocated, on line 24, as "Allocation of [specify the indirect cost center] expenses;"
2. Enter a decrease of \$5,000 on the same line in the column (A), *Total expenses*, representing the fundraising event expenses that were already reported in Part VIII, on line 8b;
3. Enter \$70,000 on the same line in column (B), *Program service expenses*;
4. Enter \$10,000 on the same line in column (D), *Fundraising expenses*; and
5. Enter a decrease of \$85,000 on the same line in column (C), *Management and general expenses*, to represent the allocations to functional areas other than management and general.

After making these allocations, the column (C), line 25 total functional expenses would be \$65,000, consisting of the \$50,000 actual management and general expense amount and the \$15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a one-step allocation that shows how to report the allocation in Part IX. This reporting method would actually be more useful to avoid multiple-step allocations involving two or more cost centers. Without this optional reporting method, the total expenses of the first cost center would be allocated to the other functions, and might include an allocation of part of these expenses to another cost center. The expenses of the second cost center would then be allocated to other functions and, perhaps, to other cost centers, and so on. The greater the number of these cost centers that are allocated out, the more difficult it is to preserve the object classification identity of the expenses of each cost center (for example,

salaries, interest, supplies, etc.). Using the reporting method described above avoids this problem.



The intent of the above instructions is only to facilitate reporting indirect expenses by both object classification and function. These instructions do not authorize the allocation to other functions of expenses that should be reported as management and general expenses.

Grants and Other Assistance to Governments, Organizations and Individuals

Organizations should report the amount of **grants and other assistance** on lines 1 through 3. Report expenses incurred in selecting recipients or monitoring compliance with the terms of a grant or award on lines 5 through 24. See the following instructions.

Note. Organizations can report this information in accordance with Statement of Financial Accounting Standards (**SFAS 116**) but are not required to do so. For example, an organization that follows SFAS 116 and makes a grant during the **tax year** to be paid in future years should report the grant's present value on this year's Form 990 and report accruals of additional value increments in future years.

Line 1. Enter the amount that the organization, at its own discretion, paid in grants to **governmental units** and other organizations in the **United States**. United Way and similar federated fundraising organizations should report grants to member or participating agencies on line 1. Organizations must report voluntary grants to state or local affiliates for specific (restricted) purposes or projects on line 1.

If line 1 exceeds \$5,000, the organization must complete Parts I and II of Schedule I (Form 990).

Line 2. Enter the amount paid by the organization to individuals in the **United States** in the form of scholarships, fellowships, stipends, research grants, and similar payments and distributions.

Also include **grants and other assistance** paid to third party providers for the benefit of specified individuals. For example, a grant payment to a **hospital** to cover the medical expenses of a particular patient must be reported on line 2. By comparison, a grant to the same **hospital** to provide services to the general public or to unspecified charity patients must be reported on line 1.

If line 2 exceeds \$5,000, the organization must complete Parts I and III of Schedule I (Form 990).

Line 3. The organization must enter the total amount of **grants and other assistance** made to **foreign governments, foreign organizations, and foreign individuals** outside the **United States**, and to U.S. individuals for foreign activity.

If line 3 exceeds \$5,000, the organization may have to complete Parts II and/or Part III of Schedule F (Form 990). See instructions for Schedule F for more information.

Line 4. Enter the payments made by the organization to provide benefits to members (such as payments made by an organization exempt under sections 501(c)(8), 501(c)(9), or 501(c)(17) to obtain insurance benefits for members). Do not report on this line the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to its **officers** and **employees**. Report those expenses on lines 8 and 9.

Allocating Indirect Expenses—Example

Line	(A)	(B)	(C)	(D)
5–24a	\$150,000	-	\$150,000	-
24b Allocation of \$100,000 indirect cost center expenses reported in (C)	(5,000)	70,000	(85,000)	10,000
25	\$145,000	\$70,000	\$65,000	\$10,000

Line 5. Enter the total **compensation** paid to current **officers, directors, trustees, and key employees** for the organization's **tax year**. Compensation includes all forms of income and other benefits earned or received in return for services rendered, including pension plan contributions and other employee benefits, but does not include non-compensatory expense reimbursements or allowances. Report all compensation amounts relating to such an individual, including those related to services performed in a capacity other than as an officer, director, trustee, or key employee.

TIP *Compensation for Part IX is reported based on the accounting method and reporting period used by the organization, rather than the definitions and calendar year used to complete Part VII or Schedule J (Form 990) regarding compensation of certain officers, directors, trustees and other employees.*

Note. To the extent the following examples discuss allocation of expenses in columns (B), (C), and (D), they apply only to filers required to complete those columns.

Example 1. Key Employee A spent 90% of her time administering a program that constitutes the basis of the organization's exempt purpose and 10% of her time in the general management of the organization itself. Allocate 90% of key employee A's compensation to column (B), and 10% to column (C).

Example 2. Director B is not paid as a member of the board, but is employed and compensated by the organization as a part-time fundraiser. Allocate 100% of Director B's compensation to column (D).

Example 3. Officer C receives \$100,000 of salaries and wages. In addition, the organization paid \$25,000 of fringe benefits, \$10,000 of non-compensatory travel reimbursements, and \$7,500 of pension plan contributions relating to Officer C. The organization reports \$132,500 as compensation on line 5 and reports the \$10,000 of expense reimbursements on line 17.

Line 6. Section 501(c)(3) and 501(c)(4) organizations must report the total **compensation** and other distributions provided to **disqualified persons** and persons described in section 4958(c)(3)(b) to the extent not included on line 5. See *Appendix G, Section 4958 Excess Benefit Transactions*.

Compensation includes all forms of income and other benefits earned or received in return for services rendered, including pension plan contributions and other employee benefits, but does not include non-compensatory expense reimbursements or allowances.

Line 7. Enter the total amount of **employee** salaries, wages, fees, bonuses, severance payments, and similar amounts not reported on line 5 or 6.

Line 8. Enter the employer's share of contributions to qualified and nonqualified pension plans for the year. The organization should include contributions made to sections 401(k) and 403(b) pension plans on behalf of **employees**. However, it should not include contributions to qualified pension, profit-sharing, and stock bonus plans under section 401(a) solely for the benefit of current or former **officers, directors, trustees, or key employees** that are reportable on line 5 or 6.

TIP *Complete Form 5500, Annual Return/Report of Employee Benefit Plan, for the organization's plan and file it as a separate return. If the organization has more than one pension plan, complete a Form 5500 for each plan. File the form by the last day of the 7th month after the plan year ends.*

Line 9. Other employee benefits. Enter the organization's contributions to employee benefit programs (such as insurance, health, and welfare programs that are not an incidental part of a pension plan included on line 8), and the cost of other employee benefits.

For example, report expenses for employee events such as a picnic or holiday party on line 9. Do not include **contributions** on behalf of current or former **officers, directors, trustees, key employees** or other persons that were included on line 5 or 6.

Line 10. Payroll taxes. Enter the amount of federal, state, and local payroll taxes for the year but only those taxes that are imposed on the organization as an employer. This includes the employer's share of Social Security and Medicare taxes, the federal unemployment tax (FUTA), state unemployment compensation taxes, and other state and local payroll taxes. Do not include on line 10 taxes withheld from employees' salaries and paid to various governmental units such as federal, state, and local income taxes and the employees' shares of Social Security and Medicare taxes. Such withheld amounts are reported as compensation.

Line 11. Fees for services paid to non-employees (independent contractors). Enter on lines 11a through 11g amounts for services provided by **independent contractors** for management, legal, accounting, lobbying, **professional fundraising services**, investment management, and other services, respectively. Include amounts regardless of whether a Form 1099 was issued to the **independent contractor**. Do not include on line 11 amounts paid to or earned by **employees, officers, directors, trustees, or disqualified persons** for these types of services, which must be reported on lines 5 through 7.

Line 11a. Management fees. Enter the total fees charged for management services provided by outside firms and individuals.

Line 11b. Legal fees. Enter the total legal fees charged by outside firms and individuals. Do not include any penalties, fines, settlements or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 24. Report any amounts for lobbying services provided by attorneys on line 11d.

Line 11c. Accounting fees. Enter the total accounting and auditing fees charged by outside firms and individuals.

Line 11d. Lobbying fees. Enter amounts for activities intended to influence foreign, national, state, or local legislation, including direct **lobbying** and grassroots lobbying. Do not include activities to influence actions by executive, judicial, or administrative officials or bodies, or other advocacy services. Report these amounts on line 11g.

Line 11e. Professional fundraising fees. Enter amounts paid for **professional fundraising services**, including solicitation campaigns and advice or other consulting services supporting in-house fundraising campaigns. If the organization is able to distinguish between fees paid for professional fundraising services and amounts paid for fundraising expenses such as printing, paper, envelopes, postage, mailing list rental, and equipment rental, then fees paid for professional fundraising services should be reported on line 11e and amounts paid for fundraising expenses should be reported on line 24 as other expenses. If the organization is unable to distinguish between these amounts, it should report all such fees and amounts on line 11e.

Line 11f. Investment management fees. Enter amounts for investment counseling and portfolio management. Monthly account service fees are considered portfolio management expenses, and must be reported here. Do not include transaction costs such as brokerage fees and commissions, which are considered sales expenses and are included on Part VIII, line 7b.

Line 11g. Other fees for services. Enter amounts for other **independent contractor** services not listed on lines 11a through 11f. For example, amounts paid to an independent contractor for advocacy services that do not constitute lobbying should be reported here. For health care organizations, payments to health care professionals who are independent contractors are reported on line 11g.

Line 12. Advertising expenses. Enter amounts paid for advertising. Include amounts for print and electronic media advertising. Also include Internet site link costs, signage costs, and advertising costs for the organization's in-house fundraising campaigns. Do not include fees paid to **independent contractors** for conducting professional **fundraising** services or campaigns, which are reported on line 11e.

Line 13. Office expenses. Enter amounts for supplies (office, classroom, medical, or other supplies); telephone (cell phones

and landlines) and facsimile; postage (overnight delivery, parcel delivery, trucking, and other delivery expenses) and mailing expenses; shipping materials; equipment rental; bank fees and other similar costs. Also include printing costs of a general nature. Printing costs that relate to conferences or conventions must be reported on line 19.

Line 14. Information technology. Enter amounts for information technology, including hardware, software, and support services, such as maintenance, help desk, and other technical support services. Also include expenses for infrastructure support, such as web site design and operations, virus protection and other information security programs and services to keep the organization's web site operational and secured against unauthorized and unwarranted intrusions, and other information technology contractor services. Report payments to information technology employees on lines 5 through 10. Report depreciation/amortization related to information technology on line 22.

Line 15. Royalties. Enter amounts for royalties, license fees and similar amounts that allow the organization to use intellectual property such as patents and copyrights.

Line 16. Occupancy. Enter amounts for the use of office space or other facilities, including rent, heat, light, power, and other utilities expenses; property insurance; real estate taxes; mortgage interest; and similar occupancy-related expenses. Do not include on line 16 expenses reported as office expenses (such as telephone expenses), on line 13.

Do not net any rental income received from leasing or subletting rented space against the amount reported on line 16 for occupancy expenses. If the tenant's activities are related to the organization's exempt purpose, report rental income as program-service revenue on Part VIII, line 2, and allocable occupancy expenses on line 16. However, if the tenant's activities are not program-related, report the rental income on Part VIII, line 6a, and related rental expenses on Part VIII, line 6b.

Do not include employee salaries or depreciation as occupancy expenses. These expenses are reported on lines 5 through 7 and 22, respectively.

Line 17. Travel. Enter the total travel expenses, including transportation costs (fares, mileage allowances, and automobile expenses), meals and lodging, and per diem payments. Travel costs include the expenses of purchasing, leasing, operating, and repairing any vehicles owned by the organization and used for the organization's activities. However, if the organization leases vehicles on behalf of its executives or other employees as part of an executive or employee compensation program, the leasing costs are considered employee compensation, and are reported on lines 5 through 7.

Line 18. Payments of travel or entertainment expenses for any federal, state or local public officials. Enter total amounts for travel or entertainment expenses (including reimbursement for such costs) for any federal, state or local public officials (as determined under section 4946(c)) and their family members (as determined under 4946(d)). Report amounts for a particular public official only if aggregate expenditures for the year relating to such official (including family members of such official), exceed \$1,000 for the year.

For expenditures that are not specifically identifiable to a particular individual, the organization can use any reasonable allocation method to estimate the cost of the expenditure to an individual. Amounts not described above can be included in the reported total amount for line 18 or can be reported on line 24. The organization is responsible for keeping records of all travel and entertainment expenses related to a **government official** regardless of whether the expenses are reported on line 18 or line 24.

Line 19. Conferences, Conventions, and Meetings. Enter the total expenses incurred by the organization in conducting meetings related to its activities. Include such expenses as facility rentals, speakers' fees and expenses, and printed materials. Include the registration fees (but not travel expenses) paid for sending any of the organization's staff to conferences, conventions, and meetings conducted by other organizations.

Travel expenses incurred by **officers, directors, and employees** attending such conferences, conventions and meetings must be reported on line 17.

Line 20. Interest. Enter the total interest expense for the year. Do not include any interest attributable to rental property (reported on Part VIII, line 6b) or any mortgage interest (reported as an occupancy expense on line 16).

Line 21. Payments to affiliates. Enter certain types of payments to organizations affiliated with (closely related to) the filing organization.

Payments to affiliated state or national organizations.

Dues paid by a local organization to its affiliated state or national (parent) organization are reported on line 21. Report on this line predetermined quota support and dues (excluding membership dues of the type described below) by local agencies to their state or national organizations for unspecified purposes; that is, general use of funds for the national organization's own program and support services.

Purchases from affiliates. Purchases of goods or services from affiliates are not reported on line 21 but are reported as expenses in the usual manner.

Expenses for providing goods or services to affiliates.

In addition to payments made directly to affiliated organizations, expenses for providing goods or services to affiliates can be reported on line 21 if:

- The goods or services provided are not related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the state or national organization); and
- The costs involved are not connected with the management and general or fundraising functions of the filing organization. For example, when a local organization gives a copy of its mailing list to the state or national organization, the expense of preparing the copy provided can be reported on line 21, but not the expenses of preparing and maintaining the local organization's master list.

Federated fundraising agencies. Federated fundraising agencies should include in their own support, and report in Part VIII, line 1, the full amount of **contributions** received in connection with a solicitation campaign they conduct, even though donors designate specific agencies to receive part or all of their individual contributions. These fundraising agencies must report the allocations to participating agencies as **grants and other assistance** on line 1, and quota support payments to their state or national organization as payments to affiliates on line 21.

Voluntary awards or grants to affiliates. Do not report on line 21 voluntary awards or grants made by the organization to its state or national organizations for specified purposes.

Membership dues paid to other organizations. Report membership dues paid to obtain general membership benefits from other organizations, such as regular services, publications, and other materials, on line 24. This is the case if a charitable organization pays dues to a trade association comprised of otherwise unrelated members.



Properly distinguishing between payments to affiliates and grants and allocations is especially important if the organization uses Form 990 for state reporting purposes. If the organization uses Form 990 only for reporting to the IRS, payments to affiliated or national organizations that do not represent membership dues reportable as miscellaneous expenses on line 24 can be reported either on line 21 or line 1.

Line 22. Depreciation, depletion, and amortization. If the organization records depreciation, depletion, amortization, or similar expenses, enter the total on line 22. Include any depreciation or amortization of leasehold improvements and intangible assets. An organization is not required to use the Modified Accelerated Cost Recovery System (MACRS) to compute depreciation reported on Form 990. For an explanation of acceptable methods for computing depreciation see Pub. 946, How to Depreciate Property. If an amount is

reported on this line, the organization is required to maintain books and records to substantiate any amount reported.

Line 23. Insurance. Enter total insurance expenses other than insurance attributable to rental property (reported on Part VIII, line 6b). Do not report on this line payments made by organizations exempt under section 501(c)(8), (9), or (17) to obtain insurance benefits for members. Report those expenses on line 4. Do not report on this line the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to its **officers** and **employees**. Report those expenses on lines 8 and 9. Do not report on this line property or occupancy-related insurance. Report those expenses on line 16.

Line 24. Other expenses. Enter the types and amounts of miscellaneous expenses which were not reported on lines 1 through 23. Include payments by the organization to professional fundraisers of fundraising expenses such as printing, paper, envelopes, postage, mailing list rental, and equipment rental, if the organization is able to distinguish these expense amounts from fees for professional fundraising services reportable on line 11e. Enter the 5 largest dollar amounts on lines 24a through 24e and the total of all remaining expenses on line 24f. However, the organization must separately report the amount, if any, of **unrelated business income** taxes on line 24. If lines 24a through 24e contain an amount labeled "other expenses" or "miscellaneous expenses" or something similar, the amount reported cannot exceed 5% of the total expenses reported on line 25.

Line 25. Total functional expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) nonexempt charitable trusts: Add lines 1 through 24f and enter the totals on line 25 in columns (A), (B), (C), and (D).

All other organizations: Add lines 1 through 24f and enter the total on line 25 in column (A).

Line 26. Joint Costs. Organizations that included in program service expenses (column (B) of Part IX) any joint costs from a combined educational campaign and fundraising solicitation must disclose how the total joint costs of all such combined activities were reported in Part IX. Any costs provided here are not to be deducted from the other lines in Part IX on which they are reported.

An organization conducts a combined educational campaign and fundraising solicitation when it solicits **contributions** (by mail, telephone, broadcast media, or any other means) and includes, with the solicitation, educational material or other information that furthers a bona fide non-fundraising exempt purpose of the organization.

Expenses attributable to providing information regarding the organization itself, its use of past contributions, or its planned use of contributions received are fundraising expenses and must be reported in column (D). Do not report such expenses as program service expenses in column (B).

Any method of allocating joint costs between columns (B) and (D) must be reasonable under the facts and circumstances of each case. Most states with reporting requirements for charitable organizations and other organizations that solicit contributions either require or allow reporting of joint costs under AICPA Statement of Position 98-2 (SOP 98-2).

Part X. Balance Sheet

All organizations must complete Part X. No substitute balance sheet will be accepted. All references to Schedule D are to Schedule D (Form 990), Supplemental Financial Statements.

Column (A)— Beginning of Year

In column (A), enter the amount from the preceding year's Form 990, column (B). If the organization was exempted from filing Form 990 for the preceding year, enter amounts the organization would have entered in column (B) for that year. If this is the organization's first year of existence, enter zeros on lines 16, 26, 33, and 34 in column (A).

Column (B)— End of Year

When Schedule D (Form 990) reporting is required for any item

in Part X, it is only for the end-of-year balance sheet figure reported in column (B). If this is the organization's final return, enter zeros on lines 16, 26, 33, and 34 in column (B).

Line 1. Cash (non-interest bearing). Enter the total funds that the organization has in cash, including amounts held as "petty cash" at its offices or other facilities, and amounts held in banks in non-interest bearing accounts. Do not include cash balances held in an investment account with a financial institution and reported on lines 11 through 13.

Line 2. Savings and temporary cash investments. Enter the combined total of amounts held in interest-bearing checking and savings accounts, deposits in transit, temporary cash investments (such as money market funds, commercial paper, and certificates of deposit), and U.S. Treasury bills or other governmental obligations that mature in less than a year. Do not include cash balances held in an investment account with a financial institution and reported on lines 11 through 13. Do not include advances to **employees** or **officers** or refundable deposits paid to suppliers or other **independent contractors**. Report the income from these investments on Part VIII, line 3.

Line 3. Pledges and grants receivable, Net. Enter the total of (a) all pledges receivable, less any amounts estimated to be uncollectible, including pledges made by **officers, directors, trustees, key employees, and highest compensated employees** and (b) all grants receivable.

Organizations that follow Statement of Financial Accounting Standards (SFAS) 116 can report the present value of the grants receivable as of each balance sheet date.

Line 4. Accounts Receivable, Net. Enter the organization's total accounts receivable (reduced by any allowance for doubtful accounts) from the sale of goods and the performance of services. Report claims against vendors or refundable deposits with suppliers or others here, if not significant in amount. Otherwise, report them on line 15, Other assets. Report the net amount of all receivables due from **officers, directors, trustees, or key employees** on line 5. Report receivables (including loans and advances) due from other disqualified persons on line 6. Receivables (including loans and advances) from **employees** who are not current or former officers, directors, trustees, key employees, or **disqualified persons** must be reported on line 7.

Lines 5 and 6. Receivables from current officers, directors, trustees, key employees, and highest compensated employees.

Report on line 5 receivables due from current or former **officers, directors, trustees, key employees, and highest compensated employees**. Section 501(c)(3) and 501(c)(4) organizations must also report on line 6 receivables due from other **disqualified persons** (for purposes of section 4958, see *Appendix G*) and persons described in section 4958(c)(3)(B). Include all amounts owed on secured and unsecured loans made to such persons. Report interest from such receivables on Part VIII, line 11. Do not report on line 5 or 6 (1) pledges or grants receivable, which are to be reported on line 3 or (2) receivables that are excepted from reporting in Schedule L (Form 990 or 990-EZ), Part II (except for **excess benefit transactions** involving receivables). If the organization must report receivables on either line 5 or 6, it must answer "Yes" to Part IV, line 26 and complete Schedule L (Form 990 or 990-EZ), Part II.

Line 7. Notes and loans receivable, Net. Enter the net amount of all notes receivable and loans receivable not listed on lines 5 and 6, including receivables from unrelated third parties. The term "unrelated third parties" includes **independent contractors** providing goods or services and **employees** who are not current or former **officers, directors, trustees, key employees, highest compensated employees** or **disqualified persons**. Do not include the following:

- Receivables reported on line 4.
- Program-related investments reported on line 13.
- Notes receivable acquired as investments reported on line 12.

Line 8. Inventories for sale or use. Enter the amount of materials, goods, and supplies held for future sale or use,

whether purchased, manufactured by the organization, or donated.

Line 9. Prepaid expenses and deferred charges. Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, or pension costs, and expenses incurred for a solicitation campaign to be conducted in a future accounting period.

Line 10a. Land, buildings, and equipment. Enter the cost or other basis of all land, building, and equipment held at the end of the year. Include both property held for investment purposes and property used for the organization's exempt functions. If an amount is reported here, answer "Yes" to Part IV, line 11 and complete Schedule D (Form 990), Part VI. The amount reported on line 10a must equal the total of Schedule D, Part VI, columns (a) and (b).

Line 10b. Accumulated depreciation. Enter the total amount of accumulated depreciation with respect to the assets reported on line 10a. The amount reported on line 10b must equal the total of Schedule D (Form 990), Part VI, column (c).

Line 10c. Column (A)—Beginning of year. Enter the cost or other basis of land, buildings, and equipment, net of any accumulated depreciation, as of the beginning of the year.

Line 10c. Column (B)—End of year. Enter line 10a minus line 10b. The amount reported must equal the total of Schedule D, (Form 990), Part VI, column (d).

Line 11. Investments—publicly traded securities. Enter the total value of **publicly traded securities** held by the organization as investments. Publicly traded securities include common and preferred stocks, bonds (including governmental obligations such as bonds and Treasury bills), and mutual fund shares that are listed and regularly traded in an over-the-counter market or an established exchange and for which market quotations are published or are otherwise readily available. Report dividends and interest from these **securities** on Part VIII, line 3.

Do not report on line 11 publicly traded stock for which the organization holds 5% or more of the outstanding shares of the same class or publicly traded stock in a corporation that comprises more than 5% of the organization's **total assets**. Report these investments on line 12.

Line 12. Investments—other securities. Enter on this line the total amount of all **securities**, partnerships, or funds that are not publicly traded. This includes stock in a closely held company whose stock is not available for sale to the general public or which is not widely traded. Other **securities** also include publicly traded stock for which the organization holds 5% or more of the outstanding shares of the same class, and publicly traded stock in a corporation that comprises more than 5% of the organization's **total assets**. Do not include program related investments.

If an amount is reported on this line that is 5% or more of the amount reported on Part X, line 16, answer "Yes" to Part IV, line 11b and complete Schedule D (Form 990), Part VII. The amount reported on column (B), line 12 must equal the total of Schedule D (Form 990), Part VII, column (b).

Line 13. Program-related investments. Report here the total book value of all investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the filing organization's exempt function.

If the amount reported on this line is 5% or more of the amount reported on Part X, line 16, answer "Yes" to Part IV, line 11c and complete Part VIII of Schedule D (Form 990). The amount reported on Part X, column (B), line 13 must equal the total of Schedule D (Form 990), Part VIII, column (b).

Line 14. Intangible assets. Report on this line the total value of all non-monetary, non-physical assets such as copyrights, patents, trademarks, mailing lists, or goodwill.

Line 15. Other assets. Report on this line the total book value of all assets held and not reported on lines 1 through 14.

If an amount is reported on this line that is 5% or more of the amount reported on Part X, line 16, answer "Yes" to Part IV, line 11d and complete Schedule D (Form 990), Part IX. The amount reported on Part X, column (B), line 15 must equal the total of Schedule D, Part IX, column (b).

Line 16. Total assets. Add the totals in columns (A) and (B), lines 1 through 15. The amounts on line 16 must equal the amounts on line 34 for both the beginning and end of the year. The organization must enter a zero or a dollar amount on this line.

Line 17. Accounts payable and accrued expenses. Enter the total of accounts payable to suppliers, service providers, property managers and other **independent contractors**, plus accrued expenses such as salaries payable, accrued payroll taxes, and interest payable.

Line 18. Grants payable. Enter the unpaid portion of grants and awards that the organization has committed to pay other organizations or individuals, regardless of whether the commitments have been communicated to the grantees.

Line 19. Deferred revenue. Report revenue that the organization has received but not yet earned as of the balance sheet date under its method of accounting.

Line 20. Tax-exempt bond liabilities. Enter the amount of **tax-exempt bonds** (or other obligations) for which the organization has a direct or indirect liability which were either issued by the organization on behalf of a state or local governmental unit, or by a state or local governmental unit on behalf of the organization, and for which the organization has a direct or indirect liability. Tax-exempt bonds include state or local bonds and any obligations, including direct borrowing from a lender, or certificates of participation, the interest on which is excluded from the gross income of the recipient for federal income tax purposes under section 103.

See also Part IV, line 24, and Schedule K (Form 990).

Line 21. Escrow or custodial account liability. Enter the amount of funds or other assets held in an **escrow or custodial account** for other individuals or organizations. Enter these amounts only if the related assets (such as cash) are reported on lines 1 through 15 of this part. If an amount is reported on this line, the organization must also answer "Yes" to Part IV, line 9 and complete Schedule D (Form 990), Part IV. If the organization has signature authority over, or another interest in an **escrow or custodial account** for which it does not report the assets or liabilities, it must also answer "Yes" to Part IV, line 9 and complete Schedule D, Part IV.

Example. A credit counseling organization collects amounts from debtors to remit to creditors and reports the amounts temporarily in its possession as cash on line 1 of the balance sheet. It must then report the corresponding liability (the amounts to be paid to the creditors on the debtors' behalf) on line 21.

Lines 22–24. Enter on line 22 the unpaid balance of loans payable (whether or not secured) to current and former **officers, directors, trustees, key employees, highest compensated employees, disqualified persons** (for purposes of section 4958), and persons described in section 4958(c)(3)(B). If the organization reports a loan payable on this line, it must answer "Yes" to Part IV, line 26 and complete Schedule L (Form 990 or 990-EZ), Part II. Do not report on line 22 accrued but unpaid **compensation** owed by the organization.

On line 23, enter the total amount of secured mortgages and notes payable to unrelated third parties that are secured by the organization's assets as of the end of the **tax year**. Report on line 25 (and not line 23) any secured mortgages and notes payable to **related organizations**.

On line 24, enter the total amount of notes and loans that are payable to unrelated third parties but are not secured by the organization's assets. Report on line 25 (and not line 24) any unsecured payables to related organizations.

Line 25. Other liabilities. Enter the total amount of all liabilities not properly reportable on lines 17 through 24. Items properly reported on this line include federal income taxes

payable and secured or unsecured payables to **related organizations**. The organization must also answer "Yes" to Part IV, line 11 and complete Schedule D (Form 990), Part X.

Line 26. Total liabilities. Add the totals in columns (A) and (B), lines 17 through 25. The organization must enter a zero or a dollar amount on this line.

Net Assets and Fund Balances

The Financial Accounting Standards Board issued *Financial Statements of Not-for-Profit Organizations (SFAS 117)*. SFAS 117 provides standards for external financial statements certified by an independent accountant for certain types of nonprofit organizations. SFAS 117 does not apply to credit unions, voluntary employees' beneficiary associations, supplemental unemployment benefit trusts, section 501(c)(12) cooperatives, and other member benefit or mutual benefit organizations.

While some states may require reporting in accordance with SFAS 117, the IRS does not. However, a Form 990 return prepared in accordance with SFAS 117 will be acceptable to the IRS.

Organizations that follow SFAS 117. If the organization follows SFAS 117, check the box above line 27, and complete lines 27 through 29 and lines 33 and 34. Classify and report net assets in three groups (unrestricted, temporarily restricted, and permanently restricted) based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. Enter the sum of the three classes of net assets on line 33. On line 34, add the amounts on lines 26 and 33 to show total liabilities and net assets. The amount on line 34 must equal the amount on line 16.



Effective for reporting years ending after December 15, 2008, FSP FAS 117-1 addresses reporting of endowments as permanently restricted or temporarily restricted funds. Further, a number of states have enacted or are considering enacting the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). If the organization is subject to UPMIFA or FSP 117-1, it may affect the amounts reported in lines 27 through 29.

Line 27. Unrestricted net assets. Enter the balance per books of unrestricted net assets. Unrestricted net assets are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. All funds without donor-imposed restrictions must be classified as unrestricted, regardless of the existence of any board designations or appropriations.

Line 28. Temporarily restricted net assets. Enter the balance per books of temporarily restricted net assets. Donors' temporary restrictions may require that resources be used after a specified date (time restrictions), or that resources be used for a specified purpose (purpose restrictions), or both.

Line 29. Permanently restricted net assets. Enter the balance per books of permanently restricted net assets. Permanently restricted net assets are (a) assets, such as land or works of art, donated with stipulations that they be used for a specified purpose, be preserved, and not be sold or (b) assets donated with stipulations that they be invested to provide a permanent source of income. The latter results from gifts or bequests that create permanent endowment funds.

Organizations that do not follow SFAS 117. If the organization does not follow SFAS 117, check the box above line 30 and complete lines 30 through 34. Report capital stock, trust principal, or current funds on line 30. Report paid-in capital surplus or land, building, or equipment funds on line 31. Report retained earnings, endowment, accumulated income or other funds on line 32.

Line 30. Capital stock, trust principal, or current funds. For corporations, enter the balance per books of capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received on issuance) of all classes of stock issued and not yet canceled. For trusts, enter the amount in the trust principal or corpus. For organizations using the fund method of accounting, enter the fund balances for the organization's current restricted and unrestricted funds.

Line 31. Paid-in or capital surplus, or land, building, and equipment fund. Enter the balance of paid-in capital in excess of par or stated value for all stock issued and not yet canceled, as recorded on the corporation's books. If stockholders or others made donations that the organization records as paid-in capital, include them here. Enter the fund balance for the land, building, and equipment fund on this line.

Line 32. Retained earnings or accumulated income, endowment, or other funds. For corporations, enter the balance of retained earnings as recorded on the corporation's books, or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance in the accumulated income or similar account. For those organizations using the fund method of accounting, enter the total of the fund balances for the permanent and term endowment funds as well as balances of any other funds not reported on lines 30 and 31.

Line 33. Total net assets or fund balances. For organizations that follow SFAS 117, enter the total of lines 27 through 29. For all other organizations, enter the total of lines 30 through 32. All filers must enter a zero or a dollar amount on this line.

Line 34. Total liabilities and net assets/fund balances. Enter the total of line 26 and line 33. This amount must equal the amount on line 16. The organization must enter a zero or a dollar amount on this line.

Part XI. Financial Statements and Reporting

Line 1. Accounting method. Indicate the method of accounting used in preparing this return. See *General Instructions, D. Accounting Periods and Methods*. Provide an explanation in Schedule O (Form 990) (1) if the organization changed its method of accounting from a prior year, or (2) if the organization checked the "other" accounting method box.

Line 2. Financial statements and independent accountant. Answer "Yes" or "No" to indicate on line 2a or line 2b whether the organization's **financial statements** for the reporting period were **compiled, reviewed or audited** by an independent accountant. An accountant is independent if he or she meets the standards of independence set forth by the American Institute of Certified Public Accountants (AICPA), the Public Company Accounting Oversight Board (PCAOB), or another similar body that oversees or sets standards for the accounting or auditing professions.

If "Yes" to either line 2a or 2b, answer "Yes" or "No" on line 2c to indicate whether the organization has a committee that is responsible under its governing documents or through delegation by its governing body for (i) overseeing the compilation, review or audit of the financial statements, and (ii) the selection of an independent accountant that compiled, reviewed, or audited the statements. Answer "Yes" only if both (i) and (ii) apply. If this process has changed from the prior year, describe in Schedule O (Form 990).

If the organization's financial statements were compiled, reviewed, or audited as part of a consolidated financial statement only, check "Yes" on line 2a or 2b, as appropriate, and check the appropriate box on line 2d to indicate whether the financial statements were issued on a separate basis, consolidated basis, or both.

Line 3a. Single Audit Act and OMB Circular A-133. Answer "Yes" if during the year the organization was required under the Single Audit Act of 1984, as amended in 1996, and OMB Circular A-133 to undergo an audit or audits because of its receipt of federal contract awards. The Single Audit Act requires states, local governments, and nonprofit organizations that expend \$500,000 or more of federal awards in a year to obtain an annual audit in accordance with the Act.

Line 3b. Required audits. If "Yes" to line 3a, indicate whether the organization has undergone the required audit or audits. If the answer to line 3b is "No," explain in Schedule O (Form 990) why the organization has not undergone any required audits and describe any steps taken to undergo such audits.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws. Section 6109 requires return preparers to provide their identifying numbers on the return.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents can become material in the administration of any Internal Revenue law. The rules governing the confidentiality of Forms 990 and 990-EZ, are covered in Code section 6104.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
990	117 hr., 54 min.	16 hr., 4 min.	23 hr., 29 min.	1 hr., 4 min.
990-EZ	29 hr., 10 min.	11 hr., 33 min.	14 hr., 24 min.	32 min.
Schedule A (Form 990 or 990-EZ)	39 hr., 56 min.	6 hr., 51 min.	7 hr., 48 min.	-----
Schedule B (Form 990, 990-EZ, or 990-PF)	5 hr., 58 min.	1 hr., 35 min.	1 hr., 45 min.	-----
Schedule C (Form 990 or 990-EZ)	22 hr., 0 min.	42 min.	1 hr., 5 min.	-----
Schedule D (Form 990)	30 hr., 51 min.	1 hr., 17 min.	1 hr., 51 min.	-----
Schedule E (Form 990 or 990-EZ)	5 hr., 30 min.	53 min.	1 hr., 1 min.	-----
Schedule F (Form 990)	6 hr., 42 min.	6 min.	12 min.	-----
Schedule G (Form 990 or 990-EZ)	24 hr., 9 min.	24 min.	48 min.	-----
Schedule H (Form 990)	71 hr., 1 min.	-----	1 hr., 9 min.	-----
Schedule I (Form 990)	5 hr., 15 min.	18 min.	23 min.	-----
Schedule J (Form 990)	13 hr., 21 min.	2 hr., 34 min.	2 hr., 54 min.	-----
Schedule K (Form 990)	9 hr., 34 min.	2 hr., 22 min.	2 hr., 39 min.	-----
Schedule L (Form 990 or 990-EZ)	5 hr., 30 min.	1 hr., 5 min.	1 hr., 13 min.	-----
Schedule M (Form 990)	28 hr., 27 min.	35 min.	1 hr., 5 min.	-----
Schedule N (Form 990 or 990-EZ)	7 hr., 53 min.	42 min.	51 min.	-----
Schedule O (Form 990)	43 min.	-----	-----	-----
Schedule R (Form 990)	14 hr., 36 min.	1 hr., 29 min.	1 hr., 52 min.	-----

We welcome comments on forms. If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Do not send the form to this address. Instead, see *When, Where, and How To File* in *General Instruction E*.

Glossary

NOTES:

- Words in bold within a definition are defined elsewhere within the Glossary.
- All section references are to the Internal Revenue Code (Title 26 of U.S. Code) or regulations under Title 26, unless otherwise specified.
- Definitions are for purposes of filing Form 990 (and Schedules) only.

35% controlled entity

An entity that is owned, directly or indirectly (e.g., under constructive ownership rules of section 267(c)), by a given person, such as the organization's current or former **officers, directors, trustee, or key employees** listed in Form 990, Part VII, Section 1, or the family **members** thereof (listed persons) as follows:

1. A corporation in which listed persons own more than 35% of the total combined voting power;
2. A partnership in which listed persons own more than 35% of the profits interest; or
3. A trust or estate in which listed persons own more than 35% of the beneficial interest.

Accountable plan

A reimbursement or other expense allowance arrangement that satisfies the requirements of section 62(c) by meeting the requirements of business connection, substantiation, and returning amounts in excess of substantiated expenses. See Regulations section 1.62-2(c)(2).

Activities conducted outside the United States

For purposes of Schedule F (Form 990), Statement of Activities Outside the United States, include grantmaking, **fundraising, unrelated trade or business, program services, or maintaining offices, employees, or agents** in particular regions outside the **United States**.

Applicable tax-exempt organization

A section 501(c)(3) or a 501(c)(4) organization that is tax-exempt under section 501(a), or that was such an organization at any time during the 5-year period ending on the day of the **excess benefit transaction**.

Art

See **works of art**.

Audit

A formal examination of an organization's financial records and practices by an independent, certified public accountant with the objective of issuing a report on the organization's financial statements as to whether those statements are fairly stated in accordance with generally accepted accounting principles (or other recognized comprehensive basis of accounting).

Audited financial statements

Financial statements accompanied by a formal opinion or report prepared by an independent, certified public accountant with the objective of assessing the accuracy and reliability of the organization's **financial statements**.

Audit committee

A committee, generally established by the **governing body** of an organization, with the responsibilities to oversee the organization's financial reporting process, monitor choice of accounting policies and principles, monitor internal control processes, or oversee hiring and performance of any external auditors.

Bingo

A game of chance played with cards that are generally printed with five rows of five squares each. Participants place markers over randomly called numbers on the cards in an attempt to form a pre-selected pattern such as a horizontal, vertical, or diagonal line, or all four corners. The first participant to form the pre-selected pattern wins the game. To be a bingo game, the game must be of the type described in which wagers are placed, winners are determined, and prizes or other property are distributed in the presence of all persons placing wagers in that game. Satellite, internet, and progressive bingo are not bingo, because they are conducted in many different places simultaneously, and the winners are not all present when the wagers are placed, the winners are determined, and the prizes are distributed. Thus, revenue and expenses associated with satellite, internet, and progressive bingo should be included under **pull tabs**. Certain consolation bingo games within a progressive bingo game can also qualify as bingo.

Board-designated endowment

See **quasi-endowment**.

Bond issue

An issue of two or more bonds that are:

1. Sold at substantially the same time;
2. Sold pursuant to the same plan of financing; and
3. Payable from the same source of funds.

See Regulations section 1.150-1(c).

Business relationship	<p>For purposes of Part VI, line 2, business relationships between two persons include the following.</p> <ol style="list-style-type: none"> 1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a trustee, director, officer, key employee, or greater-than-35% owner. 2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year. Indirect transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner. 3. The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity. <p>Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (e.g., ownership in an entity that has ownership in the entity in question); there can be ownership through multiple tiers of entities.</p>
Cash contributions	Contributions received in the form of cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization.
Central organization	The parent organization in a group exemption , which exercises general supervision and control over the subordinate organizations in the group exemption .
CEO, executive director, or top management official	See top management official . "CEO" stands for chief executive officer.
Certified historic structure	Any building or structure listed in the National Register of Historic Places as well as any building certified as being of historic significance to a registered historic district. See section 170(h)(4)(B) for special rules that apply to contributions made after August 17, 2006.
Church	Certain characteristics are generally attributed to churches. These attributes of a church have been developed by the IRS and by court decisions. They include: distinct legal existence; recognized creed and form of worship; definite and distinct ecclesiastical government; formal code of doctrine and discipline; distinct religious history; membership not associated with any other church or denomination; organization of ordained ministers; ordained ministers selected after completing prescribed courses of study; literature of its own; established places of worship; regular congregations; regular religious services; Sunday schools for the religious instruction of the young; schools for the preparation of its ministers. The IRS generally uses a combination of these characteristics, together with other facts and circumstances, to determine whether an organization is considered a church for federal tax purposes. A convention or association of churches is generally treated like a church for federal tax purposes. See Pub. 1828, Tax Guide for Churches and Religious Organizations.
Closely held stock	Generally, shares of stock in a closely held company that is not available for sale to the general public or which is not widely traded (see further explanation in the instructions for Part IX, line 12 and Schedule M (Form 990), Noncash Contributions, line 10).
Collections of works of art, historical treasures, and other similar assets	Include collections, as described in SFAS 116 , of works of art, historical treasures , and other similar assets held for public exhibition, education, or research in furtherance of public service.
Collectibles	Include autographs, sports memorabilia, dolls, stamps, coins, books (other than books and publications reported on line 4 of Schedule M), gems, and jewelry (other than costume jewelry reportable on line 5 of Schedule M).

Compensation	Unless otherwise provided, all forms of cash and noncash payments or benefits provided in exchange for services, including salary and wages, bonuses, severance payments, deferred payments, retirement benefits, fringe benefits, and other financial arrangements or transactions such as personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of the organization's property. Compensation includes payments and other benefits provided to both employees and independent contractors in exchange for services. See also deferred compensation , nonqualified deferred compensation , and reportable compensation .
Compilation (compiled financial statements)	A compilation is a presentation of financial statements and other information that is the representation of the management or ownership of an organization and which has not been reviewed or audited by an independent accountant.
Conflict of interest policy	A policy that defines conflict of interest, identifies the classes of individuals within the organization covered by the policy, facilitates disclosure of information that can help identify conflicts of interest, and specifies procedures to be followed in managing conflicts of interest. A conflict of interest arises when a person in a position of authority over an organization, such as an officer , director , or manager, can benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. For this purpose, a conflict of interest does not include questions involving a person's competing or respective duties to the organization and to another organization, such as by serving on the boards of both organizations, that do not involve a material financial interest of, or benefit to, such person. For a description of "conflict of interest" for purposes of determining whether governing body members who are reviewing a potential excess benefit transaction have a conflict of interest, pursuant to Regulations section 53.4958-6(c)(1)(iii), see instructions for Part VI, line 15.
Conservation easement	A restriction on the use that may be made of, or changes made to, real property that is granted in perpetuity to a qualified organization exclusively for conservation purposes. Conservation purposes include protection of natural habitat, the preservation of open space; or the preservation of property for historic, educational, or recreational purposes. Qualified organizations include governmental units and certain tax-exempt organizations described in section 501(c)(3) that have a commitment to protect the conservation purposes of the easement and the resources to enforce the restrictions. For more information see Notice 2004-41, 2004-28 I.R.B. 31 and section 170(h). See also qualified conservation contribution .
Contributions	Unless otherwise provided, includes donations, gifts, bequests, grants, and other transfers of money or property to the extent that adequate consideration is not provided in exchange and that the contributor intends to make a gift, whether or not made for charitable purposes. A transaction can be partly a sale and partly a contribution. See also cash contributions and noncash contributions .

Control

For purposes of determining **related organizations**:

Control of a nonprofit organization (or other organization without owners or persons having beneficial interests, whether the organization is taxable or tax-exempt)

One or more persons (whether individuals or organizations) control a nonprofit organization if they have the power to remove and replace (or to appoint or elect, if such power includes a continuing power to appoint or elect periodically or in the event of vacancies) a majority of the nonprofit organization's directors or trustees, or a majority of the members who elect the nonprofit organization's directors or trustees. Such power can be exercised directly by a (parent) organization through one or more of the (parent) organization's officers, directors, trustees, or agents, acting in their capacity as officers, directors, trustees, or agents of the (parent) organization. Also, a (parent) organization controls a (subsidiary) nonprofit organization if a majority of the subsidiary's directors or trustees are trustees, directors, officers, employees, or agents of the parent.

Control of a stock corporation

One or more persons (whether individuals or organizations) control a stock corporation if they own more than 50% of the stock (by voting power or value) of the corporation.

Control of a partnership or limited liability company

One or more persons control a partnership if they own more than 50% of the profits or capital interests in the partnership (including a limited liability company treated as a partnership or disregarded entity for federal tax purposes, regardless of the designation under state law of the ownership interests as stock, membership interests, or otherwise). A person also controls a partnership if the person is a managing partner or managing member of a partnership or limited liability company which has three or fewer managing partners or managing members (regardless of which partner or member has the most actual control), or if the person is a general partner in a limited partnership which has three or fewer general partners (regardless of which partner has the most actual control).

Control of a trust with beneficial interests

One or more persons control a trust if they own more than 50% of the beneficial interests in the trust.

See Regulations sections 301.7701-2, 3, and 4 for more information on classification of corporations, partnerships, disregarded entities, and trusts.

Control can be indirect. See the Schedule R (Form 990) instructions for a description of indirect control.

Controlled entity

An organization controlled by a **controlling organization under section 512(b)(13)**. For the definition of control in this context, see section 512(b)(13)(D).

Controlling organization under section 512(b)(13)

An exempt organization that controls a **controlled entity**. Section 512(b)(13) treats payments of interest, annuity, royalties, and rent from a controlled entity to a controlling organization as unrelated business taxable income under certain circumstances. For the definition of control in this context, see section 512(b)(13)(D).

Credit counseling services

Include the providing of information to the general public on budgeting, personal finance, and saving and spending practices, or assisting individuals and families with financial problems by providing them with counseling. See section 501(q)(4)(A).

Current year

The **tax year** for which the Form 990 is being filed; see also **fiscal year**.

Defeasance escrow

An irrevocable escrow established to redeem the bonds on their earliest call date in an amount that, together with investment earnings, is sufficient to pay all the principal of, and interest and call premiums on, bonds from the date the escrow is established to the earliest call date. See Regulations section 1.141-12(d)(5).

Debt management plan services

Services related to the repayment, consolidation, or restructuring of a consumer's debt, including the negotiation with creditors of lower interest rates, the waiver or reduction of fees, and the marketing and processing of debt management plans. See section 501(q)(4)(B).

Deferred compensation

Compensation that is earned or accrued in, or is attributable to, one year and deferred to a future year for any reason, whether or not funded, vested, or subject to a substantial risk of forfeiture. Deferred compensation may or may not be included in **reportable compensation** for the **current year**.

Director

See **director or trustee**.

Director or trustee

A member of the organization's **governing body**, but only if the member has any voting rights. A member of an advisory board that does not exercise any governance authority over the organization is not considered a director or trustee.

Disqualified person

A. For purposes of section 4958; Form 990, Parts IX and X; and Schedule L (Form 990 or 990-EZ), Transactions With Interested Persons, Parts I and II, any person (including an individual, corporation, or other entity) who was in a position to exercise substantial influence over the affairs of the **applicable tax-exempt organization** at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization.

A disqualified person includes:

- A disqualified person's **family member**,
- A **35% controlled entity** of a (1) disqualified person and/or (2) family members of the disqualified person,
- A donor or **donor advisor** to a **donor advised fund**, or
- An investment advisor of a **sponsoring organization**.

The **disqualified persons** of a **supported organization** include the disqualified persons of a section 509(a)(3) **supporting organization** that supports the supported organization.

See *Appendix G* for more information on **disqualified persons** and section 4958 **excess benefit transactions**.

B. Under section 4946, a disqualified person includes:

1. A substantial contributor, which is any person who gave an aggregate amount of more than \$5,000, if that amount is more than 2% of the total **contributions** the foundation or organization received from its inception through the end of the year in which that person's contributions were received. If the organization is a trust, a substantial contributor includes the creator of the trust (without regard to the amount of contributions the trust received from the creator and related persons). Any person who is a substantial contributor at any time generally remains a substantial contributor for all future periods even if later contributions by others push that person's contributions below the 2% figure discussed above. Gifts from the contributor's spouse are treated as gifts from the contributor. Gifts are generally valued at fair market value as of the date the organization received them.

2. A foundation manager, defined as an **officer, director, or trustee** of the organization or any individual having powers or responsibilities similar to those of officers, directors, or trustees.

3. An owner of more than 20% of the voting power of a corporation, profits interest of a partnership, or beneficial interest of a trust or an unincorporated enterprise that is a substantial contributor to the organization.

4. A family member of an individual in the first three categories. For this purpose, "family member" includes only the individual's spouse, ancestors, children, grandchildren, great grandchildren, and the spouses of children, grandchildren, and great-grandchildren.

5. A corporation, partnership, trust, or estate in which persons described in (1) through (4) above own more than 35% of the voting power, profits interest, or beneficial interest.

For purposes of section 509(a)(2), as referenced in Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support, a disqualified person is defined in section 4946, except that it does not include an organization described in section 509(a)(1).

For purposes of section 509(a)(3), as referenced in Schedule A (Form 990 or 990-EZ), a disqualified person is defined in section 4946, except that it does not include a foundation manager or an organization described in section 509(a)(1) or 509(a)(2).

Disregarded entity or entities

An entity wholly owned by the organization that is generally not treated as a separate entity for Federal tax purposes. (e.g., single-member limited liability company of which the organization is the sole member.) See Regulations sections 301.7701-2 and 3.

Domestic organization	A corporation or partnership is domestic if created or organized in the United States or under the law of the United States or of any state or possession. A trust is domestic if a court within the United States or a U.S. possession is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons (or persons in possessions of the United States) have the authority to control all substantial decisions of the trust.
Donor advised fund	<p>A fund or account:</p> <ol style="list-style-type: none"> 1. That is separately identified by reference to contributions of a donor or donors; 2. That is owned and controlled by a sponsoring organization; and 3. For which the donor or donor advisor has or reasonably expects to have advisory privileges in the distribution or investment of amounts held in the donor advised funds or accounts because of the donor's status as a donor. <p>A donor advised fund does not include any fund or account:</p> <ol style="list-style-type: none"> 1. That makes distributions only to a single identified organization or governmental entity, or 2. In which a donor or donor advisor gives advice about which individuals receive grants for travel, study, or other similar purposes, if: <ol style="list-style-type: none"> a. The donor or donor advisor's advisory privileges are performed exclusively by such person in his or her capacity as a committee member in which all of the committee members are appointed by the sponsoring organization; b. No combination of donors or donor advisors (and related persons as defined below) directly or indirectly control the committee; and c. All grants from the fund or account are awarded on an objective and nondiscriminatory basis following a procedure approved in advance by the board of directors of the sponsoring organization. The procedure must be designed to ensure that all grants meet the requirements of section 4945(g)(1), (2), or (3); or 3. That the Secretary exempts from being treated as a donor advised fund because either such fund or account is advised by a committee not directly or indirectly controlled by the donor or donor advisor or such fund benefits a single identified charitable purpose. For example, see Notice 2006-109, 2006-51 I.R.B. 1121, and any future related guidance.
Donor advisor	Any person appointed or designated by a donor to advise a sponsoring organization on the distribution or investment of amounts held in the donor's donor advised fund or similar account.
EIN	Employer identification number, a nine-digit number. Use Form SS-4 to apply for an EIN.
Employee	Any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee, and any other individual who is treated as an employee for federal employment tax purposes under section 3121(d). See Pub. 1779 for more information.
Endowment	See term endowment , permanent endowment , and quasi-endowment . See also SFAS 117 .
Escrow or custodial account	Refers to an account (whether a segregated account at a financial institution or a set-aside on the organization's books and records) over which the organization has signature authority, in which the funds are held for the benefit of other organizations or individuals, regardless of whether the funds are reported on Part X, line 21, and regardless of whether the account is labeled as "escrow account," "custodial account," "trust account," or some similar term. An escrow or custodial account does not include a split-interest trust (or the beneficial interest in such trust) described in section 4947(a)(2) for which the filing organization is a trustee, other than a trust in the trade or business of lending money, repairing credit, or providing debt management plan services, payment processing, or similar services.
Excess benefit transaction	In the case of an applicable tax-exempt organization , any transaction in which an excess benefit is provided by the organization, directly or indirectly to, or for the use of, any disqualified person , as defined in section 4958. Excess benefit generally means the excess of the economic benefit received from the applicable organization over the consideration given (including services) by a disqualified person, but see the special rules on page 49 regarding donor advised funds and supporting organizations. See <i>Appendix G</i> for more information.

Donor advised fund. For a **donor advised fund**, an excess benefit transaction also includes a grant, loan, **compensation**, or similar payment from the fund to a:

- Donor or **donor advisor**;
- **Family member** of a donor or donor advisor;
- **35% controlled entity** of a donor or donor advisor; or
- 35% controlled entity of a family member of a donor or donor advisor.

The excess benefit in this transaction is the amount of the grant, loan, **compensation**, or similar payments.

For additional information see the Instructions for Form 4720.

Supporting organization. For any **supporting organization**, defined in section 509(a)(3), an excess benefit transaction also includes grants, loans, **compensation**, or similar payments provided by the supporting organization to a:

- Substantial contributor,
- Family member of a substantial contributor,
- 35% controlled entity of a substantial contributor, or
- 35% controlled entity of a family member of a substantial contributor.

For this purpose, the excess benefit is defined as the amount of the grant, loan, **compensation**, or similar payments. Additionally, an excess benefit transaction includes any loans provided by the supporting organization to a disqualified person (other than an organization described in section 509(a)(1), (2), or (4)).

Exempt bond

See **tax-exempt bond**.

Fair market value

The price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

Family member, family relationship

Unless specified otherwise, the family of an individual includes only his or her spouse, ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.

FIN 48

Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes -an interpretation of FASB Statement No. 109*. The organization can be required to provide in Schedule D (Form 990), Supplemental Financial Statements, the text of the footnote to its **financial statements** regarding the organization's liability for uncertain tax positions under FIN 48.

Financial statements

An organization's statements of revenue and expenses and balance sheet, or similar statements prepared regarding the financial operations of the organization.

Fiscal year

An annual accounting period ending on the last day of a month other than December. See also **tax year** and **current year**.

Foreign government

A governmental agency or entity, or a political subdivision thereof, that is not classified as a **United States** agency or **governmental unit**, regardless of where it is located or operated.

Foreign individual

A person, including a U.S. citizen or resident, who lives or resides outside the **United States**. For purposes of Form 990, Part IX, and Schedule F (Form 990), Statement of Activities Outside the United States, a person who lives or resides outside the United States at the time the grant is paid or distributed to the individual is a **foreign individual**.

Foreign organization

A foreign estate or trust, nonprofit or other nongovernmental organization, partnership, corporation, or other entity that is not created or organized in the **United States** or under the laws of the United States. A foreign organization includes an affiliate that is organized as a legal entity separate from the filing organization, but does not include any branch office, account, or **employee** of the organization located outside the United States.

Fundraising

See **fundraising activities**.

Fundraising activities	For purposes of Schedule G (Form 990 or 990-EZ), Part I, activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time. They include publicizing and conducting fundraising campaigns; maintaining donor mailing lists; conducting fundraising events , preparing and distributing fundraising manuals, instructions, and other materials; professional fundraising services ; and conducting other activities involved with soliciting contributions from individuals, foundations, governments, and others. Fundraising activities do not include gaming , the conduct of any trade or business that is regularly carried on, or activities substantially related to the accomplishment of the organization's exempt purpose (other than by raising funds).
Fundraising events	Include dinners and dances, door-to-door sales of merchandise, concerts, carnivals, sports events, auctions, casino nights (in which participants can play casino-style games but the only prizes or auction items provided to participants are noncash items that were donated to the organization), and similar events not regularly carried on that are conducted for the primary purpose of raising funds. Fundraising events do not include the following: <ol style="list-style-type: none"> 1. The conduct of a trade or business that is regularly carried on; 2. Activities substantially related to the accomplishment of the organization's exempt purposes (other than by raising funds); 3. Solicitation campaigns that generate only contributions, which may involve gifts of goods or services from the organization of only nominal value, or sweepstakes, lotteries, or raffles in which the names of contributors or other respondents are entered in a drawing for prizes of only nominal value; and 4. Gaming.
GAAP	See generally accepted accounting principles .
Gaming	Includes (but is not limited to): bingo, pull tabs/instant bingo (including satellite and progressive bingo), Texas Hold-Em Poker and other card games, raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights/Las Vegas nights (other than events not regularly carried on in which participants can play casino-style games but the only prizes or auction items provided to participants are noncash items that were donated to the organization, which events are fundraising events), and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.
Generally accepted accounting principles/ GAAP	The accounting principles set forth by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) that guide the work of accountants in reporting financial information and preparing audited financial statements for organizations.
Governing body	The group of persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of directors (sometimes referred to as board of trustees) of a corporation or association, or the board of trustees of a trust (sometimes referred to simply as the trustees, or trustee if only one trustee).
Government official	A federal, state or local official described within section 4946(c).
Governmental issuer	A State or local governmental unit that issues a tax-exempt bond .
Governmental unit	A State, a possession of the United States , or a political subdivision of a State or U.S. possession, the United States, or the District of Columbia. See section 170(c)(1).
Grants and other assistance	Include awards, prizes, contributions, noncash assistance, program-related investments , cash allocations, stipends, scholarships, fellowships, research grants, and similar payments and distributions made by the organization during the tax year. It does not include salaries or other compensation to employees or payments to independent contractors if the primary purpose is to serve the direct and immediate needs of the organization (such as legal, accounting, or fundraising services).
Gross proceeds	For purposes of Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds, generally any sale proceeds , investment proceeds, transferred proceeds, and replacement proceeds of an issue. See Regulations sections 1.148-1(b) and 1(c).

Gross receipts	See <i>Appendix B, How to Determine Whether an Organization's Gross Receipts Are Normally \$25,000 (or \$5,000) or Less</i> and <i>Appendix C, Special Gross Receipts Tests for Determining Exempt Status of section 501(c)(7) and 501(c)(15) Organizations</i> .
Group exemption	Tax exemption of a group of organizations all exempt under the same Code section, applied for and obtained by a central organization on behalf of subordinate organizations under the central organization's general supervision or control. See Rev. Proc. 80-27, 1980-1 C.B. 677, and <i>Appendix E. Group Returns—Reporting Information on Behalf of the Group</i> , for more information.
Group return	A Form 990 filed by the central organization of a group exemption for two or more of the subordinate organizations . See General Instructions and <i>Appendix E. Group Returns—Reporting Information on Behalf of the Group</i> , for more information.
Highest compensated employee	One of the five highest compensated employees of the organization (including employees of a disregarded entity of the organization) other than current officers, directors, trustees, or key employees . The five highest compensated employees are determined by the amounts of reportable compensation for the calendar year ending with or within the organization's tax year .
Historical treasure	A building, structure, area, or property (real or personal) with recognized cultural, aesthetic, or historical value that is significant in the history, architecture, archeology, or culture of a country, state, or city.
Hospital	For purposes of Schedule H (Form 990), Hospitals, a hospital is a facility that is, or is required to be, licensed, registered, or similarly recognized by a state as a hospital. This includes a hospital that is operated through a disregarded entity or a joint venture treated as a partnership for federal income tax purposes. It does not include hospitals that are located outside the United States . It also does not include hospitals that are operated by entities organized as separate legal entities from the organization that are taxable as a corporation for federal tax purposes (except for members of a group exemption included in a group return filed by an organization). For purposes of Schedule H (Form 990), an animal hospital is not a hospital.
Hospital (or cooperative hospital service organization)	For purposes of Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support, a hospital (or cooperative hospital service organization) is an organization whose main purpose is to provide hospital or medical care. For purposes of Schedule A, a rehabilitation institution or an outpatient clinic can qualify as a hospital if its principal purposes or functions are the providing of hospital or medical care, but the term does not include medical schools, medical research organizations, convalescent homes, homes for children or the aged, animal hospitals, or vocational training institutions for handicapped individuals.
Household goods	Include furniture, furnishings, electronics, appliances, linens, and other similar items. They do not include food, paintings, antiques and other objects of art, jewelry and gems (other than costume jewelry), and other collectibles.
Independent contractor	A person who provides services to the organization but who is not treated as an employee . See Pub. 1779 for more information.
Independent voting member of governing body	A voting member of the governing body , if all three of the following circumstances applied at all times during the organization's tax year: <ol style="list-style-type: none"> 1. The member was not compensated as an officer or other employee of the organization or of a related organization (see the instructions for Schedule R, Related Organizations and Unrelated Partnerships), except as provided in the religious exception discussed in the instructions for Form 990, Part VI. 2. The member did not receive total compensation or other payments exceeding \$10,000 during the organization's tax year from the organization or from related organizations as an independent contractor, other than reasonable compensation for services provided in the capacity as a member of the governing body. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a director of the organization does not cease to be independent merely because he or she also received payments of \$7,500 from the organization for other arrangements. 3. Neither the member, nor any family member of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) required to be reported on Schedule L (Form 990 or 990-EZ), Transactions With Interested Persons, for the organization's tax year, or in a transaction with a related organization of a type and amount that would be reportable on Schedule L (Form 990 or 990-EZ) if required to be filed by the related organization.

A member of the governing body is not considered to lack independence merely because of any of the following circumstances.

1. The member is a donor to the organization, regardless of the amount of the contribution.

2. The member has taken a *bona fide* vow of poverty and either:

a. Receives **compensation** as an agent of a **religious order** or a section 501(d) religious or apostolic organization, but only under circumstances in which the member does not receive taxable income (for example, Rev. Rul. 77-290, 1977-2 C.B. 26; Rev. Rul. 80-332); or

b. Belongs to a religious order that receives sponsorship or payments from the organization that do not constitute taxable income to the member.

3. The member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization's terms of membership.

Initial contract

A binding written contract between an **applicable tax-exempt organization** and a person who was not a **disqualified person** immediately prior to entering into the contract.

Instant bingo

See **pull tabs**.

Institutional trustee

A **trustee** that is not an individual or natural person but an organization. For instance, a bank or trust company serving as the trustee of a trust is an institutional trustee.

Joint venture

Unless otherwise provided, a partnership, limited liability company, or other entity treated as a partnership for federal tax purposes, as described in Regulations sections 301.7701-1 through 301.7701-3.

Key employee

For purposes of Form 990, an **employee** of an organization (other than an **officer, director, or trustee**) who meets all three of the following tests applied in the following order:

1. \$150,000 Test. Receives **reportable compensation** from the organization and all **related organizations** in excess of \$150,000 for the **calendar year** ending with or within the organization's **tax year**.

2. Responsibility Test. The employee:

a. has responsibilities, powers or influence over the organization as a whole similar to those of officers, directors, or trustees;

b. manages a discrete segment or activity of the organization that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole;

c. or has or shares authority to control or determine 10% or more of the organization's capital expenditures, operating budget, or compensation for employees.

3. Top 20 Test. Is one of the 20 employees (that satisfy the \$150,000 Test and Responsibility Test) with the highest reportable compensation from the organization and related organizations for the calendar year ending with or within the organization's tax year.

See instructions for Part VII for examples of **key employees**.

Legislation

Includes action by Congress, any state legislature, any local council, or similar governing body with respect to acts, bills, resolutions, or similar items or by the public in referenda, ballot initiatives, constitutional amendments or similar procedures. It does not include actions by executive, judicial or administrative bodies.

Lobbying

See **lobbying activities**.

Lobbying activities

All activities intended to influence foreign, national, state or local **legislation**. Such activities include direct lobbying (attempting to influence the legislators) and grassroots lobbying (attempting to influence legislation by influencing the general public).

Maintaining offices, employees or agents

For purposes of Schedule F (Form 990), Statement of Activities Outside the United States, includes principal, regional, district, or branch offices, such offices maintained by agents, and persons situated at those offices paid wages for services performed. "Agent" is defined under traditional agency principles (but does not include **volunteers**).

Management company	An organization that performs management duties for another organization customarily performed by or under the direct supervision of the other organization's officers, directors, trustees, or key employees . These management duties include, but are not limited to, hiring, firing, and supervising personnel; planning or executing budgets or financial operations; and supervising exempt operations or unrelated trades or businesses .
Medical research	For purposes of a medical research organization operated in conjunction with a hospital (see Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support), medical research means investigations, studies and experiments performed to discover, develop, or verify knowledge relating to physical or mental diseases and impairments and their causes, diagnosis, prevention, treatment, or control.
Member of the governing body	A person who serves on an organization's governing body , including a director or trustee , but not if the person lacks voting power.
Noncash contributions	Contributions of property, tangible or intangible, other than money. Noncash contributions include, but are not limited to, stocks, bonds, and other securities ; real estate; works of art ; stamps, coins, and other collectibles ; clothing and household goods ; vehicles, boats, and airplanes; inventories of food, medical equipment or supplies, books, or seeds; intellectual property, including patents, trademarks, copyrights, and trade secrets; donated items that are sold immediately after donation, such as publicly traded stock or used cars; and items donated for sale at a charity auction. Noncash contributions do not include volunteer services performed for the reporting organization or use of facilities.
Nonexempt charitable trust	A trust that meets the following conditions: <ul style="list-style-type: none"> • Is not exempt from tax under section 501(a), • All of its unexpired interests are devoted to charitable purposes, and • A charitable deduction was allowed for contributions to the trust under section 170, section 545(b)(2), section 642(c), section 2055, section 2106(a)(2), or section 2522, or for amounts paid by or permanently set aside by the trust under section 642(c).
Nonqualified deferred compensation	Deferred compensation that is earned pursuant to a nonqualified plan or nongovernmental section 457 plan. Different rules can apply for purposes of identifying arrangements subject to sections 83, 409A, 457(f), and 3121(v). Earned but unpaid incentive compensation can be deferred pursuant to a nonqualified deferred compensation plan.
Officer	Unless otherwise provided, (e.g., Signature Block, principal officer in Heading) a person elected or appointed to manage the organization's daily operations, such as a president, vice-president, secretary, treasurer, and, in some cases, Board Chair. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its governing body, or as otherwise designated consistent with state law, but at a minimum include those officers required by applicable state law. For purposes of Form 990, treat the organization's top management official and top financial official as officers.
"On behalf of" issuer	A corporation organized under the general nonprofit corporation law of a state whose obligations are considered obligations of a state or local governmental unit . See Rev. Proc. 82-26 for a description of the circumstances under which the Service will ordinarily issue an advance ruling that the obligations of a nonprofit corporation were issued on behalf of a state or local governmental unit. See also Rev. Rul. 63-20, 1963-1 C.B. 24; Rev. Rul. 59-41, 1959-1 C.B. 13; and Rev. Rul. 54-296, 1954-2 C.B. 59. An "on behalf of" issuer also includes any corporation organized by a state or local governmental unit specifically to issue tax-exempt bonds to further public purposes. See Rev. Rul. 57-187.
Organization manager	For purposes of section 4958, any officer, director, or trustee of an applicable tax-exempt organization , or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization, regardless of title.
Permanent (true) endowment	An endowment fund established by donor-restricted gifts that is maintained to provide a permanent source of income, with the stipulation that principal must be invested and kept intact in perpetuity, while only the income generated can be used by the organization. See SFAS 117 .
Political campaign activities	All activities that support or oppose candidates for elective federal, state or local public office. It does not matter whether the candidate is elected. A candidate is one who offers himself or is proposed by others for public office. Political campaign activity does not include any activity to encourage participation in the electoral process, such as voter registration or voter education, provided that the activity does not directly or indirectly support or oppose any candidate.

Political subdivision	A division of any state or local governmental unit which is a municipal corporation or which has been delegated the right to exercise part of the sovereign power of the unit. Sovereign power includes the power to make and enforce laws.
Possession of the United States	Includes the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, and the U.S. Virgin Islands.
Principal officer	For purposes of Part II, Signature Block, an officer of the organization who, regardless of title, has ultimate responsibility for implementing the decisions of the organization's governing body , or for supervising the management, administration, or operation of the organization.
Private business use	For purposes of Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds, use by the organization or another 501(c)(3) organization in an unrelated trade or business . Private business use also generally includes any use by a nongovernmental person other than a section 501(c)(3) organization unless otherwise permitted through an exception or safe harbor provided under the regulations or a revenue procedure.
Private foundation	An organization described in section 501(c)(3) that is not a public charity . Some private foundations are classified as operating foundations (also known as private operating foundations) under section 4942(j)(3) or exempt operating foundations under section 4940(d)(2). A private foundation retains its private foundation status until such status is terminated under section 507. Thus, a tax-exempt private foundation becomes a taxable private foundation if its section 501(c)(3) status is revoked.
Proceeds	For purposes of Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds, generally the sale proceeds of an issue (other than those sale proceeds used to retire bonds of the issue that are not deposited in a reasonably required reserve or replacement fund). Proceeds also include any investment proceeds from investments that accrue during the project period (net of rebate amounts attributable to the project period). See Regulations section 1.141-1(b).
Professional fundraising services	Services performed for the organization requiring the exercise of professional judgment or discretion consisting of planning, management, preparation of materials (such as direct mail solicitation packages), provision of advice and consulting regarding solicitation of contributions , and direct solicitation of contributions . However, professional fundraising does not include purely ministerial tasks, such as printing, mailing services, or receiving and depositing contributions to a charity, such as services provided by a bank or caging service.
Program-related investment	Investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the filing organization's exempt function.
Public charity	An organization described in section 501(c)(3) and that is excepted from private foundation status because it is described in section 509(a)(1) (which cross-references sections 170(b)(1)(A)(i) through (vi)), 509(a)(2), 509(a)(3), or 509(a)(4).
Publicly traded securities	Generally, include common and preferred stocks, bonds (including governmental obligations such as bonds and Treasury bills), and mutual fund shares listed and regularly traded in an over-the-counter market or an established exchange and for which market quotations are published or are otherwise readily available. (See further explanation in the instructions for Part IX, line 11, and Schedule M (Form 990), Noncash Contributions, line 9).
Pull tabs	Includes games in which an individual places a wager by purchasing preprinted cards that are covered with pull tabs. Winners are revealed when the individual pulls back the sealed tabs on the front of the card and compares the patterns under the tabs with the winning patterns preprinted on the back of the card. Included in the definition of pull tabs are "instant bingo," "mini bingo," and other similar scratch-off cards. Satellite, internet, and progressive bingo are games conducted in many different places simultaneously and the winners are not all present when the wagers are placed, the winners are determined, and the prizes are distributed. Revenue and expenses associated with satellite, internet, and progressive bingo should be included under this category.

Qualified 501(c)(3) bond

A **tax-exempt bond**, the proceeds of which are used by a section 501(c)(3) organization in furtherance of its charitable purpose. Requirements generally applicable to a qualified section 501(c)(3) bond under section 145 include the following.

1. All property financed by the bond issue is to be owned by a section 501(c)(3) organization or a **governmental unit**.
2. At least 95% of net proceeds of the **bond issue** are used either by a **governmental unit** or a section 501(c)(3) organization in activities that do not constitute **unrelated trades or businesses** (determined by applying section 513).

Qualified conservation contribution

Any **contribution** of a qualified real property interest to a qualified organization exclusively for conservation purposes. A “qualified real property interest” means any of the following interests in real property:

1. The entire interest of the donor,
2. A remainder interest, or
3. A restriction (such as an easement), granted in perpetuity, on the use which may be made of the real property.

A “conservation purpose” means:

1. The preservation of land areas for outdoor recreation by, or the education of, the general public;
2. The protection of a relatively natural habitat of fish, wildlife, plants, or similar ecosystems;
3. The preservation of open space (including farm and forest land) where such preservation is for the scenic enjoyment of the general public or is in accordance with governmental conservation policy; or
4. The preservation of an historically important land area or a certified historic structure.

See section 170(h) for additional information, including special rules with respect to the conservation purpose requirement for buildings in registered historic districts. See also **conservation easement**.

Qualified state or local political organization

A type of political organization that meets the following requirements:

- It limits its exempt function to the selection process relating solely to any state or local public office or office in a state or local political organization;
- It is required under a state law to report to a state agency (and does report) information that otherwise would be required to be reported on Form 8872 or it is required to report under state law (and does report) at least the following information:
 1. The name and address of every person who contributes a total of \$500 or more during the calendar year and the amount of each contribution;
 2. The name and address of every person to whom the organization makes expenditures aggregating \$800 or more during the calendar year, and the amount of each expenditure; and
 3. Any additional information specified in section 527(j)(3), if state law requires the reporting of that information to the state agency.
- The state agency makes the reports filed by the organization publicly available;
- The organization makes the reports filed with the state agency publicly available in the manner described in section 6104(d); and
- No federal candidate or office holder controls or materially participates in the direction of the organization, solicits **contributions** to the organization, or directs any of the organization’s disbursements.

Quasi-endowment

An **endowment** fund established by the organization itself, either from unrestricted donor or organizational funds, over which the organization itself imposes restrictions on their use, and which restrictions can be temporary or permanent in nature. These funds are sometimes referred to as board-designated endowments. See **SFAS 117**.

Reasonable compensation

The value that would ordinarily be paid for like services by like enterprises under like circumstances.

Reasonable effort

For purposes of Part VI, lines 1b and 2; Part VII, Section A (compensation from related organizations); and Schedule L (Form 990 or 990-EZ), Parts III and IV, a reasonable effort refers to a reasonable amount of effort in information gathering that the organization is expected to undertake in order to answer the question. See the specific instructions for Part VI, lines 1b and 2; Part VII, Section A (compensation from related organizations); and Schedule L (Form 990 or 990-EZ), Parts III and IV, for examples of reasonable efforts.

Refunding escrow	One or more funds established as part of a single transaction or a series of related transactions, containing proceeds of a refunding issue and any other amounts to provide for payment of principal or interest on one or more prior issues. See Regulations section 1.148-1(b).
Refunding issue	An issue of obligations, the proceeds of which are used to pay principal, interest, or redemption price on another issue (a prior issue), including the issuance costs, accrued interest, capitalized interest on the refunding issue, a reserve or replacement fund, or similar costs, if any, properly allocable to that refunding issue. A current refunding issue is a refunding issue that is issued not more than 90 days before the last expenditure of any proceeds of the refunding issue for the payment of principal or interest on the prior issue. An advance refunding issue is a refunding issue that is not a current refunding issue. See Regulations sections 1.150-1(d)(1), 1.150-1(d)(3), and 1.150-1(d)(4).
Related organization	<p>An organization, including a nonprofit organization, a stock corporation, a partnership or limited liability company, a trust, and a governmental unit or other government entity, that stands in one or more of the following relationships to the filing organization at any time during the tax year.</p> <ul style="list-style-type: none"> • Parent: an organization that controls the filing organization. • Subsidiary: an organization controlled by the filing organization. • Brother/Sister: an organization controlled by the same person or persons that control the filing organization. • Supporting/Supported: an organization that is (or claims to be) at any time during the organization's tax year (i) a supporting organization of the filing organization within the meaning of section 509(a)(3), if the filing organization is a supported organization within the meaning of section 509(f)(3); (ii) or a supported organization, if the filing organization is a supporting organization. <p>The organization must determine its related organizations for purposes of completing Form 990, Parts VI (Governance), VII (Compensation), VIII (Statement or Revenue) and X (Balance Sheet), Schedule D (Form 990), Part V, Schedule J (Form 990), and Schedule R (Form 990). See instructions for those parts and schedules for related organization reporting requirements.</p>
Religious order	An organization described in Rev. Proc. 91-20.
Reportable compensation	In general, the aggregate compensation that is reported (or required to be reported, if greater) on Form W-2, box 5 and/or Form 1099-MISC, box 7, for the calendar year ending with or within the organization's tax year . If the amount reported on Form W-2, box 5 is zero, such as for certain clergy and religious workers not subject to social security and Medicare taxes as employees, reportable compensation includes the box 1 amount rather than the box 5 amount. For foreign persons who receive U.S. source income, reportable compensation includes the amount reportable on Form 1042-S, box 2. For persons for whom compensation reporting on Form W-2, 1099-MISC, or 1042-S is not required (such as certain foreign persons, institutional trustees, and persons whose compensation was below the \$600 reporting threshold for Form 1099-MISC), reportable compensation includes the total value of the compensation paid in the form of cash or property during the calendar year ending with or within the organization's tax year.
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.
School	An organization, the primary function of which is the presentation of formal instruction, and which has a regular faculty, curriculum, an enrolled body of students, and a place where educational activities are regularly conducted.
Security/securities	Any bond, debenture, note, or certificate or other evidence of indebtedness issued by a corporation, government or political subdivision , share of stock, voting trust certificate, or any certificate of interest or participation in, certificate of deposit or receipt for, temporary or interim certificate for, or warrant or right to subscribe to or purchase, any of the foregoing.
SFAS 116	Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made.
SFAS 117	Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations.
Short accounting period	An accounting period of less than 12 months, which exists when an organization changes its annual accounting period, and which can exist in its initial or final year of existence (see tax year).

Short period

See **short accounting period**.

Significant disposition of net assets

A disposition of net assets, consisting of a sale, exchange, disposition or other transfer of more than 25% of the fair market value of the organization's net assets during the year, regardless of whether the organization received full or adequate consideration. A significant disposition of net assets involves:

1. One or more dispositions during the organization's **tax year**, amounting to more than 25% of the fair market value of the organization's net assets as of the beginning of its **tax year**; or

2. One of a series of related dispositions or events commenced in a prior year that, when combined, comprise more than 25% of the fair market value of the organization's net assets as of the beginning of the **tax year** when the first disposition in the series was made. Whether a significant disposition of net assets occurred through a series of related dispositions depends on the facts and circumstances in each case.

Examples of the types of transactions that are "a significant disposition of net assets" required to be reported on Schedule N (Form 990 or 990-EZ), Liquidation, Termination, Dissolution or Significant Disposition of Assets, Part II include:

- Taxable or tax-free sales or exchanges of exempt assets for cash or other consideration (such as a social club described in section 501(c)(7) selling land or an exempt organization selling assets it had used to further its exempt purposes);
- Sales, **contributions** or other transfers of assets to establish or maintain a partnership, **joint venture**, or a corporation (for-profit or nonprofit) regardless of whether such sales or transfers are governed by section 721 or section 351, whether or not the transferor receives an ownership interest in exchange for the transfer;
- Sales of assets by a partnership or joint venture in which the exempt partner has an ownership interest;
- Transfers of assets pursuant to a reorganization in which the organization is a surviving entity; and
- A contraction of net assets resulting from a grant or charitable contribution of assets to another organization described in section 501(c)(3).

Sponsoring organization

Any organization which is all of the following:

- Described in section 170(c), other than governmental units described in section 170(c)(1) and without regard to section 170(c)(2)(A);
- Not a **private foundation** as defined in section 509(a); and
- Maintains one or more **donor advised funds**.

State of legal domicile

For a corporation, the state of incorporation (country of incorporation for a foreign corporation formed outside the United States). For a trust or other entity, the state whose law governs the organization's internal affairs (the foreign country whose law governs for a foreign organization other than a corporation).

Subordinate organization

One of the organizations, typically local in nature, that is recognized as exempt in a **group exemption** letter and subject to the general supervision and control of a **central organization**.

Supported organization

A **public charity** described in section 509(a)(1) or 509(a)(2) supported by a **supporting organization** described in section 509(a)(3).

Supporting organization

A public charity described in section 509(a)(3). A supporting organization is organized and operated exclusively to support one or more **supported organizations**. A supporting organization that is operated, supervised, or controlled by one or more supported organizations is a Type I supporting organization. The relationship of a Type I supporting organization with its supported organization(s) is comparable to that of a parent-subsidiary relationship. A supporting organization supervised or controlled in connection with one or more supported organizations is a Type II supporting organization. The relationship of a Type II supporting organization with its supported organization(s) is comparable to a brother-sister corporate relationship. A supporting organization that is operated in connection with one or more supported organizations is a Type III supporting organization. A type III supporting organization is further considered either functionally integrated with its supported organization(s) or not functionally integrated with its supported organization(s) (Type III other). Finally, a supporting organization cannot be controlled directly or indirectly by one or more **disqualified persons** (as defined in section 4946), other than foundation managers and other than one or more public charities described in sections 509(a)(1) or (2).

Tax-exempt bond

An obligation issued by or on behalf of a **governmental issuer** on which the interest paid is excluded from the holder's gross income under section 103. For this purpose, a bond can be any form of indebtedness under federal tax law, including a bond, note, loan, or lease-purchase agreement.

Tax year	The annual accounting period for which the Form 990 is being filed, whether the calendar year ending December 31st or a fiscal year ending on the last day of any other month. The organization may have a short tax year in its first year of existence, in any year when it changes its annual accounting period (for example, from a December 31 year-end to a June 30 year-end), and in its last year of existence (for example, when it merges into another organization or dissolves). See also current year , fiscal year , and short period .
Term endowment	An endowment fund established by donor-restricted gifts and maintained to provide a source of income for either a specified period of time or until a specific event occurs. See SFAS 117 .
Top management official	A person who has ultimate responsibility for implementing the decisions of the organization's governing body or for supervising the management, administration, or operation of the organization (for example, the organization's CEO or executive director).
Top financial official	The person who has ultimate responsibility for managing the organization's finances.
Total assets	The amount reported on Form 990, Part X, line 16, column (B).
Trustee	See director or trustee .
United States	Unless otherwise provided, includes the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands.
Unrelated business	See unrelated trade or business .
Unrelated business income	Income from an unrelated trade or business as defined in section 513.
Unrelated business gross income	Gross income from an unrelated trade or business as defined in section 513.
Unrelated organization	An organization that is not a related organization with respect to the filing organization.
Unrelated trade or business	Any trade or business, the conduct of which is not substantially related to the exercise or performance by the organization of its charitable, educational, or other purpose or function constituting the basis for its exemption. See Pub. 598 and the instructions for Form 990-T for a discussion of what is an unrelated trade or business.
U.S. possession	See possession of the United States .
Volunteer	A person who serves the organization without compensation. "Compensation" for this purpose includes tips and noncash benefits, except for: <ul style="list-style-type: none"> • Reimbursement of expenses under a reimbursement or other expense allowance arrangement in which there is adequate accounting to the organization, • Working condition fringe benefits described in section 132, • Liability insurance coverage for acts performed on behalf of the exempt organization, and • <i>De minimis</i> fringe benefits.
Voting member of the governing body	A member of the organization's governing body with power to vote on all matters that may come before the governing body (other than a conflict of interest that disqualifies the member from voting).
Works of art	Include paintings, sculptures, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, photography, film, video, installation and multimedia arts, rare books and manuscripts, historical memorabilia, and other similar objects. Art does not include collectibles .
Year of formation	The year in which the organization was created or formed under applicable state law (if a corporation, the year of incorporation).

Appendix A. Exempt Organizations Reference Chart

To determine how the instructions for Form 990 apply to the organization, an organization must know the Code section under which the organization is exempt.


Type of Organization	I.R.C. Section
Corporations Organized Under Act of Congress	501(c)(1)
Title Holding Corporations	501(c)(2)
Charitable, Religious, Educational, Scientific, etc., Organizations	501(c)(3)
Civic Leagues and Social Welfare Organizations	501(c)(4)
Labor, Agricultural, and Horticultural Organizations	501(c)(5)
Business Leagues, etc.	501(c)(6)
Social and Recreation Clubs	501(c)(7)
Fraternal Beneficiary and Domestic Fraternal Societies and Associations	501(c)(8) & (c)(10)
Voluntary Employees' Beneficiary Associations	501(c)(9)
Teachers' Retirement Fund Associations	501(c)(11)
Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc.	501(c)(12)
Cemetery Companies	501(c)(13)
State Chartered Credit Unions, Mutual Reserve Funds	501(c)(14)
Insurance Companies or Associations Other than Life	501(c)(15)
Cooperative Organizations to Finance Crop Operations	501(c)(16)
Supplemental Unemployment Benefit Trusts	501(c)(17)
Employee Funded Pension Trusts (created before 6/25/1959)	501(c)(18)
Organizations of Past or Present Members of the Armed Forces	501(c)(19) & (c)(23)
Black Lung Benefit Trusts	501(c)(21)
Withdrawal Liability Payment Funds	501(c)(22)
Title Holding Corporations or Trusts	501(c)(25)
State-Sponsored Organizations Providing Health Coverage for High-Risk Individuals	501(c)(26)
State-Sponsored Workmen's Compensation and Insurance and Reinsurance Organizations	501(c)(27)
Religious and Apostolic Associations	501(d)
Cooperative Hospital Service Organizations	501(e)
Cooperative Service Organizations of Operating Educational Organizations	501(f)
Child Care Organizations	501(k)
Charitable Risk Pools	501(n)
Political Organizations	527

Appendix B. How to Determine Whether an Organization's Gross Receipts Are Normally \$25,000 (or \$5,000) or Less

To figure whether an organization has to file Form 990-EZ (or Form 990), apply the \$25,000 (or \$5,000) gross receipts test (below) using the following definition of gross receipts and information in *Figuring Gross Receipts* below.

Gross Receipts

Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.

 **Do not use the definition of gross receipts described in Appendix C, Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations, to figure gross receipts for this purpose. Those tests are limited to determining the exempt status of section 501(c)(7) and 501(c)(15) organizations.**

Gross receipts when acting as an agent. If a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from them, the local chapter does not include the premiums in its gross receipts. The parent lodge reports them instead. The same treatment applies in other situations in which one organization collects funds merely as an agent for another.

Figuring Gross Receipts

Figure gross receipts for Form 990 and 990-EZ as follows.

Form 990. Gross receipts are the sum of lines 6b(i), 6b(ii), 7b(i), 7b(ii), 8b, 9b, 10b, and 12 (column (A)) of Form 990, Part VIII.

Form 990-EZ. Gross receipts are the sum of lines 5b, 6b, 7b, and 9 of Form 990-EZ, Part I.

Example. Organization M reported \$50,000 as total revenue on line 9 of its Form 990-EZ. M added back the costs and expenses it had deducted on lines 5b (\$2,000); 6b (\$1,500); and 7b (\$500) to its total revenue of \$50,000 and determined that its gross receipts for the tax year were \$54,000.

\$25,000 Gross Receipts Test

To determine whether an organization's gross receipts are normally \$25,000 or less, apply the following test. An organization's gross receipts are considered normally to be \$25,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, \$37,500 or less during its first tax year;
2. Between 1 and 3 years old and averaged \$30,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged \$25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

If the organization's gross receipts are normally \$25,000 or less, it must submit Form 990-N, Electronic Notice Organizations Not Required to File Form 990 or 990-EZ (with exceptions for certain organizations described in *B. Organizations Not Required to File Form 990*).

\$5,000 Gross Receipts Test

To determine whether an organization's gross receipts are normally \$5,000 or less, apply the following test. An organization's gross receipts are considered normally to be \$5,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, \$7,500 or less during its first tax year;
2. Between 1 and 3 years old and averaged \$6,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged \$5,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

Appendix C. Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations

Section 501(c)(7) organizations (social clubs) and section 501(c)(15) organizations (insurance companies) apply the same gross receipts test as other organizations to determine whether they must file Form 990 or 990-EZ. However, section 501(c)(7) and section 501(c)(15) organizations are also subject to separate gross receipts tests to determine whether they qualify as tax-exempt for the tax year. The following tests use a special definition of gross receipts for purposes of determining whether these organizations are exempt for a particular tax year.


Section 501(c)(7). A section 501(c)(7) organization can receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts)

can be from public use of a social club's facilities.

Gross receipts, for purposes of determining the tax-exempt status of section 501(c)(7) organizations, are the club's income from its usual activities and include:

- Charges,
- Admissions,
- Membership fees,
- Dues,
- Assessments, and
- Investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments.

Gross receipts for this purpose do not include capital contributions (see Regulations section 1.118-1), initiation fees, or unusual amounts of income (such as the sale of the clubhouse).

 **College fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues, must include initiation fees in their gross receipts.**

Section 501(c)(15). If any section 501(c)(15) insurance company (other than life insurance) normally has gross receipts of more than \$25,000 for the tax year and meets both parts of the following test, then the company can file Form 990 (or Form 990-EZ, if applicable).


1. The company's gross receipts must be equal to or less than \$600,000, and
2. The company's premiums must be more than 50% of its gross receipts.

If the company did not meet this test and the company is a mutual insurance company, then it must meet the *Alternate test* to qualify to file Form 990 (or Form 990-EZ, if applicable). Insurance companies that do not qualify as tax-exempt must file Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return, or Form 1120, U.S. Corporation Income Tax Return, as taxable entities for the year. See Notice 2006-42, 2006-19 I.R.B. 878.

Alternate test. If any section 501(c)(15) insurance company (other than life insurance) is a mutual insurance company and it did not meet the above test, then the company must meet both parts of the following alternate test.

1. The company's gross receipts must be equal to or less than \$150,000.
2. The company's premiums must be more than 35% of its gross receipts.

If the company does not meet either test, then it must file Form 1120-PC or Form 1120 (if the company is not entitled to insurance reserves) instead of Form 990 or 990-EZ.

 **Caution.** *The alternate test does not apply if any employee of the mutual insurance company or a member of the employee's family is an employee of another company that is exempt under section 501(c)(15) (or would be exempt if this provision did not apply).*

Gross receipts. To determine whether a section 501(c)(15) organization satisfies either of the above tests described in Appendix C, figure gross receipts by adding:

1. Premiums (including deposits and assessments) without reduction for return premiums or premiums paid for reinsurance;
2. Gross investment income of a non-life insurance company (as described in section 834(b)); and
3. Other items that are included in the filer's gross income under Subchapter B, Chapter 1, Subtitle A of the Code.

This definition does not, however, include contributions to capital. For more information, see Notice 2006-42.

Premiums. Premiums consist of all amounts received as a result of entering into an insurance contract. They are reported on Form 990, Part VIII (Statement of Revenue), line 2, or on Form 990-EZ, Part I, line 2.

Anti-abuse rule. The anti-abuse rule, found in section 501(c)(15)(C), explains how gross receipts (including premiums) from all members of a controlled group are aggregated in figuring the above tests described in Appendix C.

Appendix D. Public Inspection of Returns

Some members of the public rely on Form 990, or 990-EZ, as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its returns.

An organization's completed Form 990 or 990-EZ is available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors, is open for public inspection for section 527 organizations filing Form 990 or 990-EZ. For other organizations that file Form 990 or 990-EZ, parts of Schedule B can be open to public inspection. Form 990-T filed after August 17, 2006, by a section 501(c)(3) organization to report any unrelated business income, is also available for public inspection and disclosure.

Through the IRS

Use Form 4506-A to request:

- A copy of an exempt or political organization's return, report, notice, or exemption application; or
- An inspection of a return, report, notice, or exemption application at an IRS office.

The IRS can provide copies of exempt organization returns on a compact disc (CD). Requesters can order the complete set (all Forms 990 and 990-EZ or all Forms 990-PF filed for a year) or a partial set by state or by month. For more information on the cost and how to order CD-ROMs, call the TE/GE Customer Account Services toll-free number (1-877-829-5500) or write to the IRS:

Internal Revenue Service
Mail Stop 6716
Ogden, UT 84201

The IRS cannot disclose portions of an exemption application relating to any trade secrets, etc. Additionally, the IRS generally cannot disclose the names and addresses of contributors. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more information about the disclosure of that schedule.

Notice 2008-49, 2008-20 I.R.B. 979, provides interim guidance regarding the requirement that section 501(c)(3) organizations and the IRS make available for public inspection Form 990-T.

Forms 990 or 990-EZ can only be requested for section 527 organizations for tax years beginning after June 30, 2000.

A return, report, notice, or exemption application can be inspected at an IRS office free of charge. Copies of these items can also be obtained through the organization as discussed in the following section.

Through the Organization

Public inspection and distribution of certain returns of unrelated business income. Section 501(c)(3) organizations that are required to file Form 990-T after August 17, 2006, must make Form 990-T available for public inspection under section 6104(d)(1)(A)(ii).

Public inspection and distribution of returns and reports for a political organization. Section 527 political organizations required to file Form 990 or 990-EZ must, in general, make their Forms 8871, 8872, 990, or 990-EZ available for public inspection in the same manner as annual information returns of section 501(c) organizations and 4947(a)(1) nonexempt charitable trusts are made available. See the public inspection rules for tax-exempt organizations, later. Generally, Form 8871 and Form 8872 are available for inspection and printing at www.irs.gov under the *Charities & Nonprofits* tab.



Note that a section 527 political organization (and an organization filing Form 990-PF) must disclose their Schedule B (Form 990, 990-EZ, or 990-PF). See the Instructions for Schedule B. The penalties discussed in General Instructions also apply to section 527 political organizations (Rev. Rul. 2003-49, 2003-201 I.R.B. 903).

Public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations. Under Regulations sections 301.6104(d)-1 through 3, a tax-exempt organization must:

- Make its application for recognition of exemption and its annual information returns available for public inspection without charge at its principal, regional

and district offices during regular business hours;

- Make each annual information return available for a period of 3 years beginning on the date the return is required to be filed (determined with regard to any extension of time for filing) or is actually filed, whichever is later; and
- Provide a copy without charge (for Form 990-T, this requirement applies only to Forms 990-T filed after August 17, 2006), other than a reasonable fee for reproduction and actual postage costs, of all or any part of any application or return required to be made available for public inspection to any individual who makes a request for such copy in person or in writing (except as provided in Regulations sections 301.6104(d)-2 and 3).

Definitions

Tax-exempt organization is any organization that is described in section 501(c) or (d) and is exempt from taxation under section 501(a). The term tax-exempt organization also includes any section 4947(a)(1) nonexempt charitable trust or nonexempt private foundation that is subject to the reporting requirements of section 6033.

Application for tax exemption includes:

- Any prescribed application form (such as Form 1023 or Form 1024),
- All documents and statements the IRS requires an applicant to file with the form,
- Any statement or other supporting document submitted in support of the application, and
- Any letter or other document issued by the IRS concerning the application.

Application for tax exemption does not include:

- Any application for tax exemption filed before July 15, 1987, unless the organization filing the application had a copy of the application on July 15, 1987;
- In the case of a tax-exempt organization other than a private foundation, the name and address of any contributor to the organization; or
- Any material that is not available for public inspection under section 6104.



If there is no prescribed application form, see Regulations section 301.6104(d)-1(b)(3)(ii).

Annual information return includes:

- An exact copy of the Form 990 or Form 990-EZ filed by a tax-exempt organization as required by section 6033.
- Any amended return the organization files with the IRS after the date the original return is filed.
- An exact copy of Form 990-T if one is filed by a 501(c)(3) organization.

The copy must include all information furnished to the IRS on Form 990, 990-EZ, or 990-T as well as all schedules, attachments and supporting documents, except for the name and address of any contributor to the organization. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF). However, schedules, attachments, and supporting documents

filed with Form 990-T that do not relate to the imposition of unrelated business income tax are not required to be made available for public inspection and copying. See Notice 2008-49, 2008-20 I.R.B. 979.

Annual returns more than 3 years old. An annual information return does not include any return after the expiration of 3 years from the date the return is required to be filed (including any extension of time that has been granted for filing such return) or is actually filed, whichever is later.

If an organization files an amended return, however, the amended return must be made available for a period of 3 years beginning on the date it is filed with the IRS.

Local or subordinate organizations. For rules relating to annual information returns of local or subordinate organizations, see Regulations section 301.6104(d)-1(f)(2).

Regional or district offices. A regional or district office is any office of a tax-exempt organization, other than its principal office, that has paid employees, whether part-time or full-time, whose aggregate number of paid hours a week are normally at least 120.

A site is not considered a regional or district office, however, if:

- The only services provided at the site further exempt purposes (such as day care, health care or scientific or medical research); and
- The site does not serve as an office for management staff, other than managers who are involved solely in managing the exempt function activities at the site.

Special Rules Relating to Public Inspection

Permissible conditions on public inspection. A tax-exempt organization:

- Can have an employee present in the room during an inspection,

- Must allow the individual conducting the inspection to take notes freely during the inspection, and
- Must allow the individual to photocopy the document at no charge, if the individual provides photocopying equipment at the place of inspection.

Organizations that do not maintain permanent offices. A tax-exempt organization with no permanent office:

- Must make its application for tax exemption and its annual information returns available for inspection at a reasonable location of its choice;
- Must permit public inspection within a reasonable amount of time after receiving a request for inspection (normally not more than 2 weeks) and at a reasonable time of day;
- Can mail, within 2 weeks of receiving the request, a copy of its application for tax exemption and annual information returns to the requester instead of allowing an inspection; and
- Can charge the requester for copying and actual postage costs only if the requester consents to the charge.

An organization that has a permanent office, but has no office hours, or very limited hours during certain times of the year, must make its documents available during those periods when office hours are limited, or not available, as though it were an organization without a permanent office.

Special Rules Relating to Copies

Time and place for providing copies in response to requests made in person. A tax-exempt organization must:

- Provide copies of required documents under section 6104(d) in response to a request made in person at its principal, regional and district offices during regular business hours, and

- Provide such copies to a requester on the day the request is made, except for unusual circumstances (see below).

Unusual circumstances. In the case of an in-person request, where unusual circumstances exist so that fulfilling the request on the same business day causes an unreasonable burden to the tax-exempt organization, the organization must provide the copies no later than the next business day following the day that the unusual circumstances cease to exist, or the 5th business day after the date of the request, whichever occurs first.

Unusual circumstances include:

- Requests received that exceed the organization's daily capacity to make copies;
- Requests received shortly before the end of regular business hours that require an extensive amount of copying; or
- Requests received on a day when the organization's managerial staff capable of fulfilling the request is conducting special duties, such as student registration or attending an off-site meeting or convention, rather than its regular administrative duties.

Agents for providing copies. For rules relating to use of agents to provide copies, see Regulations sections 301.6104(d)-1(d)(1)(iii) and 1(d)(2)(ii)(C).

Request for copies in writing. A tax-exempt organization must honor a written request for a copy of documents (or the requested part) required under section 6104(d) if the request:

1. Is addressed to, and delivered by mail, electronic mail, facsimile, or a private delivery service, as defined in section 7502(f), to a principal, regional, or district office of the organization; and
2. Sets forth the address to which the copy of the documents should be sent.

Time and Manner of Fulfilling Written Requests.

IF the organization...	THEN the organization...
Receives a written request for a copy,	Must mail the copy of the requested documents (or the requested parts) within 30 days from the date it receives the request.
Mails the copy of the requested document,	Is deemed to have provided the copy on the postmark date or private delivery mark (if sent by certified or registered mail, the date of registration or the date of the postmark on the sender's receipt).
Requires payment in advance,	Is required to provide the copies within 30 days from the date it receives payment.
Receives a request or payment by mail,	Is deemed to have received it 7 days after the date of the postmark, absent evidence to the contrary.
Receives a request transmitted by electronic mail or facsimile,	Is deemed to have received it the day the request is transmitted successfully.
Receives a written request without payment or with an insufficient payment, when payment in advance is required,	Must notify the requester of the prepayment policy and the amount due within 7 days from the date of the request's receipt.
Receives consent from an individual making a request,	Can provide a copy of the requested document exclusively by electronic mail (the material is provided on the date the organization successfully transmits the electronic mail).

Request for a copy of parts of a document. A tax-exempt organization must fulfill a request for a copy of the organization's entire application for tax exemption or annual information return or any specific part or schedule of its application or return. A request for a copy of less than the entire application or less than the entire return must specifically identify the requested part or schedule.

Fees for copies. A tax-exempt organization can charge a reasonable fee for providing copies. Before the organization provides the documents, it can require that the individual requesting copies of the documents pay the fee. If the organization has provided an individual making a request with notice of the fee, and the individual does not pay the fee within 30 days, or if the individual pays the fee by check and the check does not clear upon deposit, the organization can disregard the request.

Form of payment a. Request made in person. If a tax-exempt organization charges a fee for copying, it must accept payment by cash and money order for requests made in person. The organization can accept other forms of payment, such as credit cards and personal checks.

b. Request made in writing. If a tax-exempt organization charges a fee for copying and postage, it must accept payment by certified check, money order, and either personal check or credit card for requests made in writing. The organization can accept other forms of payment.

Avoidance of unexpected fees. Where a tax-exempt organization does not require prepayment and a requester does not enclose payment with a request, an organization must receive consent from a requester before providing copies for which the fee charged for copying and postage exceeds \$20.

Documents to be provided by regional and district offices. Except as otherwise provided, a regional or district office of a tax-exempt organization must satisfy the same rules as the principal office with respect to allowing public inspection and providing copies of its application for tax exemption and annual information returns.

A regional or district office is not required, however, to make its annual information return available for inspection or to provide copies until 30 days after the date the return is required to be filed (including any extension of time that is granted for filing such return) or is actually filed, whichever is later.

Documents Provided by Local and Subordinate Organizations

Applications for tax exemption. Except as otherwise provided, a tax-exempt organization that did not file its own application for tax exemption

(because it is a local or subordinate organization covered by a group exemption letter) must, upon request, make available for public inspection, or provide copies of, the application submitted to the IRS by the central or parent organization to obtain the group exemption letter and those documents which were submitted by the central or parent organization to include the local or subordinate organization in the group exemption letter.

However, if the central or parent organization submits to the IRS a list or directory of local or subordinate organizations covered by the group exemption letter, the local or subordinate organization is required to provide only the application for the group exemption ruling and the pages of the list or directory that specifically refer to it. The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day. See Regulations section 301.6104(d)-1(f) for further information.

Annual information returns. A local or subordinate organization that does not file its own annual information return (because it is affiliated with a central or parent organization that files a group return) must, upon request, make available for public inspection, or provide copies of, the group returns filed by the central or parent organization.

However, if the group return includes separate schedules with respect to each local or subordinate organization included in the group return, the local or subordinate organization receiving the request can omit any schedules relating only to other organizations included in the group return.

The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day.

In a case where the requester seeks inspection, the local or subordinate organization can mail a copy of the applicable documents to the requester within the same time period instead of allowing an inspection. In such a case, the organization can charge the requester for copying and actual postage costs only if the requester consents to the charge.

If the local or subordinate organization receives a written request for a copy of its annual information return, it must fulfill the request by providing a copy of the group return in the time and manner specified in *Request for copies in writing* on page 62.

The requester has the option of requesting from the central or parent organization, at its principal office, inspection or copies of group returns filed

by the central or parent organization. The central or parent organization must fulfill such requests in the time and manner specified in *Special Rules Relating to Public Inspection* and *Special Rules Relating to Copies* on page 62.

Failure to comply. If an organization fails to comply with the requirements specified in this paragraph, the penalty provisions of sections 6652(c)(1)(C), 6652(c)(1)(D), and 6685 apply.

Making Applications and Returns Widely Available

A tax-exempt organization is not required to comply with a request for a copy of its application for tax exemption or an annual information return if the organization has made the requested document widely available (see below).

An organization that makes its application for tax exemption and/or annual information return widely available must nevertheless make the document available for public inspection as required under Regulations section 301.6104(d)-1(a).

A tax-exempt organization makes its application for tax exemption and/or an annual information return widely available if the organization complies with the Internet posting requirements and the notice requirements given below.

Internet posting. A tax-exempt organization can make its application for tax exemption and/or an annual information return widely available by posting the document on a World Wide Web page that the tax-exempt organization establishes and maintains, or by having the document posted, as part of a database of similar documents of other tax-exempt organizations, on a World Wide Web page established and maintained by another entity. The document will be considered widely available only if:

- The World Wide Web page through which it is available clearly informs readers that the document is available and provides instructions for downloading it;
- The document is posted in a format that, when accessed, downloaded, viewed and printed in hard copy, exactly reproduces the image of the application for tax exemption or annual information return as it was originally filed with the IRS, except for any information permitted by statute to be withheld from public disclosure; and
- Any individual with access to the Internet can access, download, view and print the document without special computer hardware or software required for that format (other than software that is readily available to members of the public without payment of any fee) and without payment of a fee to the tax-exempt organization or to another entity maintaining the World Wide Web page.

Reliability and accuracy. In order for the document to be widely available through an Internet posting, the entity maintaining the World Wide Web page

must have procedures for ensuring the reliability and accuracy of the document that it posts on the page and must take reasonable precautions to prevent alteration, destruction or accidental loss of the document when posted on its page. In the event that a posted document is altered, destroyed or lost, the entity must correct or replace the document.

Notice requirement. If a tax-exempt organization has made its application for tax exemption and/or an annual information return widely available, it must notify any individual requesting a copy where the documents are available (including the address on the World Wide Web, if applicable). If the request is made in person, the organization must provide such notice to the individual immediately. If the request is made in writing, the notice must be provided within 7 days of receiving the request.

Tax-Exempt Organization Subject to Harassment Campaign

If the Director, EO Examination (or designee) determines that the organization is being harassed, a tax-exempt organization is not required to comply with any request for copies that it reasonably believes is part of a harassment campaign.

Whether a group of requests constitutes a harassment campaign depends on the relevant facts and circumstances such as:

- a sudden increase in requests;
- an extraordinary number of requests by form letters or similarly worded correspondence;
- hostile requests;
- evidence showing bad faith or deterrence of the organization's exempt purpose;
- prior provision of the requested documents to the purported harassing group; and
- a demonstration that the organization routinely provides copies of its documents upon request.

A tax-exempt organization can disregard any request for copies of all or part of any document beyond the first two received within any 30-day period or the first four received within any 1-year period from the same individual or the same address, regardless of whether the Director, EO Examination (or designee) has determined that the organization is subject to a harassment campaign.

A tax-exempt organization can apply for a determination that it is the subject of a harassment campaign and that compliance with requests that are part of the campaign would not be in the public interest by submitting a signed application to the Director, EO Examination (or designee) for the area where the organization's principal office is located.

In addition, the organization can suspend compliance with any request it reasonably believes to be part of the harassment campaign until it receives a response to its application for a

harassment campaign determination. However, if the Director, EO Examination (or designee) determines that the organization did not have a reasonable basis for requesting a determination that it was subject to a harassment campaign or reasonable belief that a request was part of the campaign, the officer, director, trustee, employee, or other responsible individual of the organization remains liable for any penalties for not providing the copies in a timely fashion. See Regulations section 301.6104(d)-3.

Appendix E. Group Returns—Reporting Information on Behalf of the Group

Except where otherwise instructed, where a line calls for a dollar amount or numerical data, the **central organization** filing the **group return** must aggregate the data from all the **subordinate organizations** included in the group return and report the aggregate number. For example, in answering Form 990, Part I, line 6, the total number of volunteers for all of the subordinate organizations would be reported.

For purposes of Form 990, Part III, summarize the mission and activities of all of the **subordinate organizations** as if all of the subordinate organizations were one entity.

In general, if a line requires a Yes/No answer and the answer is not the same for all **subordinates organizations** to which the line applies, then check "Yes," and explain the answer in the schedule's supplemental information section (if applicable) or in Schedule O (Form 990). For the following lines, however, check "No" if the answer is "No" for any of the subordinates to which the line applies, and explain in Schedule O.

- Form 990, Part V, lines 1c, 2b, 3b, 5c, 6b, 7b, 7g, and 7h.
- Form 990, Part VI, lines 8a, 8b, 10b, 12b, and 12c.
- Form 990, Schedule C (Political Campaign and Lobbying Activities), Part I-B, lines 3 and 4a.
- Form 990, Schedule C, Part I-C, line 4.
- Form 990, Schedule C, Part II-A, line 1j.
- Form 990, Schedule C, Part II-B, line 2d.
- Form 990, Schedule C, Part III-A, lines 1-3.
- Form 990, Schedule D (Supplemental Financial Statements), Part I, lines 5 and 6.
- Form 990, Schedule D, Part II, lines 5 and 8.
- Form 990, Schedule E (Schools), lines 1-4d and 7.
- Form 990, Schedule F (Statement of Activities Outside the United States), Part I, line 1.
- Form 990, Schedule G (Supplemental Information Regarding Fundraising or Gaming Activities), Part III, line 9a.

- Form 990, Schedule I (Grants and Other Assistance to Organizations, Governments and Individuals in the United States), Part I, line 1.
- Form 990, Schedule J (Compensation Information), Part I, lines 1b and 2.
- Form 990, Schedule M (Noncash Contributions), Part I, line 31.
- Form 990, Schedule N (Liquidation, Termination, Dissolution or Significant Disposition of Assets), Part I, lines 3, 5b, 6, and 7b.

The following is a list of other special instructions for group returns:

1. **Header Item B. Terminated.** If the group is terminating its **group exemption** and filing its final **group return**, do not check the terminated box. Refer to Rev. Proc. 80-27, 1980-1 C.B. 677, for procedures for terminating the group exemption.
2. **Header Item D. EIN.** Use the special **EIN** (separate from the **central organization's** EIN) that is issued solely for the purposes of the **group return**. The central organization must have received a group exemption letter before it can file a group ruling.
3. **Header Items E, F, J.** Enter information for central organization only.
4. **Header Item H. Group returns.** Enter the four-digit group exemption number (GEN). Also, if not all affiliated subordinate organizations are included in the group return, then attach a list (not in Schedule O) showing the name, address, and EIN of each affiliated subordinate organization included in the group return.
5. **Header Item K. Form of organization.** Check "other" if the group has more than one form of organization.
6. **Header Item L. Year of formation.** Leave blank for group return.
7. **Header Item M. State of legal domicile.** Leave blank for group return.
8. **Part IV, lines 14b–19, 21–22, and 29 dollar thresholds.** Apply the dollar thresholds with respect to the aggregate data for the group as a whole, not subordinate by subordinate.
9. **Part IV, line 20. Hospitals.** Answer "Yes," if any affiliate included within the group return operated a hospital facility.
10. **Part VI, line 2. Relationships among officers, directors, trustees, and key employees.** Describe on Schedule O only relationships between officers, directors, trustees, and key employees of the same subordinate organization, not relationships between officers, directors, trustees, and key employees of one subordinate and officers, directors, trustees, and key employees of another subordinate.
11. **Part VI, line 4. Significant changes to organizational documents.** Report only changes to standardized organizational documents maintained by the central organization that subordinates are required to adopt.
12. **Part VI, line 20. Person who possesses books and records.** Identify the person who possesses the information furnished by the subordinate

organizations used in compiling the group return.

13. Part VII. Compensation of officers, directors, trustees, key employees, and highest compensated employees. File a single consolidated Form 990, Part VII showing the officers, directors, trustees, and key employees of each subordinate included in the group return, and a single consolidated Schedule J (Form 990), Compensation Information, Part II, for all such officers, directors, trustees, and key employees above the compensation thresholds. Report the five highest compensated employees and independent contractors above \$100,000 for the whole group of subordinates, not for each subordinate. If one or more officers, directors, trustees, key employees, or highest compensated employees received compensation from more than one organization in the group, the person's compensation from the several organizations must be reported in column (D).

14. Part VII. Compensation from related organizations. Report compensation from an organization that is included in the group ruling but that is not among the subordinates included in the group return as compensation from a related organization in column (E), even if the related organization is not required to be reported on Schedule R (Form 990), Related Organizations and Unrelated Partnerships.

15. Part XI, lines 2a and 2b. Compiled, reviewed, or audited financial statements. Answer "Yes" only if all the subordinates in the group had their financial statements compiled, reviewed, or audited individually (rather than on a consolidated basis).

16. Schedule A (Form 990 or 990-EZ). Part I. Reason for public charity status. If the subordinates do not all have the same public charity status, then check the public charity status box for the largest number of subordinates in the group, and explain on Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support, Part IV. However, if any section 509(a)(3) organizations are among the subordinates in the group return, also answer lines 11e through 11h.

17. Schedule A (Form 990 or 990-EZ). Parts II and III. Support schedules. Report aggregate data for all subordinates with the public charity status corresponding to Parts II or III.

18. Schedule B (Form 990, 990-EZ or 990-PF). Contributors. Report a consolidated Schedule B (Form 990, 990-EZ, or 990-PF) for all subordinates included in the group return. Apply the dollar and percentage thresholds (including the greater of \$5,000 or 2% threshold for section 501(c)(3) organizations described in sections 509(a)(1) and 170(b)(1)(A)(vi)) subordinate by subordinate, not on a group basis.

19. Schedule C (Form 990 or 990-EZ). Part II-A. Lobbying

expenditures and affiliated groups. Complete Part II-A, column (b) for the group as a whole. In column (a), except on lines 1g and 1h, include the amounts that apply to all electing members of the group if they are included in the group return. If the group return includes organizations that belong to more than one affiliated group, enter in column (b) the totals for all such groups.

20. Schedule D (Form 990). Part X. Other liabilities. The filing organization can summarize that portion, if any, of the FIN 48 footnote that applies to the liability of multiple organizations including the organization (for example, as a member of a group with consolidated financial statements), to describe the filing organization's share of the liability.

21. Schedule H (Form 990). Hospitals. Complete one Schedule H for all of the hospitals operated by subordinates in the group, and report aggregate data from all such hospitals.

22. Schedule J (Form 990). Compensation from related organizations. See the *Appendix E*, Part VII instructions, earlier.

23. Schedule N (Form 990 or 990-EZ). Liquidation or significant disposition of assets. Explain in Schedule N (Form 990 or 990-EZ), Part III, which of the subordinates have undergone a liquidation, termination, dissolution, or significant disposition of assets during the tax year.

24. Schedule R (Form 990). Related organizations. See the instructions for Schedule R (Form 990) regarding determining when related organizations of a member of a group exemption must be included on Schedule R (Form 990). In general, **central organizations** and **subordinate organizations** of a group exemption are not required to be listed as **related organizations** on Schedule R (Form 990), Part II; and all other related organizations of the central organization or of a subordinate organization are required to be listed on Schedule R (Form 990) in the applicable part. Even if a related organization is not required to be listed in Part II of Schedule R (Form 990), however, as described in the instructions for Schedule R (Form 990), Part V, the organization can be required to report certain transactions with the related organization in Part V.

Appendix F. Disregarded Entities and Joint Ventures—Inclusion of Activities and Items

Disregarded Entities

A disregarded entity, as described in Regulations sections 301.7701-1 through 301.7701-3, is generally treated as a branch or division of its parent organization for federal tax purposes. Therefore, financial and other information applicable to a disregarded entity must be reported as the parent organization's

information, except on Form 990, Part VI, lines 10a and 10b and in Schedule R (Form 990), in which disregarded entities must be separately reported.

An organization must report in its Form 990, including Parts VIII through X, all of the revenues, expenses, assets, liabilities, and net assets or funds of a disregarded entity of which it is the sole member. The organization also must report the activities of a disregarded entity in the appropriate parts (including Schedules) of the Form 990. For example, support of a disregarded entity must be taken into account by the filing organization for purposes of the public support tests set forth on Schedule A (Form 990 or 990-EZ). Similarly, political campaign activity or lobbying activity conducted by a disregarded entity of which the organization is the sole member must be reported on Schedule C (Form 990 or 990-EZ), Political Campaign and Lobbying Activities.

The following is a list of special instructions for the Form and Schedules regarding the reporting of a disregarded entity of which the organization is the sole member. These items are described to illustrate special applications of the rule described above that a disregarded entity's activities and items must be reported on the organization's Form 990 and applicable schedules.

1. Part I, line 5. Number of employees. See instruction for Part V, lines 1 and 2 below.

2. Part I, line 6. Number of volunteers. The total number of volunteers to be reported can, but is not required to, include volunteers of any disregarded entity.

3. Part III. Program service accomplishments. Consider activities and accomplishments of all disregarded entities when answering this part.

4. Part IV, line 12. Audited financial statement. The organization should not answer "Yes," to this question merely because it received an audited statement of one or more disregarded entities, if the statement of the filing organization was not audited.

5. Part IV, lines 31–32. Liquidation or significant disposition of assets. See the *Appendix F* instructions for Schedule N (Form 990 or 990-EZ) on page 67.

6. Part IV, lines 35–36. Transactions with related organizations. See *Appendix F* instructions for Schedule R (Form 990) on page 67.

7. Part V, lines 1–2. Forms 1096 and W-3. The total number of information returns and employees to be reported, and compliance with backup withholding rules, includes all backup withholding, information returns and employees of any disregarded entity, regardless of whether the disregarded entity has a separate EIN for employment tax and information reporting purposes.

8. Part V, line 7. Organizations that can receive deductible contributions.

For purposes of Form 990 reporting, lines 7a through 7h are to be answered by taking into account any contributions made to a disregarded entity.

9. Part VI, lines 1–11. Members of the governing body, officers, directors, trustees, and employees of a disregarded entity will not be treated as governing body members, officers, directors, or trustees of the filing organization, but such persons can constitute a key employee or highest compensated employee of the filing organization by virtue of compensation paid by the disregarded entity, or the person's responsibilities and authority over operations of the disregarded entity when compared to the filing organization as a whole. See the instructions for Form 990, Part VII, Section A, *Disregarded entities*, on page 24.

10. Part VI, Section B, lines 12–16. Policies. The organization should check "Yes," or "No," based on the filing organization's policies, but for each "Yes" response they must report on Schedule O (Form 990) whether the policy applies to all of the organization's disregarded entities (if any).

11. Part VII, line 1a. Definitions of key employee and highest compensated employee. An officer, director, trustee, and employee of a disregarded entity can constitute a key employee or highest compensated employee of the filing organization by virtue of compensation paid by the disregarded entity, or the person's responsibilities and authority over operations of the disregarded entity when compared to the filing organization as a whole. See the instructions for Form 990, Part VII, Section A.

12. Part XI, line 3. OMB and Single Audit Act audits. The organization must check "Yes" if a disregarded entity was required to undergo an audit or audits.

13. Schedule L (Form 990 or 990-EZ). Transactions with interested persons. Reportable transactions include transactions involving interested persons who have such status because of their relationship with a disregarded entity (such as an employee of the disregarded entity who qualifies as a key employee of the organization as a whole). A transaction between an interested person and a disregarded entity of the organization is reportable on Schedule L.

14. Schedule N (Form 990 or 990-EZ). Liquidation or significant disposition of assets. The organization should not prepare Part I to report a termination, liquidation, or dissolution of a disregarded entity if the filing organization continues to operate. Transfers to (or by) a filing organization by (or to) its disregarded entity are not to be reported in Part II, but transfers by or contractions of a disregarded entity are to be taken into account to determine whether a reportable event (based on 25% of the filing organization's net assets, including those of its disregarded entities) has occurred.

15. Schedule R (Form 990), Part V, line 2. Transactions with related organizations. Specified payments to a disregarded entity by a controlled entity of the filing organization, and transfers by a disregarded entity to an exempt non charitable entity, are to be reported on Schedule R (Form 990), Part V, line 2.

Joint Ventures Treated as a Partnership for Federal Income Tax Purposes

If the organization participates as a partner or member of a joint venture, partnership, LLC, or other entity treated as a partnership for federal tax purposes (referred to here as a "joint venture"), as described in Regulations sections 301.7701-1 through 301.7701-3, then the organization in general must report the activities of the joint venture as its own activities, to the extent of the organization's proportionate interest in the joint venture. For example, a proportionate share of the political campaign activity or lobbying activity conducted by a joint venture of which the organization is a member must be reported on Schedule C (Form 990 or 990-EZ), Political Campaign and Lobbying Activities. If the joint venture is a member of a second joint venture, which is a member of a third joint venture, etc., the activities similarly pass through all joint ventures to the organization, in accordance with the organization's proportionate share in each of the joint ventures.

The following is a list of special instructions for the Form and Schedules regarding the reporting of a joint venture of which the organization is a member.

1. Part I, line 2. Disposition of 25% of assets. See instructions for Schedule N on page 67.

2. Part I, line 7. Unrelated business income. Include the organization's share (whether or not distributed) of income or loss of the joint venture that is unrelated business income in determining the organization's gross and net unrelated business income.

3. Part IV, lines 3–5. Political campaign and lobbying activities. See instructions for Schedule C on this page.

4. Part IV, line 7. Conservation easements. See instructions for Schedule D on this page.

5. Part IV, lines 14–16. Activities outside the United States. See instructions for Schedule F on this page.

6. Part IV, lines 17–19. Fundraising and gaming. See instructions for Schedule G, below.

7. Part IV, line 20. Hospitals. See instructions for Schedule H on this page.

8. Part IV, lines 21–22. Grants in the United States. See instructions for Schedule I on this page.

9. Part IV, lines 26–28. Loans, grants, and business transactions involving interested persons. See instructions for Schedule L on page 67.

10. Part IV, line 32. Disposition of 25% of assets. See instructions for Schedule N on page 67.

11. Part IV, lines 34–37. Related organizations and unrelated partnerships. See instructions for Schedule R on page 67.

12. Part V, line 3a. Unrelated business income. Include the organization's share (whether or not distributed) of income or loss of the joint venture that is unrelated business income in determining the organization's gross unrelated business income.

13. Part VI. Governance, management, and disclosure. Do not take into account a joint venture for purposes of Part VI (except for lines 16a and 16b).

14. Part VII. Compensation. See instructions for Schedule J, below.

15. Parts VIII, IX, and X. Financial statements. Report in accordance with the organization's books and records.

16. Part XI. Financial statements and reporting. Disregard a joint venture.

17. Schedule C (Form 990 or 990-EZ). Political campaign and lobbying activities. Report the organization's share of political campaign or lobbying activities conducted by a joint venture.

18. Schedule D (Form 990), Part II. Conservation easements. Include conservation easements held by a joint venture formed for the purpose of holding such easements.

19. Schedule F (Form 990). Activities outside the United States. Include activities of a joint venture, including grants to organizations or individuals outside the United States.

20. Schedule G (Form 990 or 990-EZ). Fundraising and gaming. Include activities of a joint venture and the organization's share of revenues and expenses. On Part III, line 12, check "Yes" if the joint venture was formed to administer charitable gaming.

21. Schedule H (Form 990). Hospitals. See the instructions for Schedule H to determine how to report an organization's share of a joint venture's activities and items for purposes of that schedule.

22. Schedule I (Form 990). Grants in the United States. Include grants from a joint venture to organizations, governments, or individuals in the United States.

23. Schedule J (Form 990). Compensation. If an officer, director, trustee, or employee of the organization receives compensation from a joint venture, the compensation is not treated as paid pro rata by the organization. The compensation may need to be reported, however, as compensation from a related organization if the joint venture is a related organization.

24. Schedule K (Form 990), Part III, line 1. Private business use. Report certain joint ventures that owned property financed by tax-exempt bonds.

25. **Schedule L (Form 990 or 990-EZ), Parts II–IV. Loans, grants, and business transactions involving interested persons.** Report loans and grants made to an interested person by a joint venture. Also report certain joint ventures with interested persons.

26. **Schedule N (Form 990 or 990-EZ), Part II. Disposition of 25% of assets.** In determining whether the organization made a disposition of more than 25% of its assets, take into account its share of dispositions by a joint venture.

27. **Schedule R (Form 990). Related organizations.** Report relationships with certain joint ventures in Parts III and VI, and certain transactions with joint ventures in Part V.

Appendix G. Section 4958 Excess Benefit Transactions

The intermediate sanction regulations are important to the exempt organization community as a whole, and for ensuring compliance in this area. The rules provide a roadmap by which an organization can steer clear of situations that may give rise to inurement.

Under section 4958, any **disqualified person** who benefits from an **excess benefit transaction** with an **applicable tax-exempt organization** is liable for a 25% tax on the excess benefit. The disqualified person is also liable for a 200% tax on the excess benefit if the excess benefit is not corrected by a certain date. Also, organization managers who participate in an excess benefit transaction knowingly, willfully, and without reasonable cause are liable for a 10% tax on the excess benefit, not to exceed \$20,000 for all participating managers on each transaction.

Applicable Tax-Exempt Organization

These rules only apply to certain applicable section 501(c)(3) and 501(c)(4) organizations. An **applicable tax-exempt organization** is a section 501(c)(3) or a section 501(c)(4) organization that is tax exempt under section 501(a), or was such an organization at any time during a 5-year period ending on the day of the **excess benefit transaction**.

An **applicable tax-exempt organization** does not include:

- A **private foundation** as defined in section 509(a),
- A governmental entity that is exempt from (or not subject to) taxation without regard to section 501(a) or relieved from filing an annual return under Regulations section 1.6033-2(g)(6), and
- Certain **foreign organizations**.

An organization is not treated as a section 501(c)(3) or 501(c)(4) organization for any period covered by a final determination that the organization was not tax-exempt under section 501(a), so long as the determination was not based on private

inurement or one or more excess benefit transactions.

Disqualified Person

The vast majority of section 501(c)(3) or 501(c)(4) organization **employees** and **independent contractors** will not be affected by these rules. Only the few influential persons within these organizations are covered by these rules when they receive benefits, such as **compensation**, fringe benefits, or contract payments. The IRS calls this class of covered individuals **disqualified persons**.

A *disqualified person*, regarding any transaction, is any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization. This would include, for example, **voting members of the governing body**, and persons holding the power of:

- Presidents, **chief executive officers**, or chief operating officers.
 - Treasurers and chief financial officers.
- A disqualified person also includes certain family members of a disqualified person, and **35% controlled entities** of a disqualified person.

The following persons are considered disqualified persons with respect to the following organizations, along with certain family members and 35% controlled entities associated with them:

- With respect to a transaction involving a **donor advised fund**, a donor or **donor advisor** of that donor advised fund,
- With respect to a **donor advised fund** sponsoring organization, an investment advisor of the **sponsoring organization**, and
- With respect to a **supported organization** of a section 509(a)(3) supporting organization, the disqualified persons of the section 509(a)(3) **supporting organization**.

Substantial contributors to supporting organizations are also considered disqualified persons along with their family members and 35% controlled entities.

See the instructions for Form 4720, Schedule I for more information regarding these disqualified persons.

Who is not a disqualified person? The rules also clarify which persons are not considered to be in a position to exercise substantial influence over the affairs of an organization. They include:

- An employee who receives benefits that total less than the highly compensated amount (\$100,000 in 2007; \$105,000 in 2008, \$110,000 in 2009) and who does not hold the executive or voting powers just mentioned; is not a family member of a disqualified person; and is not a substantial contributor;

- Tax-exempt organizations described in section 501(c)(3); and
- Section 501(c)(4) organizations with respect to transactions engaged in with other section 501(c)(4) organizations.

Who else can be considered a disqualified person? Other persons not described above can also be considered disqualified persons, depending on all the relevant facts and circumstances.

Facts and circumstances tending to show substantial influence.

- The person founded the organization.
- The person is a substantial contributor to the organization under the section 507(d)(2)(A) definition, only taking into account contributions to the organization for the past 5 years.
- The person's compensation is primarily based on revenues derived from the activities of the organization that the person controls.
- The person has or shares authority to control or determine a substantial portion of the organization's capital expenditures, operating budget, or compensation for employees.
- The person manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.
- The person owns a controlling interest (measured by either vote or value) in a corporation, partnership, or trust that is a disqualified person.
- The person is a nonstock organization controlled directly or indirectly by one or more disqualified persons.

Facts and circumstances tending to show no substantial influence.

- The person is an independent contractor whose sole relationship to the organization is providing professional advice (without having decision-making authority) with respect to transactions from which the independent contractor will not economically benefit.
- The person has taken a vow of poverty.
- Any preferential treatment the person receives based on the size of the person's donation is also offered to others making comparable widely solicited donations.
- The direct supervisor of the person is not a disqualified person.
- The person does not participate in any management decisions affecting the organization as a whole or a discrete segment of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.

What about persons who staff affiliated organizations? In the case of multiple affiliated organizations, the determination of whether a person has substantial influence is made separately for each applicable tax-exempt organization. A person may be a disqualified person with respect to more than one organizations in the same transaction.

Excess Benefit Transaction

An **excess benefit transaction** generally is a transaction in which an economic benefit is provided by an **applicable tax-exempt organization**, directly or indirectly, to or for the use of any **disqualified person**, and the value of the economic benefit provided by the applicable tax-exempt organization exceeds the value of the consideration (including the performance of services) received for providing such benefit, but see the special rules below for **donor advised funds** and **supporting organizations**. An excess benefit transaction also can occur when a disqualified person embezzles from the exempt organization.

To determine whether an excess benefit transaction has occurred, all consideration and benefits exchanged between a disqualified person and the applicable tax-exempt organization, and all entities it controls, are taken into account.

For purposes of determining the value of economic benefits, the value of property, including the right to use property, is the **fair market value**. Fair market value is the price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

Donor advised funds. For a **donor advised fund**, an excess benefit transaction includes a grant, loan, **compensation**, or similar payment from the fund to a:

- Donor or **donor advisor**,
- Family member of a donor or **donor advisor**,
- **35% controlled entity** of a donor or donor advisor, or
- 35% controlled entity of a family member of a donor or donor advisor.

For these transactions, the excess benefit is defined as the amount of the grant, loan, compensation, or similar payment. For additional information, see the Instructions for Form 4720.

Supporting organizations. For any supporting organization defined in section 509(a)(3), an excess benefit transaction includes grants, loans, compensation, or similar payment provided by the supporting organization to a:

- Substantial contributor,
 - Family member of a substantial contributor,
 - 35% controlled entity of a substantial contributor, or
 - 35% controlled entity of a family member of a substantial contributor.
- Additionally, an excess benefit transaction includes any loans provided by the supporting organization to a disqualified person (other than an organization described in section 509(a)(1), (2), or (4)).

A substantial contributor is any person who contributed or bequeathed an aggregate of more than \$5,000 to the organization, if that amount is more than 2% of the total contributions and bequests received by the organization before the end of the tax year of the organization in which the contribution or bequest is received by the organization from such person. A substantial contributor includes the grantor of a trust.

The excess benefit for substantial contributors and parties related to those contributors includes the amount of the grant, loan, compensation, or similar payment. For additional information, see the Instructions for Form 4720.

When does an excess benefit transaction usually occur? For federal income tax purposes, an excess benefit transaction occurs on the date the disqualified person receives the economic benefit from the organization. However, when a single contractual arrangement provides for a series of compensation payments or other payments to a disqualified person during the disqualified person's tax year, any excess benefit transaction with respect to these payments occurs on the last day of the taxpayer's tax year.

In the case of the transfer of property subject to a substantial risk of forfeiture, or in the case of rights to future compensation or property, the transaction occurs on the date the property, or the rights to future compensation or property, is not subject to a substantial risk of forfeiture. Where the disqualified person elects to include an amount in gross income in the tax year of transfer under section 83(b), the excess benefit transaction occurs on the date the disqualified person receives the economic benefit for federal income tax purposes.

Section 4958 applies only to post-September 1995 transactions.

Section 4958 applies the general rules to excess benefit transactions occurring on or after September 14, 1995. Section 4958 does not apply to any transaction occurring pursuant to a written contract that was binding on September 13, 1995, and at all times thereafter before the transaction occurs. The special rules relevant to transactions with donor advised funds and supporting organizations apply to transactions occurring after August 17, 2006.

What Is Reasonable Compensation?

Reasonable compensation is the valuation standard that is used to determine if there is an excess benefit in the exchange of a **disqualified person's** services for **compensation**. *Reasonable compensation* is the value that would ordinarily be paid for like services by like enterprises under like circumstances. This is the section 162 standard that will apply in determining the reasonableness of compensation. The fact that a bonus or revenue-sharing arrangement is subject

to a cap is a relevant factor in determining the reasonableness of compensation.

For determining the reasonableness of compensation, all items of compensation provided by an applicable tax-exempt organization in exchange for the performance of services are taken into account in determining the value of compensation (except for certain economic benefits that are disregarded, as discussed in *What benefits are disregarded?* on page 69). Items of compensation include:

- All forms of cash and noncash compensation, including salary, fees, bonuses, severance payments, and deferred and noncash compensation;
- The payment of liability insurance premiums for, or the payment or reimbursement by the organization of taxes or certain expenses under section 4958, unless excludable from income as a *de minimis* fringe benefit under section 132(a)(4). (A similar rule applies in the private foundation area.) Inclusion in compensation for purposes of determining reasonableness under section 4958 does not control inclusion in income for income tax purposes;
- All other compensatory benefits, whether or not included in gross income for income tax purposes;
- Taxable and nontaxable fringe benefits, except fringe benefits described in section 132; and
- Foregone interest on loans.

Written intent required to treat benefits as compensation. An economic benefit is not treated as consideration for the performance of services unless the organization providing the benefit clearly indicates its intent to treat the benefit as compensation when the benefit is paid.

An applicable tax-exempt organization (or entity that it controls) is treated as clearly indicating its intent to provide an economic benefit as compensation for services only if the organization provides written substantiation that is contemporaneous with the transfer of the economic benefits under consideration. Ways to provide contemporaneous written substantiation of its intent to provide an economic benefit as compensation include:

- The organization produces a signed written employment contract;
- The organization reports the benefit as compensation on an original Form W-2, Form 1099, or Form 990, or on an amended form filed prior to the start of an IRS examination; or
- The disqualified person reports the benefit as income on the person's original Form 1040 or on an amended form filed prior to the start of an IRS examination.

Exception. To the extent the economic benefit is excluded from the disqualified person's gross income for income tax purposes, the applicable tax-exempt organization is not required to indicate its intent to provide an economic benefit as compensation for services. (For example: employer provided health benefits, and

contributions to qualified plans under section 401(a).)

What benefits are disregarded? The following economic benefits are disregarded for purposes of section 4958.

- Nontaxable fringe benefits. An economic benefit that is excluded from income under section 132.
- Benefits to volunteers. An economic benefit provided to a volunteer for the organization if the benefit is provided to the general public in exchange for a membership fee or contribution of \$75 or less per year.
- Benefits to members or donors. An economic benefit provided to a member of an organization due to the payment of a membership fee, or to a donor as a result of a deductible contribution, if a significant number of nondisqualified persons make similar payments or contributions and are offered a similar economic benefit.
- Benefits to a charitable beneficiary. An economic benefit provided to a person solely as a member of a charitable class that the applicable tax-exempt organization intends to benefit as part of the accomplishment of its exempt purpose.
- Benefits to a governmental unit. A transfer of an economic benefit to or for the use of a governmental unit, as defined in section 170(c)(1), if exclusively for public purposes.

Is there an exception for initial contracts? Section 4958 does not apply to any fixed payment made to a person pursuant to an **initial contract**. This is a very important exception, since it would potentially apply, for example, to all initial contracts with new, previously unrelated officers and contractors.

An *initial contract* is a binding written contract between an applicable tax-exempt organization and a person who was not a disqualified person immediately prior to entering into the contract.

A *fixed payment* is an amount of cash or other property specified in the contract, or determined by a fixed formula that is specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property.

A *fixed formula* can, in general, incorporate an amount that depends upon future specified events or contingencies, as long as no one has discretion when calculating the amount of a payment or deciding whether to make a payment (such as a bonus).

Treatment as new contract. A binding written contract providing that it can be terminated or canceled by the applicable tax-exempt organization without the other party's consent (except as a result of substantial non performance) and without substantial penalty, is treated as a new contract, as of the earliest date that any termination or cancellation would be effective. Also, a contract in which there is a material change, which includes an

extension or renewal of the contract (except for an extension or renewal resulting from the exercise of an option by the disqualified person), or a more than incidental change to the amount payable under the contract, is treated as a new contract as of the effective date of the material change. Treatment as a new contract can cause the contract to fall outside the initial contract exception, and it thus would be tested under the fair-market value standards of section 4958.

Rebuttable Presumption of Reasonableness

Payments under a **compensation** arrangement are presumed to be reasonable and the transfer of property (or right to use property) is presumed to be at **fair market value**, if the following three conditions are met.

1. The transaction is approved by an authorized body of the organization (or an entity it controls) which is composed of individuals who do not have a conflict of interest concerning the transaction.
2. Prior to making its determination, the authorized body obtained and relied upon appropriate data as to comparability. There is a special safe harbor for small organizations. If the organization has gross receipts of less than \$1 million, appropriate comparability data includes data on compensation paid by three comparable organizations in the same or similar communities for similar services.
3. The authorized body adequately documents the basis for its determination concurrently with making that determination. The documentation should include:

- a. The terms of the approved transaction and the date approved;
- b. The members of the authorized body who were present during debate on the transaction that was approved and those who voted on it;
- c. The comparability data obtained and relied upon by the authorized body and how the data was obtained;
- d. Any actions by a member of the authorized body having a conflict of interest; and
- e. Documentation of the basis for the determination before the later of the next meeting of the authorized body or 60 days after the final actions of the authorized body are taken, and approval of records as reasonable, accurate, and complete within a reasonable time thereafter.

Special rebuttable presumption rule for nonfixed payments. As a general rule, in the case of a nonfixed payment, no rebuttable presumption arises until the exact amount of the payment is determined, or a fixed formula for calculating the payment is specified, and the three requirements creating the presumption have been satisfied. However, if the authorized body approves

an employment contract with a disqualified person that includes a nonfixed payment (for example, discretionary bonus) with a specified cap on the amount, the authorized body can establish a rebuttable presumption as to the nonfixed payment when the employment contract is entered into by, in effect, assuming that the maximum amount payable under the contract will be paid, and satisfying the requirements giving rise to the rebuttable presumption for that maximum amount.

An IRS challenge to the presumption of reasonableness. The Internal Revenue Service can refute the presumption of reasonableness only if it develops sufficient contrary evidence to rebut the probative value of the comparability data relied upon by the authorized body. This provision gives taxpayers added protection if they faithfully find and use contemporaneous persuasive comparability data when they provide the benefits.

Organizations that do not establish a presumption of reasonableness. An organization can still comply with section 4958 even if it did not establish a presumption of reasonableness. In some cases, an organization may find it impossible or impracticable to fully implement each step of the rebuttable presumption process described on this page. In such cases, the organization should try to implement as many steps as possible, in whole or in part, in order to substantiate the reasonableness of benefits as timely and as well as possible. If an organization does not satisfy the requirements of the rebuttable presumption of reasonableness, a facts and circumstances approach will be followed, using established rules for determining reasonableness of compensation and benefit deductions in a manner similar to the established procedures for section 162 business expenses.

Section 4958 Taxes

Tax on disqualified persons. An excise tax equal to 25% of the excess benefit is imposed on each excess benefit transaction between an **applicable tax-exempt organization** and a **disqualified person**. The disqualified person who benefited from the transaction is liable for the tax. If the 25% tax is imposed and the excess benefit transaction is not corrected within the taxable period, an additional excise tax equal to 200% of the excess benefit is imposed.

If a disqualified person makes a payment of less than the full correction amount, the 200% tax is imposed only on the unpaid portion of the correction amount. If more than one disqualified person received an excess benefit from an excess benefit transaction, all such disqualified persons are jointly and severally liable for the taxes.

To avoid the imposition of the 200% tax, a disqualified person must correct the excess benefit transaction during the taxable period. The taxable period begins on the date the transaction occurs and ends on the earlier of the date the statutory notice of deficiency is issued or the section 4958 taxes are assessed. This 200% tax can be abated if the excess benefit transaction subsequently is corrected during a 90-day correction period.

Tax on organization managers. An excise tax equal to 10% of the excess benefit can be imposed on the participation of an organization manager in an excess benefit transaction between an applicable tax-exempt organization and a disqualified person. This tax, which cannot exceed \$20,000 with respect to any single transaction, is only imposed if the 25% tax is imposed on the disqualified person, the organization manager knowingly participated in the transaction, and the manager's participation was willful and not due to reasonable cause. There is also joint and several liability for this tax. An organization manager can be liable for both the tax on disqualified persons and on organization managers in appropriate circumstances.

An *organization manager* is any officer, director, or trustee of an applicable tax-exempt organization, or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization, regardless of title. An organization manager is not considered to have participated in an excess benefit transaction where the manager has opposed the transaction in a manner consistent with the fulfillment of the manager's responsibilities to the organization. For example, a director who votes against giving an excess benefit would ordinarily not be subject to this tax.

A person participates in a transaction knowingly if the person has actual knowledge of sufficient facts so that, based solely upon such facts, the transaction would be an excess benefit transaction. Knowing does not mean having reason to know. The organization manager ordinarily will not be considered knowing if, after full disclosure of the factual situation to an appropriate professional, the organization manager relied on the professional's reasoned written opinion on matters within the professional's expertise or if the manager relied on the fact that the requirements for the rebuttable presumption of reasonableness have been satisfied. Participation by an organization manager is willful if it is voluntary, conscious, and intentional. An organization manager's participation is due to reasonable cause if the manager has exercised responsibility on behalf of the organization with ordinary business care and prudence.

Correcting an Excess Benefit Transaction

A **disqualified person** corrects an **excess benefit transaction** by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. The organization is not required to rescind the underlying agreement; however, the parties may need to modify an ongoing contract with respect to future payments.

A disqualified person corrects an excess benefit by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit; the interest rate can be no lower than the applicable Federal rate. There is an anti-abuse rule to prevent the disqualified person from effectively transferring property other than cash or cash equivalents.

Exception. For a correction of an excess benefit transaction described in *Donor advised funds* (discussed earlier), no amount repaid in a manner prescribed by the Secretary can be held in a donor advised fund.

Property. With the agreement of the applicable tax-exempt organization, a disqualified person can make a payment by returning the specific property previously transferred in the excess benefit transaction. The return of the property is considered a payment of cash (or cash equivalent) equal to the lesser of:

- The fair market value of the property on the date the property is returned to the organization, or
- The fair market value of the property on the date the excess benefit transaction occurred.

Insufficient payment. If the payment resulting from the return of the property is less than the correction amount, the disqualified person must make an additional cash payment to the organization equal to the difference.

Excess payment. If the payment resulting from the return of the property exceeds the correction amount described above, the organization can make a cash payment to the disqualified person equal to the difference.

Churches and Section 4958

The regulations make it clear that the IRS will apply the procedures of section 7611 when initiating and conducting any inquiry or examination into whether an excess benefit transaction has occurred between a **church** and a **disqualified person**.

Revenue Sharing Transactions

Proposed intermediate sanction regulations were issued in 1998. The proposed regulations had special provisions covering "any transaction in which the amount of any economic benefit provided to or for the use of a **disqualified person** is determined in whole or in part by the revenues of one or more activities of the organization." — so-called revenue-sharing transactions. Rather than setting forth additional rules on revenue-sharing transactions, the final regulations reserve this section. Consequently, until the IRS issues new regulations for this reserved section on revenue-sharing transactions, these transactions will be evaluated under the general rules (for example, the fair-market value standards) that apply to all contractual arrangements between **applicable tax-exempt organizations** and their disqualified persons.

Revocation of Exemption and Section 4958

Section 4958 does not affect the substantive standards for tax exemption under section 501(c)(3) or section 501(c)(4), including the requirements that the organization be organized and operated exclusively for exempt purposes, and that no part of its net earnings inure to the benefit of any private shareholder or individual. The legislative history indicates that in most instances, the imposition of this intermediate sanction will be in lieu of revocation. The IRS has indicated that the following factors will be considered (among other facts and circumstances) in determining whether to revoke an applicable tax-exempt organization's exemption status where an **excess benefit transaction** has occurred:

- The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred;
- The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes;
- Whether the organization has been involved in multiple excess benefit transactions with one or more persons;
- Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions; and
- Whether the excess benefit transaction has been corrected, or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

Appendix H. Forms and Publications To File or Use

How To Get Forms and Publications



Internet. You can access the IRS website 24 hours a day, 7 days a week, at www.irs.gov to:

- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email.



DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
 - The first release will ship the beginning of January 2010.
 - The final release will ship the beginning of March 2010.

Purchase the DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for \$30 (plus a \$6 handling fee).

Other Forms That May Be Required

Schedule A (Form 990 or 990-EZ). Public Charity Status and Public Support.

Schedule B (Form 990, 990-EZ, or 990-PF). Schedule of Contributors.

Schedule C (Form 990 or 990-EZ). Political Campaign and Lobbying Activities.

Schedule D (Form 990). Supplemental Financial Statements.

Schedule E (Form 990 or 990-EZ). Schools.

Schedule F (Form 990). Statement of Activities Outside the United States.

Schedule G (Form 990 or 990-EZ). Supplemental Information Regarding Fundraising or Gaming Activities.

Schedule H (Form 990). Hospitals.

Schedule I (Form 990). Grants and Other Assistance to Organizations, Governments, and Individuals in the United States.

Schedule J (Form 990). Compensation Information.

Schedule K (Form 990). Supplemental Information on Tax-Exempt Bonds.

Schedule L (Form 990 or 990-EZ). Transactions With Interested Persons.

Schedule M (Form 990). Noncash Contributions.

Schedule N (Form 990 or 990-EZ). Liquidation, Termination, Dissolution, or Significant Disposition of Assets.

Schedule O (Form 990). Supplemental Information to Form 990.

Schedule R (Form 990). Related Organizations and Unrelated Partnerships.

Forms W-2 and W-3. Wage and Tax Statement; and Transmittal of Wage and Tax Statements.

Form W-9. Request for Taxpayer Identification Number and Certification.

Form 926. Return by a U.S. Transferor of Property to a Foreign Corporation.

Form 940. Employer's Annual Federal Unemployment (FUTA) Tax Return.

Form 941. Employer's QUARTERLY Federal Tax Return. Used to report social security, Medicare, and income taxes withheld by an employer and social security and Medicare taxes paid by an employer.

Form 943. Employer's Annual Federal Tax Return for Agricultural Employees.

Trust fund recovery penalty. If certain excise, income, social security, and Medicare taxes that must be collected or withheld are not collected or withheld, or these taxes are not paid to the IRS, the trust fund recovery penalty can apply. The trust fund recovery penalty can be imposed on all persons (including volunteers) who the IRS determines were responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so.

This penalty does not apply to volunteer unpaid members of any board of trustees or directors of a tax-exempt organization, if these members are solely serving in an honorary capacity, do not participate in the day-to-day or financial activities of the organization, and do not have actual knowledge of the failure to collect, account for, and pay over these taxes. However, the preceding sentence does not apply if it results in no person being liable for the penalty.

The penalty is equal to the unpaid trust fund tax. See Pub. 15 (Circular E), Employer's Tax Guide, for more details, including the definition of responsible persons.

Form 990-T. Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of \$1,000 or more from business unrelated to the organization's exempt purpose. The Form 990-T is also filed to pay the section 6033(e)(2) proxy tax. For Form 990, see Part V, line 3 and its instructions; for Form 990-EZ, see Part V, line 35 and its instructions.

Form 990-W. Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

Form 1023. Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

Form 1024. Application for Recognition of Exemption Under Section 501(a).

Form 1040. U.S. Individual Income Tax Return.

Form 1041. U.S. Income Tax Return for Estates and Trusts. Required of section 4947(a)(1) nonexempt charitable trusts that also file Form 990 or 990-EZ. However, if such a trust does not have any taxable income under Subtitle A of the Code, it can file Form 990 or 990-EZ, and does not have to file Form 1041 to meet its section 6012 filing requirement. If this condition is met, complete Form 990 or 990-EZ, and do not file Form 1041.

Form 1096. Annual Summary and Transmittal of U.S. Information Returns.

Form 1098 series. Information returns to report mortgage interest, student loan interest, qualified tuition and related expenses received, and a contribution of a qualified vehicle that has a claimed value of more than \$500.

Form 1099 series. Information returns to report acquisitions or abandonments of secured property, proceeds from broker and barter exchange transactions, cancellation of debt, dividends and distributions, certain government and state qualified tuition program payments, taxable distributions from cooperatives, interest payments, payments of long-term care and accelerated death benefits, miscellaneous income payments, distributions from an HSA, Archer MSA or Medicare Advantage MSA, original issue discount, distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc., and proceeds from real estate transactions. Also, use certain of these returns to report amounts that were received as a nominee on behalf of another person.

Form 1120-POL. U.S. Income Tax Return for Certain Political Organizations.

Form 1128. Application To Adopt, Change, or Retain a Tax Year.

Form 2848. Power of Attorney and Declaration of Representative.

Form 3115. Application for Change in Accounting Method.

Form 3520. Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts.

Form 4506. Request for Copy of Tax Return.

Form 4506-A. Request for Public Inspection or Copy of Exempt or Political Organization IRS Form.

Form 4562. Depreciation and Amortization.

Form 4720. Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code.

Form 5471. Information Return of U.S. Persons With Respect To Certain Foreign Corporations.

Form 5500. Annual Return/Report of Employee Benefit Plan. Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file the Form 5500. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

Form 5578. Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax.

Form 5768. Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.

Form 7004. Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns.

Form 8038 series. Tax Exempt Bonds.

Form 8274. Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption from Employer Social Security and Medicare Taxes.

Form 8282. Donee Information Return. Required of the donee of charitable deduction property who sells, exchanges, or otherwise disposes of donated property within 3 years after receiving it. The form is also required of any successor donee who disposes of the charitable deduction property within 3 years after the date that the donor gave the property to the original donee. It does not matter who gave the property to the successor donee. It may have been the original donee or another successor donee.

Form 8283. Noncash Charitable Contributions.

Form 8300. Report of Cash Payments Over \$10,000 Received in a Trade or Business. Used to report cash amounts in excess of \$10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162).

However, if the organization receives a charitable cash contribution in excess of \$10,000, it is not subject to the reporting requirement since the funds were not received in the course of a trade or business.

Form 8328. Carryforward Election of Unused Private Activity Bond Volume Cap.

Form 8718. User Fee for Exempt Organization Determination Letter Request.

Form 8821. Tax Information Authorization.

Form 8822. Change of Address. Used to notify the IRS of a change in mailing address that occurs after the return is filed.

Form 8868. Application for Extension of Time To File an Exempt Organization Return.

Form 8870. Information Return for Transfers Associated With Certain Personal Benefit Contracts. Used to identify those personal benefit contracts for which funds were transferred to the organization, directly or indirectly, as well as the transferors for, and beneficiaries of, those contracts.

Form 8871. Political Organization Notice of Section 527 Status.

Form 8872. Political Organization Report of Contributions and Expenditures.

Form 8886. Reportable Transaction Disclosure Statement.

Form 8886-T. Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction.

Form 8899. Notice of Income From Donated Intellectual Property. Used to report net income from qualified intellectual property to the IRS and the donor.

Form 8921. Applicable Insurance Contracts Information Return.

Form SS-4. Application for Employer Identification Number.

Form TD F 90-22.1. Report of Foreign Bank and Financial Accounts.

Helpful Publications

Pub. 15. (Circular E), Employer's Tax Guide.

Pub. 15-A. Employer's Supplemental Tax Guide (Fringe Benefits).

Pub. 463. Travel, Entertainment, Gift, and Car Expenses.

Pub. 525. Taxable and Nontaxable Income.

Pub. 526. Charitable Contributions.

Pub. 538. Accounting Periods and Methods.

Pub. 557. Tax-Exempt Status for Your Organization.

Pub. 561. Determining the Value of Donated Property.

Pub. 598. Tax on Unrelated Business Income of Exempt Organizations.

Pub. 892. Exempt Organization Appeal Procedures for Unagreed Issues.

Pub. 910. IRS Guide to Free Tax Services.

Pub. 946. How To Depreciate Property.

Pub. 1771. Charitable Contributions—Substantiation and Disclosure Requirements.

Pub. 1828. Tax Guide for Churches and Religious Organizations.

Pub. 3079. Gaming Publication for Tax-Exempt Organizations.

Pub. 3386. Tax Guide for Veterans Organizations.

Pub. 3833. Disaster Relief, Providing Assistance Through Charitable Organizations.

Pub. 4220. Applying for 501(c)(3) Tax-Exempt Status.

Pub. 4221-PC. Compliance Guide for 501(c)(3) Public Charities.

Pub. 4221-PF. Compliance Guide for 501(c)(3) Private Foundations.

Pub. 4302. A Charity's Guide to Vehicle Donations.

Pub. 4303. A Donor's Guide to Vehicle Donations.

Pub. 4630. Exempt Organizations Products and Services Navigator.

Appendix I. Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements

Some states and local government units will accept a copy of Form 990 or 990-EZ in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some other types of section 501(c) organizations are also affected. If the organization uses Form 990 or 990-EZ to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following discussions.

Determine state filing requirement.

The organization can consult the appropriate officials of all states and other jurisdictions in which it does business to determine their specific filing requirements. Doing business in a jurisdiction can include any of the following:

- Soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations;
- Conducting programs;
- Having employees within that jurisdiction;
- Maintaining a checking account; or
- Owning or renting property there.

Monetary tests can differ. Some or all of the dollar limitations applicable to Form 990 or 990-EZ when filed with the IRS may not apply when using Form 990 or 990-EZ in place of state or local report forms. Examples of the IRS dollar limitations that do not meet some state requirements are the normally \$25,000 gross receipts minimum that creates an obligation to file with the IRS and the \$100,000 minimum for listing independent contractors on Form 990, Part VII, Section B.

Additional information may be required.

State or local filing requirements can require the organization to attach to Form 990 or 990-EZ one or more of the following:

- Additional financial statements, such as a complete analysis of functional expenses or a statement of changes in net assets;
- Notes to financial statements;
- Additional financial schedules;
- A report on the financial statements by an independent accountant; and
- Answers to additional questions and other information.

Each jurisdiction can require the additional material to be presented on forms they provide. The additional information should not be submitted with the Form 990 or 990-EZ filed with the IRS, unless included in Schedule O (Form 990).

Even if the Form 990 or 990-EZ that the organization files with the IRS is accepted by the IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if (1) required information is not provided, including any of the additional information discussed on page 72, or (2) the state determines that the form was not completed by following the applicable Form 990 or 990-EZ instructions or supplemental state instructions. In such case, the state may ask the organization to provide the missing information or to submit an amended return.

Use of audit guides may be required. To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, grants, similar amounts, and functional expenses be reported according to the AICPA industry audit and accounting guide, *Not-for-Profit Organizations* (New York, NY, AICPA, 2003), supplemented by *Standards of Accounting and Financial Reporting for Voluntary Health and*

Welfare Organizations (Washington, DC, National Health Council, Inc., 1998, 4th edition).

Donated services and facilities. Even though reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by the two publications named on this page, many states and the IRS do not permit the inclusion of those amounts in Parts VIII and IX of Form 990 or Part I of Form 990-EZ. The optional reporting of donated services and facilities is discussed in the instructions for Part III for both Form 990 and 990-EZ.

Amended returns. If the organization submits supplemental information or files an amended Form 990 or 990-EZ with the IRS, it must also send a copy of the information or amended return to any state with which it filed a copy of Form 990 or 990-EZ originally to meet that state's filing requirement. If a state requires the organization to file an amended Form 990 or 990-EZ to correct conflicts with the Form 990 or 990-EZ instructions, the organization must also file an amended return with the IRS.

Method of accounting. Most states require that all amounts be reported based on the accrual method of accounting. See also *General Instruction D*.

Time for filing can differ. The deadline for filing Form 990 or 990-EZ with the IRS differs from the time for filing reports with some states.

Public inspection. The Form 990 or 990-EZ information made available for public inspection by the IRS can differ from that made available by the states, such as Schedule B (Form 990, 990-EZ, or 990-PF).

Appendix J. Business Activity Codes

The codes listed on page 74 are a selection from the North American Industry Classification System (NAICS) that should be used in completing Form 990, Part VIII, lines 2 and 11. If you do not see a code for the activity you are trying to categorize, select the appropriate code from the NAICS website at <http://www.census.gov/eos/www/naics/>. Select the most specific 6-digit code available that describes the activity producing the income being reported. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity.

Business Activity Codes

<p style="text-align: center;">AGRICULTURE, FORESTRY, HUNTING, AND FISHING</p> <p>Code 110000 Agriculture, forestry, hunting, and fishing 111000 Crop production</p>	<p style="text-align: center;">FINANCE AND INSURANCE</p> <p>Code 522100 Depository credit intermediation (including commercial banking, savings institutions, and credit unions) 522200 Nondepository credit intermediation (including credit card issuing and sales financing) 522210 Credit card issuing 522220 Sales financing 522291 Consumer lending 522292 Real estate credit 522299 Other nondepository credit intermediation 523000 Securities, commodity contracts, and other financial investments and related activities 523920 Portfolio management 523930 Investment advice 524113 Direct life insurance carriers 524114 Direct health and medical insurance carriers 524126 Direct property and casualty insurance carriers 524292 Third-party administration of insurance and pension funds 524298 All other insurance-related activities 525100 Insurance and employee benefit funds 525920 Trusts, estates, and agency accounts 525990 Other financial vehicles (including mortgage REITs)</p>	<p style="text-align: center;">EDUCATIONAL SERVICES</p> <p>Code 611420 Computer training 611430 Professional and management development training 611600 Other schools and instruction (other than elementary and secondary schools or colleges and universities, which should select a code to describe their activities) 611710 Educational support services</p>
<p style="text-align: center;">MINING</p> <p>Code 211110 Oil and gas extraction 212000 Mining (except oil and gas)</p>	<p style="text-align: center;">REAL ESTATE AND RENTAL AND LEASING</p> <p>Code 531110 Lessors of residential buildings and dwellings (including equity REITs) 531120 Lessors of nonresidential buildings (except miniwarehouses) (including equity REITs) 531190 Lessors of other real estate property (including equity REITs) 531310 Real estate property managers 531390 Other activities related to real estate 532000 Rental and leasing services 532420 Office machinery and equipment rental and leasing 533110 Lessors of nonfinancial intangible assets (except copyrighted works)</p>	<p style="text-align: center;">HEALTHCARE AND SOCIAL ASSISTANCE</p> <p>Code 621110 Offices of physicians 621300 Offices of other health practitioners 621400 Outpatient care centers 621500 Medical and diagnostic laboratories 621610 Home health care services 621910 Ambulance services 621990 All other ambulatory health care services 623000 Nursing and residential care facilities 623990 Other residential care facilities 624100 Individual and family services 624110 Community centers (except rec. only), youth Adoption agencies 624200 Community food and housing, and emergency and other relief services 624210 Meal delivery programs Soup kitchens Food banks 624310 Vocational rehabilitation services 624410 Child day care services</p>
<p style="text-align: center;">UTILITIES</p> <p>Code 221000 Utilities</p>	<p style="text-align: center;">PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES</p> <p>Code 541100 Legal services 541200 Accounting, tax preparation, bookkeeping, and payroll services 541300 Architectural, engineering, and related services 541380 Testing laboratories 541511 Custom computer programming services 541519 Other computer-related services 541610 Management consulting services 541700 Scientific research and development services 541800 Advertising and related services 541860 Direct mail advertising 541900 Other professional, scientific, and technical services 541990 Consumer credit counseling services</p>	<p style="text-align: center;">ARTS, ENTERTAINMENT, AND RECREATION</p> <p>Code 711110 Theater companies and dinner theaters 711120 Dance companies 711130 Musical groups and artists 711190 Other performing art companies 711210 Spectator sports (including sports clubs and racetracks) 711300 Promoters of performing arts, sports, and similar events 713110 Amusement and theme parks 713200 Gambling industries 713910 Golf courses and country clubs 713940 Fitness and recreational sports centers 713990 All other amusement and recreation industries (including skiing facilities, marinas, and bowling centers)</p>
<p style="text-align: center;">CONSTRUCTION</p> <p>Code 230000 Construction 236000 Construction of buildings</p>	<p style="text-align: center;">MANAGEMENT OF COMPANIES AND ENTERPRISES</p> <p>Code 551111 Offices of bank holding companies 551112 Offices of other holding companies</p>	<p style="text-align: center;">ACCOMMODATION AND FOOD SERVICES</p> <p>Code 721000 Accommodation 721110 Hotels (except casino hotels) and motels 721210 RV (recreational vehicle) parks and recreational camps 721310 Rooming and boarding houses 722100 Full-service restaurants 722210 Limited-service eating places 722320 Caterers 722410 Drinking places (alcoholic beverages)</p>
<p style="text-align: center;">MANUFACTURING</p> <p>Code 310000 Manufacturing 323100 Printing and related support activities 339110 Medical equipment and supplies manufacturing</p>	<p style="text-align: center;">ADMINISTRATIVE AND SUPPORT AND WASTE MANAGEMENT AND REMEDIATION SERVICES</p> <p style="text-align: center;">Administrative and Support Services</p> <p>Code 561000 Administrative and support services 561300 Employment services 561439 Other business service centers (including copy shops) 561499 All other business support services 561500 Travel arrangement and reservation services 561520 Tour operators 561700 Services to buildings and dwellings</p> <p style="text-align: center;">Waste Management and Remediation Services</p> <p>Code 562000 Waste management and remediation services (sanitary services)</p>	<p style="text-align: center;">OTHER SERVICES</p> <p>Code 811000 Repair and maintenance 812300 Drycleaning and laundry services 812900 Other personal services 812930 Parking lots and garages</p>
<p style="text-align: center;">WHOLESALE TRADE</p> <p>Code 423000 Merchant wholesalers, durable goods 424000 Merchant wholesalers, nondurable goods</p>	<p style="text-align: center;">DATA PROCESSING SERVICES</p> <p>Code 518210 Data Processing, Hosting, and Related Services 519100 Other information services (including news syndicates and libraries, Internet publishing and broadcasting)</p>	<p style="text-align: center;">OTHER</p> <p>Code 900001 Investment activities of section 501(c)(7), (9), or (17) organizations 900002 Rental of personal property 900003 Passive income activities with controlled organizations 900004 Exploited exempt activities 900099 Other activity</p>
<p style="text-align: center;">RETAIL TRADE</p> <p>Code 441100 Automobile dealers 442000 Furniture and home furnishings stores 443120 Computer and software stores 444100 Building materials and supplies dealers 445100 Grocery stores 445200 Specialty food stores 446110 Pharmacies and drug stores 446199 All other health and personal care stores 448000 Clothing and clothing accessories stores 451110 Sporting goods stores 451211 Book stores 452000 General merchandise stores 453000 Miscellaneous store retailers 453220 Gift, novelty, and souvenir stores 453310 Used merchandise stores 454110 Electronic shopping and mail-order houses</p>		
<p style="text-align: center;">TRANSPORTATION AND WAREHOUSING</p> <p>Code 480000 Transportation 485000 Transit and ground passenger transportation 493000 Warehousing and storage</p>		
<p style="text-align: center;">INFORMATION</p> <p>Code 511110 Newspaper publishers (except Internet) 511120 Periodical publishers (except Internet) 511130 Book publishers (except Internet) 511140 Directory and mailing list publishers (except Internet) 511190 Other publishers (except Internet) 512000 Motion picture and sound recording industries 515100 Radio and television broadcasting (except Internet) 517000 Telecommunications (including paging, cellular, satellite, cable, other telecommunications, and internet service providers) 519130 Internet Publishing and Broadcasting</p>		

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Instructions for Form 990-EZ

Short Form Return of Organization Exempt From Income Tax Under Section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Section references are to the Internal Revenue Code unless otherwise noted.

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notice as required for 3 consecutive years, it will automatically lose its tax-exempt status. See *G. Failure-to-File Penalties* on page 6.

Changes for 2008 and 2009

The following describes changes to the Form 990-EZ that became effective beginning in the 2008 tax year and additional changes effective for the 2009 tax year.

2009 Changes

The gross receipts and total asset thresholds for Form 990-EZ filers have been lowered for the 2009 tax year, from \$1,000,000 in annual gross receipts to \$500,000, and from \$2,500,000 in total assets to \$1,250,000. In other words, an organization can file a Form 990-EZ (rather than a Form 990) if its annual gross receipts for tax year 2009 are less than \$500,000 *and* if its total assets at the end of the tax year 2009 are less than \$1,250,000.

The term, "substantial contraction" on line 36 has been replaced with "significant disposition of net assets" to reflect redesigned Form 990 and Schedule N terminology. The meaning of a "significant disposition of net assets" is similar to the meaning of "substantial contraction" in 2008 Form 990-EZ, except that a "significant disposition of net assets" includes transfers for full consideration. See instruction for line 36.

Instructions regarding required filing of Schedule A and a personal benefit contract statement have been moved from the Part VI instructions to the beginning of the Part V instructions.

2008 Changes

Unlike Form 990, which was extensively redesigned for 2008, the 2008 Form 990-EZ had few changes. The dollar thresholds for Form 990-EZ filers were raised to allow more organizations to file Form 990-EZ. Several new lines were added, largely due to revision of Schedule A, Public Charity Status and Public Support. Several unstructured attachments were replaced by Schedules or eliminated. Some instructions were changed in coordination with redesigned Form 990 instructions.

Filing amounts. The gross receipts and total assets amounts for Form 990-EZ filers have been raised. Beginning with the 2008 tax year, an organization can file a Form 990-EZ (rather than a Form 990) if it satisfies both the gross receipts and total assets tests set forth in this table.

<i>File 990-EZ for:</i>	<i>If gross receipts are:</i>	<i>And if total assets are:</i>
2008 tax year (filed in 2009)	< \$1 million	< \$2.5 million
2009 tax year (filed in 2010)	< \$500,000	< \$1.25 million
2010 and later tax years	< \$200,000	< \$500,000

What's New

New Penalty Provisions for Nonfiling.

The law requires most tax-exempt organizations, other than churches, to file an annual Form 990, 990-EZ, or 990-PF with the IRS, or to submit a Form 990-N e-Postcard to the IRS. If an organization fails to file an annual return or submit an annual

Replacement of Schedule A with new Part VI and schedules.

For 2008 many parts of the 2007 Schedule A were moved to new schedules or to the Form 990 core form, which required that corresponding changes be made to Form 990-EZ. For 2008, Part VI of Form 990-EZ was added to maintain

reporting of information previously required of organizations that filed a Form 990-EZ and completed Schedule A.

- Line 47 – for determining which section 501(c)(3) organizations are required to complete Schedule C, Part II, regarding lobbying activities (2007 Schedule A, Part VI-A and VI-B).
- Line 48 – for determining which section 501(c)(3) schools are required to complete Schedule E regarding private schools (2007 Schedule A, Part V).
- Lines 49a and 49b – added to identify transactions between section 501(c)(3) organizations and tax-exempt organizations other than section 501(c)(3) organizations (2007 Schedule A, Part VII). However, 990-EZ filers are no longer required to provide the details of such transactions.
- Line 50 – added to report compensation of the five highest compensated employees other than officers, directors, trustees, and key employees (2007 Schedule A, Part I); threshold raised from \$50,000 to \$100,000.
- Line 51 – added to report compensation of the five highest compensated independent contractors (2007 Schedule A, Parts II-A and II-B); threshold raised from \$50,000 to \$100,000.

Replacement of certain attachments with new schedules.

Certain unstructured attachments required in the 2007 Form 990-EZ were replaced with schedules or eliminated.

- Part I. Revenue, Expenses, and Changes in Net Assets or Fund Balances:
 - Line 5c – eliminated the attached schedule for sales of non-inventory assets and
 - Line 6a – replaced attached schedule with Parts II and III of Schedule G when gross revenue from special events and gaming activities exceeds \$15,000.
- Part V. Other Information:
 - Line 36 – replaced attached schedule with Schedule N,
 - Line 38a – replaced attached schedule with Schedule L, Part II, and
 - Line 40b – replaced attached schedule with Schedule L, Part I.

Other changes to lines.

Line 33 – rephrased.

Lines 44 and 45 – added to remind sponsoring organizations of donor advised funds, and certain section 512(b)(13) controlling organizations, that they must file Form 990 instead of Form 990-EZ (see instructions to lines 44 and 45).

Line 46 – for determining which section 501(c)(3) organizations are required to complete Schedule C, Part I, regarding political activities.

Significant changes to instructions. The Form 990-EZ instructions are no longer combined with the Form 990 instructions, although the General Instructions and Appendix of Special Instructions are nearly the same for both forms.

Several of the General Instructions were moved to the Appendix or eliminated.

Use of other forms such as Form LM-2 and LM-3 as a substitute for financial reporting on Form 990 or 990-EZ is eliminated.

The instructions clarify that organizations that claim tax-exempt status but have not yet applied for or been recognized as exempt must file Form 990 or 990-EZ. See *General Instruction A*.

Amended Form 990-EZ returns now require an attachment describing the amendments. See *General Instruction F*.

The attached schedule for grants now has a \$5,000 threshold per grantee, and no longer requires the names of grantee individuals. See line 10 instruction.

Organizations can choose one of two methods (Option 1 or Option 2) of reporting compensation of their officers, directors, trustees, key employees, and five highest compensated employees. Option 1 is a simplified version of the Form 990 method of compensation reporting (for example, an organization filing Form 990-EZ that chooses Option 1 need not

complete Schedule J, which may be required for an organization that completes Form 990). Option 1 requires calendar-year compensation reporting and is based on Form W-2 and Form 1099-MISC reporting. Option 2 is essentially the 2007 Form 990-EZ method of compensation reporting. Whichever method the organization selects must be used consistently for all officers, directors, trustees, key employees, and five highest compensated employees, and must be consistently applied for all tax years beginning with 2008.

Purpose of Form

Forms 990 and 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by section 6033.

An organization's completed Form 990 or 990-EZ, and a section 501(c)(3) organization's Form 990-T, Exempt Organization Business Income Tax Return, generally are available for public inspection as required by section 6104. Schedule B, Schedule of Contributors, is open for public inspection for section 527 organizations filing Form 990 or 990-EZ. For other organizations that file Form 990 or 990-EZ, parts of Schedule B can be open to public inspection. For more details, see *Appendix D* and the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors.

Some members of the public rely on Form 990 or 990-EZ, as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, the return must be complete, accurate, and fully describe the organization's programs and accomplishments.

Use Form 990 or 990-EZ to send a required election to the IRS, such as the election to capitalize costs under section 266.



1. For tax years beginning in 2009, Form 990-EZ can be filed by organizations with gross receipts of less than \$500,000 and total assets of less than \$1,250,000 at the end of their tax year.

2. Sponsoring organizations of donor advised funds (as defined in section 4966(d)(1)) and certain controlling organizations defined in section 512(b)(13) must file Form 990 rather than Form 990-EZ regardless of the amount of their gross receipts and total assets. See Instructions for lines 44 and 45, and General Instruction A, before completing this form.

3. Form 990-EZ cannot be used by a private foundation required to file Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation. A section 501(c)(3) or 4947(a)(1) organization should refer to the Instructions for Schedule A (Form 990 or 990-EZ) to determine whether it is a private foundation.

4. Form 990 must be used to file a group return, not Form 990-EZ. See General Instruction A.

Phone Help

If you have questions and/or need help completing Form 990 or Form 990-EZ, please call 1-877-829-5500. This toll-free telephone service is available Monday through Friday.

Email Subscription

The IRS has established a new subscription-based email service for tax professionals and representatives of tax-exempt organizations. Subscribers will receive periodic updates from the IRS regarding exempt organization tax law and regulations, available services, and other information. To subscribe, visit www.irs.gov/eo.

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may

appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

General Instructions

Overview of Form 990-EZ. The Form 990-EZ is an annual information return required to be filed with the IRS by many organizations exempt from income tax under section 501(a), and certain political organizations and nonexempt charitable trusts. Parts I through VI of the form must be completed by all filing organizations, and require reporting on the organization's exempt and other activities, finances, compliance with certain federal tax filings and requirements, and compensation paid to certain persons. Additional schedules are required to be completed depending upon the activities and type of organization. The completed Form 990-EZ filed with the IRS, except for certain contributor information on Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors, is required to be made available to the public by the IRS and the filing organization. Also, the organization may be required to file the completed Form 990-EZ with state governments to satisfy state reporting requirements.



Organizations that have total gross income from unrelated trades or businesses of at least \$1,000 also are required to file Form 990-T, Exempt Organization Business Income Tax Return, in addition to any required Form 990, 990-EZ, or 990-N.

Helpful Hints. The following hints may help you more efficiently review these instructions and complete the form.

1. Throughout these instructions, "the organization" and the "filing organization" both refer to the organization filing the Form 990-EZ.
2. The examples appearing throughout these instructions are illustrative only and for the purpose of completing Form 990-EZ, but are not all-inclusive.
3. Instructions for the Form 990-EZ Schedules are published separately from these instructions.

A. Who Must File

Most organizations exempt from income tax under section 501(a) must file an annual information return (Form 990 or 990-EZ) or submit an annual electronic notice (Form 990-N), depending upon the organization's gross receipts and total assets.

For tax years beginning in 2009, if an organization has gross receipts less than \$500,000 and total assets at the end of the year less than \$1,250,000, it can file Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, instead of Form 990. See the instructions below for more information. But see the special rules in *Controlling organizations described in section 512(b)(13)* on this page, and *Sponsoring organizations of donor advised funds* on this page.

For 2009, Form 990 (not 990-EZ or 990-N) must be filed by an organization exempt from income tax under section 501(a) (including an organization that has not yet applied for recognition of exemption) if it has either gross receipts greater than or equal to \$500,000 or total assets greater than or equal to \$1,250,000 at the end of the tax year. This includes the following:

- Organizations described in section 501(c)(3) (other than private foundations) and
- Organizations described in other section 501(c) subsections (other than black lung benefit trusts).

Gross receipts. Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses. See *Appendix B* for a discussion of gross receipts. Total assets is the amount reported by the organization on its balance sheet

(Form 990-EZ, Part II, column (B), line 25) as of the end of the year, without reduction for liabilities.

For purposes of Form 990 or Form 990-EZ reporting, the term "section 501(c)(3)" includes organizations exempt under sections 501(e) and (f) (cooperative service organizations), 501(k) (child care organizations), and 501(n) (charitable risk pools). In addition, any organization described in one of these sections is also subject to section 4958 if it obtains a determination letter from the IRS stating that it is described in section 501(c)(3).

Form 990-N. If an organization normally has annual gross receipts of \$25,000 or less, it must submit Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ, if it does not file Form 990 or Form 990-EZ (with exceptions described below for certain section 509(a)(3) supporting organizations and for certain organizations described in *General Instruction B*). See *Appendix B* beginning on page 24.

Electronic filing. Organizations can file Form 990-EZ electronically. See *General Instruction D* for who must file electronically.



Form 990 (including its schedules) has been substantially redesigned for 2008 and later tax years. The IRS has provided transitional relief to small and mid-size organizations, allowing many to file Form 990-EZ for 2009 instead of Form 990, and providing them time to become familiar with the new Form 990 and its requirements. The following schedule sets forth the modified amounts for filing Form 990-EZ (instead of Form 990) during this transition period:

File 990-EZ for:	If gross receipts are:	And if total assets are:
2009 Form (generally filed in 2010)	< \$500,000	< \$1,250,000
2010 and later Forms	< \$200,000	< \$500,000

Foreign and U.S. possession organizations. Foreign organizations and U.S. possession organizations, as well as domestic organizations described above, must file Form 990 or 990-EZ unless specifically excepted under *General Instruction B*. Report amounts in U.S. dollars, and state what conversion rate the organization uses. Combine amounts from within and outside the United States, and report the total for each item. All information must be written in English.

Sponsoring organizations of donor advised funds.

Sponsoring organizations of donor advised funds (as defined in section 4966(d)(1)), if required to file an annual information return for the year, must file Form 990 and not Form 990-EZ. See line 44 and the related instructions.

Controlling organizations described in section 512(b)(13).

A controlling organization of one or more controlled entities, as described in section 512(b)(13), must file Form 990 and not Form 990-EZ if it is required to file an annual information return for the year and if there was any transfer of funds between the controlling organization and any controlled entity during the year. See line 45 and the related instructions.

Section 509(a)(3) supporting organizations. A section 509(a)(3) supporting organization must file Form 990 or 990-EZ, even if its gross receipts are normally \$25,000 or less, unless it qualifies as one of the following:

1. An integrated auxiliary of a church, as described in Regulations section 1.6033-2(h),
2. The exclusively religious activities of a religious order, or
3. An organization whose gross receipts are normally not more than \$5000 that supports a section 501(c)(3) religious organization.

If the organization is described in (3), then it must submit Form 990-N unless it voluntarily files Form 990 or Form 990-EZ.

Section 501(c)(7) and 501(c)(15) organizations. Section 501(c)(7) and 501(c)(15) organizations apply the same gross

receipts test as other organizations to determine whether they must file a Form 990 or 990-EZ, but use a different definition of gross receipts to determine whether they qualify as tax-exempt for the tax year. See *Appendix C* for more information.

Section 527 political organizations. Tax-exempt political organizations must file Form 990 or 990-EZ unless excepted under *General Instruction B*. A qualified state or local political organization must file Form 990 or 990-EZ only if it has gross receipts of \$100,000 or more. Political organizations are not required to submit Form 990-N.

Section 4947(a)(1) non-exempt charitable trusts. A non-exempt charitable trust described under section 4947(a)(1) of the Code (if it is not treated as a private foundation) is required to file Form 990 or Form 990-EZ unless excepted under *General Instruction B*. Such a trust is treated like an exempt section 501(c)(3) organization for purposes of completing the form; all references to a section 501(c)(3) organization shall include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A, Public Charity Status and Public Support), unless otherwise specified. If such a trust does not have any taxable income under Subtitle A of the Code, it can file Form 990 or Form 990-EZ to meet its section 6012 filing requirement and does not have to file Form 1041, U.S. Income Tax Return for Estates and Trusts.

Group returns. A group return filed by the central or parent organization on behalf of the subordinates in a group exemption must be filed using Form 990, not Form 990-EZ.

Returns when exempt status not established. An organization is required to file Form 990 or 990-EZ in accordance with these instructions if the organization claims exempt status under section 501(a) but has not yet established such exempt status by filing Form 1023 (Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code) or Form 1024 (Application for Recognition of Exemption Under Section 501(a) or for Determination Under Section 120) and receiving an IRS determination letter recognizing exempt status. In such cases, the organization must check the “application pending” checkbox in Item B of the Form 990 or Form 990-EZ header (whether or not a Form 1023 or Form 1024 has yet been filed) to indicate that the Form 990 or Form 990-EZ is being filed in the belief that the organization is exempt under section 501(a).

B. Organizations Not Required To File Form 990 or 990-EZ

For tax years beginning in 2009, an organization described below does not have to file Form 990 or 990-EZ even if it has at least \$500,000 of gross receipts or \$1,250,000 total assets at the end of the tax year (except for section 509(a)(3) supporting organizations described in *General Instruction A*). See *General Instruction A* for determining whether the organization can file Form 990-EZ instead of Form 990. An organization described in item 10, 11, or 13 below is required to submit Form 990-N unless it voluntarily files Form 990, 990-EZ, or 990-BL.

Certain religious organizations

1. A church, an interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church as described in Regulations section 1.6033-2(h) (such as a men’s or women’s organization, religious school, mission society, or youth group).
2. A church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs and is described in Rev. Proc. 96-10, 1996-1 C.B. 577.
3. A school below college level affiliated with a church or operated by a religious order, as described in Regulations section 1.6033-2(g)(1)(vii).
4. A mission society sponsored by, or affiliated with, one or more churches or church denominations, if more than half of the society’s activities are conducted in, or directed at, persons in foreign countries.
5. An exclusively religious activity of any religious order described in Rev. Proc. 91-20.

Certain governmental organizations

6. A state institution whose income is excluded from gross income under section 115.
7. A governmental unit or affiliate of a governmental unit described in Rev. Proc. 95-48, 1995-2 C.B. 418.
8. An organization described in section 501(c)(1). A section 501(c)(1) organization is a corporation organized under an act of Congress that is an instrumentality of the United States, and exempt from federal income taxes.

Certain political organizations

9. A political organization that is:
 - A state or local committee of a political party,
 - A political committee of a state or local candidate,
 - A caucus or association of state or local officials, or
 - Required to report under the Federal Election Campaign Act of 1971 as a political committee (as defined in section 301(4) of such Act).

Certain organizations with limited gross receipts

10. An organization whose gross receipts are normally \$25,000 or less. To determine what an organization’s gross receipts “normally” are, see *Appendix B*.
11. A foreign organization, including organizations located in U.S. possessions, whose gross receipts from sources within the United States are normally \$25,000 or less, and which did not engage in significant activity in the United States (other than investment activity). See Rev. Proc. 94-17 and Rev. Proc. 2003-21. To determine what an organization’s gross receipts “normally” are, see *Appendix B*.

Certain organizations that file different kinds of annual information returns

12. A private foundation (including a private operating foundation) exempt under section 501(c)(3) and described in section 509(a). Use Form 990-PF, Return of Private Foundation. Use Form 990-PF also for a taxable private foundation, a section 4947(a)(1) nonexempt charitable trust treated as a private foundation, and a private foundation terminating its status by becoming a public charity under section 507(b)(1)(B) for tax years within its 60-month termination period. If the section 507(b)(1)(B) organization successfully terminates, then it files Form 990 or 990-EZ in its final year of termination.
13. A black lung benefit trust described in section 501(c)(21). Use Form 990-BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.
14. A religious or apostolic organization described in section 501(d). Use Form 1065, U.S. Return of Partnership Income.
15. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. Use Form 5500, Annual Return/Report of Employee Benefit Plan.



Subordinate organizations in a group exemption which are included in a group return filed for the tax year by the central organization should not file a separate Form 990 or Form 990-EZ, or submit Form 990-N for the tax year.



A public charity described in section 170(b)(1)(A)(iv) or (vi) or 509(a)(2) that is not within its initial five years of existence should first complete Part II or III of Schedule A (Public Charity Status and Public Support) to ensure that it continues to qualify as a public charity for the tax year. If it fails to qualify as a public charity, then it must file Form 990-PF rather than Form 990-EZ.

C. Accounting Periods and Methods

Accounting Periods

Calendar year. Use the 2009 Form 990-EZ to report on the 2009 calendar year accounting period. A calendar year accounting period begins on January 1 and ends on December 31.

Fiscal year. If the organization has established a fiscal year accounting period, use the 2009 Form 990-EZ to report on the organization’s fiscal year that began in 2009 and ended 12 months later. A fiscal year accounting period should normally

coincide with the natural operating cycle of the organization. Be certain to indicate in the heading of Form 990-EZ the date the organization's fiscal year began in 2009 and the date the fiscal year ended in 2010.

Short period. A short accounting period is a period of less than 12 months, which exists when an organization first commences operations, changes its accounting period, or terminates. If the organization's short year ended prior to December 31, 2009 (not on or after December 31, 2009), it should use the 2008 Form 990-EZ or Form 990 to file for such short year.

Accounting period change. If the organization changes its accounting period, it must file a Form 990-EZ for the short period resulting from the change. Enter "Change of Accounting Period" at the top of this short-period return.

If the organization previously changed its accounting period within the 10-calendar-year period that includes the beginning of the short period, and it had a Form 990-EZ filing requirement at any time during that 10-year period, it must also attach a Form 1128, Application To Adopt, Change, or Retain a Tax Year, to the short-period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

Accounting Methods

Unless instructed otherwise, the organization should generally use the same accounting method on the return to report revenue and expenses that it regularly uses to keep its books and records. To be acceptable for Form 990-EZ reporting purposes, however, the method of accounting must clearly reflect income.

Accounting method change. Generally, the organization must file Form 3115 to change its accounting method. An exception applies where a section 501(c) organization changes its accounting method to comply with SFAS 116, Accounting for Contributions Received and Contributions Made. See Notice 96-30, 1996-1 C.B. 378. An organization that makes a change in accounting method, regardless of whether it files Form 3115, Application for Change in Accounting Method, and that has audited financial statements, must report any adjustment required by section 481(a) on Form 990-EZ, line 20 (other changes in net assets or fund balances), as a net asset adjustment made during the tax year. The organization must attach an explanation of the change and net asset adjustment. The adjustment must be identified as the effect of changing to the method provided in SFAS 116. The beginning of year statement of financial position (balance sheet) should not be restated to reflect any prior period adjustments.

State reporting. Most states that accept Form 990-EZ in place of their own forms require that all amounts be reported based on the accrual method of accounting. If the organization prepares Form 990-EZ for state reporting purposes, it can file an identical return with the IRS even though the return does not agree with the books of account, unless the way one or more items are reported on the state return conflicts with the instructions for preparing Form 990-EZ for filing with the IRS.

Example 1. The organization maintains its books on the cash receipts and disbursements method of accounting but prepares a Form 990-EZ return for the state based on the accrual method. It could use that return for reporting to the IRS.

Example 2. A state reporting requirement requires the organization to report certain revenue, expense, or balance sheet items differently from the way it normally accounts for them on its books. A Form 990-EZ prepared for that state is acceptable for the IRS reporting purposes if the state reporting requirement does not conflict with Form 990-EZ instructions.

An organization should keep a reconciliation of any differences between its books of account and the Form 990-EZ that is filed.



See Pub. 538, Accounting Periods and Methods, about reporting changes to accounting periods and methods.

D. When, Where, and How to File

File Form 990-EZ by the 15th day of the 5th month after the organization's accounting period ends (May 15 for a calendar-year filer). If the regular due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after liquidation, dissolution, or termination.

If the return is not filed by the due date (including any extension granted), attach a statement giving the reason(s) for not filing on time.

Send the return to the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

Foreign and U.S. possession organizations. If the organization's principal business, office, or agency is located in a foreign country or U.S. possession, send the return to the:

Internal Revenue Service Center
P.O. Box 409101
Ogden, UT 84409

Private delivery services. The organization can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. These private delivery services include only the following:

- DHL Express (DHL): DHL Same Day Service,
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, FedEx International First, and
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air AM, UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.



Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. Box.

Electronic filing. The organization can file Form 990-EZ or Form 990 and related forms, schedules, and attachments electronically. However, if an organization files at least 250 returns of any type during the calendar year ending with or within the organization's tax year and has total assets of \$10 million or more at the end of the tax year, it must file Form 990 electronically (and not Form 990-EZ). "Returns" for this purpose include information returns (for example, Forms W-2, Forms 1099), income tax returns, employment tax returns (including quarterly Forms 941), and excise tax returns.

If an organization is required to file a return electronically but does not, the organization is considered not to have filed its return, even if a paper return is submitted. See Regulations section 301.6033-4 for more information.

For additional information on the electronic filing requirement, visit www.irs.gov/efile.

The IRS may waive the requirements to file electronically in cases of undue hardship. For information on filing a waiver, see Notice 2010-13, 2010-4 I.R.B. 327, available at www.irs.gov/irb/2010-04_IRB/ar14.html.

E. Extension of Time To File

Use Form 8868, Application for an Extension of Time To File an Exempt Organization Return to request an automatic 3-month extension of time to file. Use Form 8868 also to apply for an additional (not automatic) 3-month extension if the original 3 months was not enough time. To obtain this additional extension of time to file, the organization must show reasonable cause for the additional time requested. See the Instructions for Form 8868.

F. Amended Return/Final Return

To change the organization's return for any year, file a new return including any required schedules. Use the version of Form 990-EZ applicable to the year being amended. The amended return must provide all the information called for by the form and instructions, not just the new or corrected information. Check the Amended Return box in the heading of the return. Also, state in an attachment which parts and schedules of the Form 990-EZ were amended and describe the amendments.

The organization can file an amended return at any time to change or add to the information reported on a previously filed return for the same period. It must make the amended return available for inspection for 3 years from the date of filing or 3 years from the date the original return was due, whichever is later.

If the organization needs a copy of its previously filed return, it can file Form 4506, Request for Copy of Tax Return. See www.irs.gov for information on getting blank tax forms.

If the return is a final return, see the instructions for line 36 and Schedule N (Form 990 or 990-EZ), Liquidation, Termination, Dissolution or Significant Disposition of Assets, for further details.

Amended returns and state filing considerations. State law can require that the organization send a copy of an amended Form 990-EZ return (or information provided to the IRS supplementing the return) to the state with which it filed a copy of Form 990-EZ originally to meet that state's filing requirement. A state can require an organization to file an amended Form 990-EZ to satisfy state reporting requirements, even if the original return was accepted by the IRS.

G. Failure-to-File Penalties

Against the organization. Under section 6652(c)(1)(A), a penalty of \$20 a day, not to exceed the smaller of \$10,000 or 5% of the gross receipts of the organization for the year, can be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause. Organizations with annual gross receipts exceeding \$1 million are subject to a penalty of \$100 for each day failure continues (with a maximum penalty with respect to any one return of \$50,000). The penalty begins on the due date for filing Form 990-EZ.

Tax-exempt organizations which are required to file electronically but do not are deemed to have failed to file the return. This is true even if a paper return is submitted.

The penalty can also be charged if the organization files an incomplete return, such as by failing to complete a required line item or a required part of a schedule. To avoid penalties and having to supply missing information later:

1. Complete all applicable line items;
2. Unless instructed to skip a line, answer each question on the return;
3. Make an entry (including a zero when appropriate) on all lines requiring an amount or other information to be reported; and
4. Provide required explanations as instructed.

Also, this penalty can be imposed if the organization's return contains incorrect information. For example, an organization that reports contributions net of related fundraising expenses may be subject to this penalty.

Use of a paid preparer does not relieve the organization of its responsibility to file a complete return.

Against responsible person(s). If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of \$10 a day. The maximum penalty on all persons for failures with respect to any one return shall not exceed \$5,000.

There are also penalties (fines and imprisonment) for willfully not filing returns and for filing fraudulent returns and statements with the IRS (sections 7203, 7206, and 7207). States can impose additional penalties for failure to meet their separate filing requirements.

New penalty provisions for nonfiling. The law requires most tax-exempt organizations, other than churches, to file an annual Form 990, 990-EZ, or 990-PF with the IRS, or to submit a Form 990-N e-Postcard to the IRS. If an organization fails to file an annual return or submit an annual notice as required for 3 consecutive years, it will automatically lose its tax-exempt status. Beginning in 2010, automatic revocations will start for organizations not filing for the third consecutive year. Organizations that lose their exemption must file income tax returns and pay income tax. For details, go to www.irs.gov/eo.

H. Requirements for a Properly Completed Form 990-EZ

All organizations filing Form 990-EZ must complete Parts I through VI of the Form 990-EZ, and any required schedules and attachments. If an organization is not required to file Form 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Public inspection. In general, all information the organization reports on or with its Form 990-EZ, including schedules and attachments, will be available for public inspection. Note, however, the special rules for Schedule B (Schedule of Contributors), a required schedule for certain organizations that file Form 990-EZ. Make sure the forms and schedules are clear enough to photocopy legibly. For more information on public inspection requirements, see *Appendix D* and Pub. 557, *Tax-Exempt Status of Your Organization*.

Signature. A Form 990-EZ is not complete without a proper signature. For details, see the instructions to the Signature Block, later.

Recordkeeping. The organization's records should be kept as long as they can be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must be kept a minimum of 3 years from the date the return is due or filed, whichever is later. Keep records that verify the organization's basis in property as long as they are needed to figure the basis of the original or replacement property. Applicable law and an organization's policies can require that the organization retain records longer than 3 years.

The organization should also keep copies of any returns it has filed. They help in preparing future returns and making computations when filing an amended return.

Rounding off to whole dollars. The organization must round off cents to whole dollars on the returns and schedules, unless otherwise noted for particular questions. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.49 becomes \$1 and \$2.50 becomes \$3. If the organization has to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Completing all lines. Make an entry (including a zero when appropriate) on all lines requiring an amount or other information to be reported. Do not leave any applicable lines blank, unless expressly instructed to skip that line. If answering a line is predicated on a "Yes" answer to the preceding line, and if the organization's answer to the preceding line was "No," then leave the "If Yes" line blank.

In general, answers can be explained or supplemented in an attachment if the allotted space in the form or other schedule is insufficient, or if a "Yes" or "No" answer is required but the organization wishes to explain its answer.

Reporting proper amounts. Some lines request information reported on other forms filed by the organization. If the organization is aware that the amount actually reported on the other form is incorrect, it must report on Form 990-EZ the

information that should have been reported on the other form (in addition to filing an amended form with the proper amount).

Inclusion of activities and items of disregarded entities and joint ventures. An organization must report in its Form 990-EZ all of the revenues, expenses, assets, liabilities, and net assets or funds of a disregarded entity of which it is the sole member, and must report in its Form 990-EZ its share of all such items of a joint venture or other investment or arrangement treated as a partnership for federal income tax purposes. This includes passive investments. In addition, the organization generally must report the activities of a disregarded entity or a joint venture in the appropriate schedules of the Form 990-EZ.

List of required schedules and attachments. An organization may be required to file one or more of Schedules A, B, C, E, G, L, or N, or various other attachments as described in the form or instructions. The following is a list of the Form 990-EZ schedules that the organization may have to complete.

- Schedule A, Public Charity Status and Public Support. See *Part V, Other Information*.
- Schedule B, Schedule of Contributors. See *Item H, Requirements for a Properly Completed Form 990-EZ*.
- Schedule C, Political Campaign and Lobbying Activities, Part I. See *Line 46, Political Campaign Activities*.
- Schedule C, Political Campaign and Lobbying Activities, Part II. See *Line 47, Lobbying Activities*.
- Schedule E, Schools. See *Line 48, Schools*.
- Schedule G, Supplemental Information Regarding Fundraising or Gaming Activities, Parts II and III. See *Lines 6a through 6c, Special Events and Activities*.
- Schedule L, Transactions with Interested Persons, Part I. See *Line 40b, Section 501(c)(3) and 501(c)(4) Organizations: Disclosure of Section 4958 Excess Benefit Transactions and Excise Taxes*.
- Schedule L, Transactions with Interested Persons, Part II. See *Line 38, Loans To or From Officers, Directors, Trustees, and Key Employees*.
- Schedule N, Liquidation, Termination, Dissolution or Significant Disposition of Assets, Parts I (liquidation, termination, or dissolution) and II (significant disposition of net assets). See *Line 36, Liquidation, Dissolution, Termination, or Significant Disposition of Net Assets*.

The following is a list of required attachments to Form 990-EZ (not including required schedules listed above).

1. Form 1128 for change of accounting period. See *C, Accounting Periods and Methods*.
2. Reasons for late filing. See *D, When, Where, and How to File*.
3. Description of amendments in amended return. See *F, Amended Return/Final Return*.
4. Name change amendment to organizing document. See *Heading Item B, Checkboxes*.
5. Additional “also known as” (a.k.a.) names. See *Heading Item C, Name and Address*.
6. Explanation of why an organization that enters more than \$15,000 in Part I, line 6a, is not required to complete Schedule G. See *Lines 6a through 6c, Special Events and Activities*.
7. Schedule of grants made. See *Line 10, Grants and Similar Amounts Paid*.
8. Explanation of other changes in net assets or fund balances. See *Line 20, Other Changes in Net Assets or Fund Balances*.
9. Schedule listing other program services. See *Part III, Statement of Program Service Accomplishments, Line 31, Other program services*.
10. Statement regarding personal benefit contracts. See *V, Other Information*.
11. Description of activities not previously reported. See *Line 33, Change in Activities*.
12. Conformed copy of changes to organizing or governing documents. See *Line 34, Changes in Organizing or Governing Documents*.

13. Reasons for not reporting income from business activities on Form 990-T. See *Line 35, Unrelated Business Income and Lobbying Proxy Tax*.

14. Request and determination letter regarding termination of exempt status. See Schedule N (Form 990 or 990-EZ) instructions.

15. Articles of merger or dissolution, resolutions, and plans of liquidation or merger. See Schedule N (Form 990 or 990-EZ) instructions.

Assembling Form 990-EZ, schedules, and attachments.

Before filing the Form 990-EZ, assemble the package of forms, schedules, and attachments in the following order:

1. Core form with all parts completed (Parts I–V, Part VI by section 501(c)(3) organizations, Signature Block),
2. Schedules A, B, C, E, G, L, and/or N, completed as applicable, filed in alphabetical order, and
3. Attachments, completed as applicable (including attachments to explain or supplement answers because the allotted space in the form is insufficient), filed in sequential order.

Do not attach materials not authorized in the instructions, or not otherwise authorized by the IRS.

Specific Instructions for Form 990-EZ

Completing the Heading of Form 990-EZ

The instructions that follow are keyed to items in the heading for Form 990-EZ.

Item A. Accounting Period

File the 2009 return for calendar year 2009 and fiscal years that began in 2009 and ended in 2010. For a fiscal year return, fill in the tax year space at the top of page 1. See *General Instruction C* for additional information about accounting periods.

Item B. Checkboxes

Address change, name change, and initial return. Check the appropriate box if the organization changed its address or legal name (not its “doing business as” name) since it filed its previous return, or if this is the first time the organization is filing either a Form 990 or a Form 990-EZ.

If the organization has changed its name, attach the following documents:

IF the organization is:	THEN attach:
A corporation	Amendments to the articles of incorporation with proof of filing with the state of incorporation.
A trust	Amendments to the trust agreement signed by the trustee.
An unincorporated association	Amendments to the articles of association, constitution, bylaws, or other organizing document, with the signatures of at least two officers/members.

Terminated. Check this box if the organization has terminated its existence or ceased to be a section 501(a) or section 527 organization and is filing its final return as an exempt organization or 4947(a)(1) trust. See the instructions for line 36 that discuss liquidations, dissolutions, terminations, or significant disposition of net assets. An organization that checks this box must also attach Schedule N (Form 990 or 990-EZ).

Amended return. Check this box if the organization previously filed a return with the IRS for the same tax year and is now filing another return for the same tax year to amend the previously filed return. Attach a statement explaining which Parts, Schedules, or attachments of the Form 990-EZ were amended

and describe the amendments. See *General Instruction F* for more information.

Application pending. Check this box if the organization has not yet filed either a Form 1023 or Form 1024 with the IRS, or has filed one and is awaiting a response. If this box is checked, the organization must complete all parts of the Form 990-EZ and any required schedules.

Item C. Name and Address

Enter the organization's legal name in the "Name of organization" box. If the organization operates under a name different from its legal name, identify its alternate name, after the legal name, by writing "a.k.a." (also known as) and the alternate name of the organization. If multiple a.k.a. names will not fit in the box, list them in an attachment. However, if the organization has changed its legal name, follow the instructions for *Name change in Item B— Checkboxes*.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, enter the box number instead of the street address.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line C/O followed by the third party's name and street address or P.O. box.

For foreign addresses, enter information in the following order: city, province or state, and the name of the country. Follow the foreign country's practice in placing the postal code in the address. Please do not abbreviate the country name.

If a change of address occurs after the return is filed, use Form 8822, Change of Address, to notify the IRS of the new address.

Item D. Employer Identification Number (EIN)

Use the employer identification number (EIN) provided to the organization for filing its Form 990-EZ and federal tax returns. The organization must have only one EIN. If the organization has more than one EIN and has not been advised which to use, notify the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

State what EINs the organization has, the name and address to which each number was assigned, and the address of the organization's principal office. The IRS will advise the organization which number to use.

TIP *A subordinate organization in a group exemption that is filing an individual Form 990-EZ return must use its own EIN, not that of the central organization or of the group return.*

TIP *A section 501(c)(9) voluntary employees' beneficiary association must use its own EIN and not the EIN of its sponsor.*

Item E. Telephone Number

Enter a telephone number of the organization that members of the public and government personnel can use during normal business hours to obtain information about the organization's finances and activities. If the organization does not have a telephone number, enter the telephone number of an organization official who can provide such information.

Item F. Group Exemption Number

Enter the four-digit group exemption number if the organization is included in a group exemption. The group exemption number (GEN) is a number assigned by the IRS to the central/parent organization of a group that has a group exemption letter. Contact the central/parent organization to ascertain the GEN assigned.



If the organization is covered by a group exemption letter as a subordinate organization, the organization should file Form 990-EZ only if the organization is not included in a group return filed by the central/parent organization.



The central/parent organization of a group ruling cannot file a group return with Form 990-EZ but must use Form 990.

Section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts. Such organizations must complete and attach Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support.

Item G. Accounting Method

Indicate the method of accounting used in preparing this return. See *General Instruction C*.

Item H. Schedule B

Whether or not the organization enters any amount on line 1 of Form 990-EZ, the organization must either check the box in item H or attach Schedule B (Form 990, 990-EZ, or 990-PF). Failure to either check the box in item H or file Schedule B will result in a determination that the return is incomplete. See the Instructions for Schedule B for more information.



For purposes of Schedule B, contributors include individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations. For organizations described in section 170(b)(1)(A)(iv) or (vi) or 509(a)(2), contributors also include governmental units.

Guidelines for Meeting the Requirements of Schedule B

Section 501(c)(3) Organization Meeting the 1/3 Support Test of 170(b)(1)(A)(vi)

If	A section 501(c)(3) organization that met the 33-and-1/3% support test of the regulations under section 509(a)(1) and 170(b)(1)(A)(vi) did not receive a contribution of the greater of \$5,000 or 2% of the amount on line 1 of Form 990-EZ from any one contributor,*
Then	The organization should check the box in item H to certify that it is not required to attach Schedule B.
Otherwise	Complete and attach Schedule B.

Section 501(c)(7), (8), or (10) Organizations

If	A section 501(c)(7), (8), or (10) organization did not receive <i>any</i> contribution or bequest for use <i>exclusively</i> for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (and did not receive any noncharitable contributions of \$5,000 or more as described below under General Rule),
Then	The organization should check the box in item H to certify that it is not required to attach Schedule B.
Otherwise	Complete and attach Schedule B.

All Other Form 990-EZ Organizations (General Rule)

If	The organization did not receive a contribution of \$5,000 or more from any one contributor* (reportable on line 1 of the Form 990-EZ),
Then	The organization should check the box in item H to certify that it is not required to attach Schedule B.
Otherwise	Complete and attach Schedule B.

* To determine if the organization received a contribution of \$5,000 or more from a contributor during the year, add all direct and indirect gifts, grants, or contributions of \$1,000 or more in cash or property that a contributor made to the organization during the year. Do not include smaller gifts, grants, or contributions. See Instruction for Schedule B for more information.

Item I. Website

Enter the organization's website address. If the organization does not maintain a website, enter "N/A" (not applicable).

Item J. Tax-Exempt Status

Check the applicable box to show the organization's tax-exempt status. If the organization is exempt under section 501(c), check the 501(c) box and insert the appropriate subsection number within the parentheses (for example, "3" for a 501(c)(3) organization). See the chart in *Appendix A, Exempt Organization Reference Chart*. The term section 501(c)(3) includes organizations exempt under sections 501(e), (f), (k), and (n).

Item K. Gross Receipts of \$25,000 or Less

Check this box if the organization is not a section 509(a)(3) supporting organization and its gross receipts are normally \$25,000 or less but the organization chooses to file Form 990-EZ. If the organization's annual gross receipts are normally not greater than \$25,000, it may be required to submit the Form 990-N (e-Postcard) if it does not file the Form 990 or Form 990-EZ. If the organization chooses to file Form 990-EZ, be sure to file a complete return. See *Appendix B* for a discussion of gross receipts and *General Instruction H* for a discussion of a complete return.



Section 501(c)(7) and 501(c)(15) organizations use different definitions of gross receipts to determine whether they qualify for tax exemption for the year. Appendix C defines gross receipts for the purpose of determining the exempt status of organizations described in sections 501(c)(7) and 501(c)(15). Do not use the definition of gross receipts in Appendix C to determine whether the organization's gross receipts are normally \$25,000 or less.

Item L. Determining Gross Receipts

Add lines 5b, 6b, and 7b to line 9 to determine gross receipts. See *Appendix B* and *Appendix C* for discussion of gross receipts.

For 2009 tax years, only those organizations with gross receipts of less than \$500,000 and total assets of less than \$1,250,000 at the end of the tax year can use the Form 990-EZ. If the organization does not meet these requirements, it must file Form 990, unless excepted under *General Instruction B*.



Do not use the definition of gross receipts for section 501(c)(7) or 501(c)(15) exemption purposes (discussed in Appendix C) to determine the amount to enter here.

Part I. Revenue, Expenses, and Changes in Net Assets or Fund Balances

All organizations filing Form 990-EZ with the IRS or any state must complete Part I. Some states that accept Form 990-EZ in place of their own forms may require additional information. See *Appendix G*.

Revenue:

Line 1. Contributions, Gifts, Grants, and Similar Amounts Received

A. What is included on line 1

- Report amounts received as voluntary contributions; for example, payments, or the part of any payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization. Contributions are reported on line 1 regardless of whether they are deductible by the contributor.

- Enter the gross amounts of contributions, gifts, grants, and bequests that the organization received from individuals, trusts, corporations, estates, affiliates, foundations, public charities, and other exempt organizations, or raised by an outside professional fundraiser.

- Report the value of noncash contributions at the time of the donation. For example, report the gross value of a donated car as of the time the car was received as a donation.

- Report all related expenses on lines 12 through 16. Enter on line 13 professional fundraising fees relating to the gross amounts of contributions collected in the charity's name by fundraisers.

Reporting line 1 amounts in accordance with SFAS 116, *Accounting for Contributions Received and Contributions Made*, is acceptable but not required by the IRS. However, state law may require it. An organization that receives a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 1. Accruals of present value increments to the unpaid grant should also be reported on line 1 in future years.

A1. Contributions can arise from special events when an excess payment is received for items offered. Fundraising activities relate to soliciting and receiving contributions. However, special fundraising activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games can produce both contributions and revenue. Report as a contribution, both on line 1 and on line 6a (within the parentheses), any amount received through such a special event that is greater than the fair market value (retail value) of the merchandise or services furnished by the organization to the contributor.

This situation usually occurs when organizations seek support from the public through solicitation programs that are in part special events or activities and are in part solicitations for contributions. The primary purpose of such solicitations is to receive contributions and not to sell the merchandise at its retail value, even though this might produce a profit.

Example. An organization holds a dinner, charging \$400 per person for the meal. The dinner has a retail value of \$160. A person who purchases a ticket is really purchasing the dinner for \$160 and making a contribution of \$240. The contribution of \$240, which is the difference between the buyer's payment and the retail value of the dinner, is reported on line 1 and again on line 6a (within the parentheses). The revenue received (\$160 retail value of the dinner) is reported on line 6a. Expenses directly related to the dinner are reported on line 6b. Fundraising expenses relating to the contribution of \$240 are reported on lines 12 through 16.

If a contributor gives more than \$400, that person would be making a larger contribution, the difference between the dinner's retail value of \$160 and the amount actually given. Rev. Rul. 67-246, 1967-2 C.B. 104, explains this principle in detail. See also the instructions for line 6 and Pub. 526, *Charitable Contributions*.



At the time of any solicitation or payment, organizations that are eligible to receive tax-deductible contributions should advise patrons of the amount deductible for federal tax purposes. See Pub. 1771, Charitable Contributions - Substantiation and Disclosure Requirements.

A2. Contributions can arise from special events when items of only nominal or insubstantial value are given or offered. If an organization offers goods or services of only nominal or insubstantial value through a special event, or distributes free, unordered, low-cost items to patrons, report the entire amount received for such benefits as a contribution on line 1. See also the instruction for *line 6, B1* regarding nominal or insubstantial value. Report all related expenses on lines 12 through 16.

Benefits have a nominal or insubstantial value if the organization informs patrons how much of their payment is a deductible contribution, and either:

1. The fair market value of all of the benefits received in connection with the payment is not more than 2% of the payment or \$95, whichever is less, or

2. The payment is \$47.50 or more and the only benefits received in connection with the payment are token items (bookmarks, calendars, key chains, mugs, posters, T-shirts, etc.) bearing the organization's name or logo. The cost to the organization (as opposed to fair market value) of all benefits received by a donor must, in the aggregate, be \$9.50 or less.

A3. Contributions in the form of membership dues.

Include on line 1 membership dues and assessments to the extent they are contributions and not payments for benefits received. (See the instruction for *line 3, C1*.)

A4. Grants equivalent to contributions. Grants made to encourage an organization receiving the grant to carry on programs or activities that further the grant recipient's exempt purposes are grants that are equivalent to contributions. Report them on line 1. The grantor can specify which of the recipient's activities the grant may be used for, such as an adoption program or a disaster relief project.

A grant is still equivalent to a contribution if the grant recipient performs a service, or produces a work product, that benefits the grantor incidentally (but see the instruction for *line 1, B1* below).

A5. Contributions or grants from governmental units. A grant or other payment from a governmental unit is treated as a grant equivalent to a contribution if its primary purpose is to enable the recipient to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of providing the service or facility). (See the instruction for *line 2, D*, later.)

The following are examples of governmental grants and other payments that are treated as contributions and reported on line 1:

- Payments by a governmental unit for the construction or maintenance of library or museum facilities open to the public,
- Payments by a governmental unit to nursing homes to provide health care to their residents (but see treatment of Medicare, Medicaid, and other third-party reimbursements on behalf of specific individuals under the line 2 instructions), and
- Payments by a governmental unit to child placement or child guidance organizations under government programs to better serve children in the community.

The following examples illustrate the distinction between government payments reportable on lines 1 and 2.

- A payment by a governmental agency to a medical clinic to provide vaccinations to the general public is a contribution reported on line 1. A payment by a governmental agency to a medical clinic to provide vaccinations to employees of the agency is program service revenue reported on line 2.
- A payment by a governmental agency to an organization to provide job training and placement for disabled individuals is a contribution reported on line 1. A payment by a governmental agency to the same organization to operate the agency's internal mail delivery system is program service revenue reported on line 2.

A6. Contributions received through other fundraising organizations. Contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies (such as United Way) are included on line 1.

A7. Contributions received from associated organizations. Include on line 1 amounts contributed by other organizations closely associated with the filing organization. This includes contributions received from a parent organization, subordinate, or another organization having the same parent.

A8. Contributions from a commercial co-venture. Include amounts contributed by a commercial co-venture on line 1. These contributions are amounts received by the organization for allowing an outside organization (donor) or individual to use the recipient organization's name in a sales

promotion campaign, such as where the outside organization agrees to contribute 2% of all sales proceeds to the organization.

B. What is not included on line 1?

B1. Grants that are payments for services are not contributions. A grant is a payment for services, and not a contribution, when the terms of the grant provide the grantor with a specific service, facility, or product, rather than providing a benefit to the general public or that part of the public served by the grant recipient. The recipient organization would report such a grant as income on line 2 (program service revenue).


B2. Donations of services or use of property. Do not include the value of services donated to the organization, or of the free use of property (such as equipment or facilities), as contributions on line 1. However, for the optional reporting of such amounts, see the instruction for donated services in Part III.

Any unreimbursed expenses of officers, employees, or volunteers do not belong on the Form 990-EZ. See the explanations of charitable contributions and employee business expenses in Pub. 526, Charitable Contributions, and Pub. 463, Travel, Entertainment, Gift, and Car Expenses, respectively.

B3. Section 501(c)(9), (17), and (18) organizations. These organizations provide participants with life, sickness, accident, welfare and unemployment insurance, pension(s), or similar benefits, or a combination of these benefits. When such an organization receives payments from participants, or their employers, to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

C. How to value noncash contributions. Report noncash contributions on line 1 at fair market (retail) value. If fair market value cannot be readily determined, use an appraised or estimated value. See also the instructions for Part II of Schedule B.

D. Schedule of contributors. Attach Schedule B if required. See the Specific Instructions for *Completing the Heading of Form 990-EZ, Item H, Schedule B*.

 **TIP** Section 501(c)(3) organizations must compute the amount of contributions according to the above instructions in preparing the support schedule in Part II or III of Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support.

Line 2. Program Service Revenue Including Government Fees and Contracts

Enter the total program service revenue (exempt function income). Program services are primarily those that form the basis of an organization's exemption from tax.

A. Examples. A clinic would include on line 2 all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), laboratory fees, and related charges for services.

Program service revenue also includes tuition received by a school; revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; and registration fees received in connection with a meeting or convention.

B. Program-related investment income. Program service revenue also includes income from program-related investments. These investments are made primarily to accomplish an exempt purpose of the investing organization rather than to produce income. Examples of program-related investments are scholarship loans and low-interest loans to charitable organizations, indigents, or victims of a disaster. See also the instructions for line 4.

Rental income received from an exempt function is another example of program-related investment income, such as

below-market rents from housing leased to low-income persons. For purposes of this return, report all rental income from an affiliated organization on line 2.

C. Unrelated trade or business activities. Unrelated trade or business activities (not including any special events or activities) that generate fees for services can also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

D. Government fees and contracts. Program service revenue includes income earned by the organization for providing a government agency with a service, facility, or product that benefited that government agency directly rather than benefiting the public as a whole. See line 1, instruction A5, for reporting guidelines when payments are received from a government agency for providing a service, facility, or product for the primary benefit of the general public.

Line 3. Membership Dues and Assessments

Enter members' and affiliates' dues and assessments that are not contributions.

A. What is included on line 3?

A1. Dues and assessments received that compare reasonably with the benefits of membership. When the organization receives dues and assessments the value of which compare reasonably with the value of benefits provided to members (whether or not the membership benefits are used by the members), report such dues and assessments on line 3.

A2. Organizations that generally match dues and benefits. Organizations described in section 501(c)(5), (6), or (7) generally provide benefits with a reasonable relationship to dues, although benefits to members can be indirect.

B. Examples of membership benefits. These include subscriptions to publications; newsletters (other than one about the organization's activities only); free or reduced-rate admissions to events sponsored by the organization; use of the organization's facilities; and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard such intangible benefits as the right to attend meetings, vote, or hold office in the organization, and the distinction of being a member of the organization.

C. What is not included on line 3?

C1. Dues or assessments received that exceed the value of available membership benefits. Dues received by an organization, to the extent they exceed the monetary value of the membership benefits available to the dues payer, are a contribution that should be reported on line 1.

C2. Dues received primarily for the organization's support. If a member pays dues primarily to support the organization's activities, and not to obtain benefits of more than nominal or insubstantial monetary value, those dues are a contribution to the organization includible on line 1.

Example. M is an organization whose primary purpose is to support the local symphony orchestra. Members have the privilege of purchasing subscriptions to the symphony's annual concert series before they go on sale to the general public, but must pay the same price as any other member of the public. They also are entitled to attend a number of rehearsals each season without charge. Under these circumstances, M's receipts from members are contributions reported on line 1.

Line 4. Investment Income

A. What is included on line 4?

A1. Interest on savings and temporary cash investments. Include the amount of interest received from interest-bearing checking accounts, savings, and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than one year. So-called dividends or earnings received from mutual savings

banks, money market funds, etc., are actually interest and should be included on this line.

A2. Dividends and interest from securities. Include dividends from equity securities (stocks), and interest income from debt securities and notes and loans receivable, other than program-related investments. Include amounts received from payments on securities loans, as defined in section 512(a)(5).

A3. Gross rents. Include gross rental income received during the year from investment property (other than program-related investments reported on line 2).

A4. Other investment income. Include, for example, royalties received by the organization from licensing the ongoing use of its property to others (other than royalties generated in the conduct of the organization's exempt function, such as royalties received from a publisher for an educational work authored by the organization). Typically, royalties are received for the use of intellectual property, such as copyrights, patents, and trademarks. Royalties also include payments to the owner of property for the right to exploit natural resources on the property, such as oil, natural gas, or minerals.

B. What is not included on line 4?

B1. Capital gains dividends and unrealized gains and losses. Do not include on this line any capital gains dividends. They are reported on line 5. Also do not include unrealized gains and losses on investments carried at market value. See the instructions for line 20.

B2. Exempt function revenue (program service). Do not include on line 4 amounts that represent income from an exempt function (program service). Report these amounts on line 2 as program service revenue. Report expenses related to this income on lines 12 through 16.

Exempt function rental income. An organization whose exempt purpose is to provide low-rental housing to persons with low income receives exempt function income from such rentals. An organization receives exempt function income if it rents or sublets rental space to a tenant whose activities are related to the filing organization's exempt purpose. Report rental income received in these instances on line 2 and not on line 4. Only for purposes of completing this return, treat income from renting property to affiliated exempt organizations as exempt function income and include such income on line 2 as program service revenue.

Other program-related investments. Investment income from program-related investments should be reported on line 2. See the line 2 instructions for a discussion of program-related investments. Gains or losses from the sale of program-related investment assets are reported on line 5.

Lines 5a through 5c. Gains (or Losses) From Sale of Assets Other Than Inventory

A. What is included on line 5?

Report on line 5a all sales of securities and sales of all other types of investments (such as real estate, royalty interests, or partnership interests) as well as sales of all other non-inventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities). Also report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts.

Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 5b. On line 5c, enter the net gain or loss.

For reporting sales of securities on Form 990-EZ, the organization can use the more convenient way to figure the organization's gain or loss from sales of securities by subtracting from the sales price the average-cost basis of the particular security sold. However, the average-cost basis is not used to figure the gain or loss from sales of securities reportable on Form 990-T.

B. What is not included on line 5?

Do not include on line 5 any unrealized gains or losses on securities that are carried in the books of account at market value. See the instructions for line 20.

C. Books and records

The organization should maintain books and records to substantiate information regarding any securities or other assets sold for which market quotations were not published or were not otherwise readily available. The recorded information should include:

- A description of the asset,
- Date acquired,
- Whether acquired by donation or purchase,
- Date sold and to whom sold,
- Gross sales price,
- Cost, other basis, or if donated, value at time acquired,
- Expense of sale and cost of improvements made after acquisition, and
- Depreciation since acquisition, if depreciable property.

Lines 6a through 6c. Special Events and Activities

On the appropriate line, enter the gross revenue, expenses, and net income (or loss) from all special events and activities, such as dinners, dances, carnivals, concerts, sports events, auctions, raffles, bingo games, other gaming activities, and door-to-door sales of merchandise.

Special events and activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds to finance the organization's exempt activities. They do not include events or activities that substantially further the organization's exempt purpose even if they also raise funds. They do not include activities regularly carried on (except for gaming).

Example. An organization formed to promote and preserve folk music and related cultural traditions holds an annual folk music festival featuring concerts, handicraft demonstrations, and similar activities. Because the festival directly furthers the organization's exempt purpose, income from ticket sales should be reported on line 2 as program service revenue.

Special events and activities raise funds by offering goods or services that have more than a nominal or insubstantial value (compared to the price charged) for a payment that is more than the direct cost of those goods or services. See line 1 instructions A1 and A2 for a discussion on contributions reportable on line 1 and revenue reportable on line 6.

The fact that tickets, advertising, or solicitation materials refer to a required payment as a donation or contribution does not control how these payments should be reported on Form 990-EZ.

The gross revenue from gaming activities and other special events must be reported in the right-hand column on line 6a without reduction for cash or noncash prizes, cost of goods sold, compensation, fees, or other expenses.

Gaming. Check the box for gaming if the organization conducted directly, or through a promoter, any amount of gaming during the year. Report the gross revenue, expenses, and net income (or loss) from all gaming activities, whether or not regularly carried on, in line 6.

Gaming includes (but is not limited to): bingo, pull tabs, instant bingo raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights/Las Vegas nights (other than events not regularly carried on which participants can play casino-style games but the only prizes or auction items provided to participants are noncash items that were donated to the organization, which events are "special events" for purposes of lines 6a through 6c), and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.

Many games of chance are taxable. Income from bingo games is generally not subject to the tax on unrelated business income if the games meet the legal definition of bingo. For a game to meet the legal definition of bingo, wagers must be placed, winners must be determined, and prizes or other property must be distributed in the presence of all persons placing wagers in that game.

A wagering game that does not meet the legal definition of bingo does not qualify for the exclusion, regardless of its name. For example, "instant bingo," in which a player buys a pre-packaged bingo card with pull-tabs that the player removes to determine if he or she is a winner, does not qualify. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations and Form 990-T.

A. What is included on line 6?

A1. Gross revenue/contributions. When an organization receives payments for goods or services offered through a special event, enter:

1. As gross revenue, on line 6a (in the right-hand column), the retail value of the goods or services,
2. As a contribution, on both line 1 and line 6a (within the parentheses), any amount received that exceeds the retail value of the goods or services given.

Example. At a special event, an organization received \$100 in gross receipts for goods valued at \$40. The organization entered gross revenue of \$40 on line 6a and entered a contribution of \$60 on both line 1 and within the parentheses on line 6a. The contribution was the difference between the gross revenue of \$40 and the gross receipts of \$100.

A2. Raffles or lotteries. Report as revenue, on line 6a, any amount received from raffles or lotteries that require payment of a specified minimum amount for each entry, unless the prizes awarded have only nominal or insubstantial value. See line 6, instruction B1 and B2, below.

A3. Direct expenses. Report on line 6b only the direct expenses attributable to the goods or services the buyer receives from a special event. If an expense is included on line 6b, do not report it again on line 7b. Fundraising expenses attributable to contributions reported on lines 1 and 6a (within the parentheses) are reportable on lines 12 through 16.

B. What is not included on line 6?

B1. Sales or gifts of goods or services of only nominal or insubstantial value. If the goods or services offered at the special event have only nominal or insubstantial value, include all of the receipts as contributions on line 1 and all of the related expenses on lines 12 through 16. See line 1, instruction A2 for a description of nominal or insubstantial benefits.

B2. Sweepstakes, raffles, and lotteries. Report as a contribution, on line 1, the proceeds of solicitation campaigns in which the names of contributors and other respondents (who were not required to make a minimum payment) are entered in a drawing for prizes.

Where a minimum payment is required for each raffle or lottery entry and prizes of only nominal or insubstantial value are awarded, report any amount received as a contribution. Report the related expenses on lines 12 through 16.

B3. Activities that generate only contributions are not special events. An activity that generates only contributions, such as a solicitation campaign by mail, is not a special event. Any amount received should be included on line 1 as a contribution. Related expenses are reportable on lines 12 through 16.

C. Attach Schedule G, Parts II and III

If the organization reports more than \$15,000 on line 6a (not including the contribution amount in the parentheses), then it must complete Part II of Schedule G (Form 990 or 990-EZ), Supplemental Information Regarding Fundraising or Gaming Activities, for any special events (other than gaming) with gross receipts greater than \$5,000. (Please note that Schedule G refers to special events other than gaming as "fundraising

events.”) If the organization reports more than \$15,000 on line 6a (not including the contribution amount in the parentheses) and any part of the amount is gross revenue from gaming, then it must complete Schedule G, Part III, to report its gaming activities. If the organization reports more than \$15,000 on line 6a (not including the contribution amount in the parentheses) but is not required to complete either Part II or Part III of Schedule G, then explain this in an attachment. Organizations filing Form 990-EZ are not required to complete Part I of Schedule G. The following examples illustrate these Form 990-EZ reporting rules for Schedule G.

Example 1. Organization X receives gross revenue of \$14,000 during the tax year from the sale of pull tabs. Organization X reports \$14,000 on line 6a. Organization X is not required to file Schedule G because its line 6a amount does not exceed \$15,000.

Example 2. Organization Y conducted during the tax year its annual fundraising dinner plus monthly bingo nights. Organization Y received \$2,000 in gross revenue (excluding \$4,000 in contributions) from the dinner and \$14,000 in gross revenue from the bingo nights. Organization Y is directed to Schedule G because it reports \$16,000 on line 6a, which exceeds the \$15,000 threshold for filing Schedule G. Organization Y must report the dinner as a fundraising event in Part II of Schedule G because the gross receipts from the dinner (including contributions) was \$6,000 (in excess of \$5,000). Organization Y must report the \$14,000 in gross revenue from the conduct of bingo games in Part III of Schedule G, even though that amount is less than \$15,000, because the total amount reported on line 6a exceeded \$15,000.

Example 3. Organization Z conducted six special events (other than gaming) during the tax year. Each special event generated \$3,000 in gross revenue and \$1,000 in contributions. Organization Z is directed to Schedule G because it reports \$18,000 on line 6a. Organization Z is not required to file Part II of Schedule G, however, as each event had gross receipts of \$4,000, below the \$5,000 threshold for reporting fundraising events in Part II. Because Organization Z had no gross revenue from gaming, it is not required to file Part III of Schedule G. Organization Z should describe the above facts in its attachment explaining that it is not required to file Schedule G, even though its line 6a amount exceeds \$15,000.

Lines 7a through 7c. Gross Sales of Inventory

Line 7a. Sales of inventory. Include on line 7a the gross sales (less returns and allowances) of inventory items, whether the sales activity is an exempt function or an unrelated trade or business. Inventory items are goods the organization makes to sell to others, or that it buys for resale. Include all inventory sales except sales of goods at special events, which are reportable on line 6. Do not include on line 7 sales of investments on which the organization expected to profit by appreciation and sale; report sales of these investments on line 5.

Line 7b. Cost of goods sold. On line 7b, report the cost of goods sold related to sales of such inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a proportion of overhead expenses. Marketing and distribution expenses are not includible in cost of goods sold but are reported on lines 12 through 16.

Line 8. Other Revenue

Enter the total income from all sources not covered by lines 1 through 7. Examples of types of income includible on line 8 are interest on notes receivable not held as investments or as program-related investments (defined in the line 2 instructions); interest on loans to officers, directors, trustees, key employees, and other employees; and royalties that are not investment income or program service revenue.

Expenses

Line 10. Grants and Similar Amounts Paid

A. What is included on line 10?

Enter the amount of actual grants and similar amounts paid to individuals and organizations selected by the filing organization. Include scholarship, fellowship, and research grants to individuals.

A1. Specific assistance to individuals. Include on this line the amount of payments to, or for the benefit of, particular clients or patients, including assistance by others at the organization's expense.

A2. Payments, voluntary awards, or grants to affiliates. Include on line 10 certain types of payments to organizations affiliated with (closely related to) the filing organization. These payments include predetermined quota support and dues payments by local organizations to their state or national organizations.



If the organization uses Form 990-EZ for state reporting purposes, be sure to distinguish between payments to affiliates and awards and grants. See Appendix G.

B. What is not included on line 10?

B1. Administrative expenses. Do not include on this line expenses made in selecting recipients or monitoring compliance with the terms of a grant or award. Enter those expenses on lines 12 through 16.

B2. Purchases of goods or services from affiliates. Do not report the cost of goods or services purchased from affiliates on line 10. Report these expenses on lines 12 through 16.

B3. Membership dues paid to another organization. Report membership dues that the organization pays to another organization (other than an affiliated organization) for general membership benefits, such as regular services, publications, and materials, on line 16.

C. Attach schedule

Attach a schedule to itemize each grantee organization or individual to whom the organization made grants (or paid similar amounts) in excess of \$5,000 during the organization's tax year. For each grantee, list:

- Each class of activity,
- The grantee's name and address (for grantee organizations, not grantee individuals),
- The amount given (aggregate amount of grants and payments to or for the benefit of the grantee during the organization's tax year), and
- The relationship of the grantee (in the case of grants to individuals) if the relationship is by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, key employee, etc.



If the individual grantee is related to a grantor or contributor to the organization, then do not provide the name of the grantor or contributor. Instead, identify such persons generically as "grantee" and as "grantor" or "contributor."

If any affiliate received any payment reported on line 10, then so indicate, and also specify the purpose of the payment.

Classify activities on this schedule in more detail than by using such broad terms as charitable, educational, religious, or scientific. For example, identify payments to affiliates; payments for nursing services; fellowships; and payments for food, shelter, or medical services for indigents or disaster victims.

Colleges, universities, and primary and secondary schools reporting scholarships or other financial assistance can instead attach a statement that (a) groups each type of financial aid provided; (b) indicates the number of individuals who received the aid; and (c) specifies the aggregate dollar amount.

If an organization gives property other than cash and measures an award or grant by the property's fair market value, also show on this schedule:

- A description of the property,
- The book value of the property,
- How the organization determined the book value,
- How the organization determined the fair market value, and
- The date of the gift.

Any difference between a property's fair market value and book value should be recorded in the organization's books of account and on line 20.

Line 11. Benefits Paid To or For Members

For an organization that gives benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), enter the amounts paid for: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits. Report on line 12, rather than line 11, the cost of employment-related benefits (such as health insurance) that the organization gives its officers and employees.

Line 12. Salaries, Other Compensation, and Employee Benefits

Enter the total salaries and wages paid to all officers and employees and payments made to directors and trustees. Include the total of the employer's share of deferrals and contributions the organization paid to qualified and nonqualified pension plans and the employer's share of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan.



Complete Form 5500, Annual Return/Report of Employee Benefit Plan, if the organization is required to file it.

Also include in the total the amount of federal, state, and local payroll taxes for the year that are imposed on the organization as an employer. This includes the employer's share of social security and Medicare taxes, Federal unemployment tax (FUTA), state unemployment compensation tax, and other state and local payroll taxes. Taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employees' share of social security and Medicare taxes) are part of the employees' salaries included on line 12. Report expenses paid or incurred for employee events such as a picnic or holiday party on this line.

Line 13. Professional Fees and Other Payments to Independent Contractors

Enter the total amount of legal, accounting, auditing, other professional fees (such as fees for fundraising or investment services) and related expenses charged by outside firms and individuals who are not employees of the organization.

Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings; report and identify those expenses on line 16. Report on line 12 fees paid to directors and trustees. Also report on line 12 compensation to employees that provide fundraising, legal, accounting, or other professional services as part of their employment. Report broker fees/commissions as sales expenses on line 5b.



In some cases the organization can be required to report payments to an independent contractor on Form 1099-MISC, Miscellaneous Income.

Line 14. Occupancy, Rent, Utilities, and Maintenance

Enter the total amount paid or incurred for the use of office space or other facilities, including rent or mortgage interest; heat, light, power, and other utilities; outside janitorial services; real estate taxes and property insurance attributable to rental property; and similar expenses.

These expenses relate to real property actually occupied by the organization, whether as tenant or owner, or used in the conduct of exempt functions (such as low-income rental housing). Report on line 16 expenses relating to real property used for investment purposes. If the organization occupies part of the property and leases a part to others, then expenses must be reasonably allocated between occupancy-related and investment-related expenses, and reported accordingly on lines 14 and 16.

If the organization records depreciation on property it occupies, enter the total for the year. For an explanation of acceptable methods for computing depreciation, see Pub. 946.

Do not subtract from rental expenses reported on line 14 or 16 any rental income received from renting or subletting rented space. See the instructions for lines 2 and 4 to determine whether such income is reportable as exempt function income or investment income. However, report on line 14 or 16 any rental expenses for rental income reported on lines 2 and 4.

Line 15. Printing, Publications, Postage, and Shipping

Enter the printing and related costs of producing the filing organization's own newsletters, leaflets, films, and other informational materials on this line. Include the costs of outside mailing services on this line. Also include the cost of any purchased publications as well as postage and shipping costs not reportable on line 5b, 6b, or 7b. Do not include any expenses, such as salaries, for which a separate line is provided.

Line 16. Other Expenses

Report expenses here that are not reportable on lines 10 through 15. Include here such expenses as penalties, fines, and judgments; unrelated business income taxes; insurance, interest, depreciation, and real estate taxes not reported as occupancy expenses; travel and transportation costs; and expenses for conferences, conventions, and meetings.

Some states that accept Form 990-EZ in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized. See *Appendix G*.

Net Assets

Line 18. Excess or (Deficit) for the Year

Enter the difference between lines 9 and 17. If line 17 is more than line 9, enter the difference in parentheses.

Line 19. Net Assets or Fund Balances at Beginning of Year

Enter the end-of-year amount from the balance sheet on the prior year's return.

Line 20. Other Changes in Net Assets or Fund Balances

Attach a statement explaining any changes in net assets or fund balances between the beginning and end of the organization's tax year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity; unrealized gains and losses on investments carried at market value; and any difference between fair market value and book value of property given as an award or grant. See *Accounting Periods and Methods*, on page 4, regarding the reporting of a section 481(a) adjustment to conform to SFAS 116.

Part II. Balance Sheet

Every organization must complete columns (A) and (B) of Part II of the return and cannot submit a substitute balance sheet. Failure to complete Part II can result in penalties for filing an incomplete return. If there is no amount to report in column (A), *Beginning of year*, enter a zero in that column.

Some states require more information. See *Appendix G* for more information about completing a Form 990-EZ to be filed with any state or local government agency.

Line 22. Cash, Savings, and Investments

Include all interest and non-interest bearing accounts such as petty cash funds, checking accounts, savings accounts, money market funds, commercial paper, certificates of deposit, U.S. Treasury bills, and other government obligations. Also include the book value of securities held as investments, and all other investment holdings including land and buildings held for investment. Report the income from these investments on line 4; report income from program-related investments on line 2.

Line 23. Land and Buildings

Enter the book value (cost or other basis less accumulated depreciation) of all land and buildings owned by the organization and not held for investment.

Line 24. Other Assets

Enter total of other assets along with a description of those assets. Amounts to include here are (among others) accounts receivable, inventories, and prepaid expenses.

Line 25. Total Assets

Enter amount of total assets. If the end-of-year total assets entered in column (B) are \$1,250,000 or more, Form 990 must be filed instead of Form 990-EZ.

Line 26. Total Liabilities

Liabilities include such items as accounts payable, grants payable, mortgages or other loans payable, and deferred revenue (revenue received but not yet earned).

Line 27. Net Assets or Fund Balances

Subtract line 26 (total liabilities) from line 25 (total assets) to determine net assets. Enter this net asset amount on line 27. The amount entered in column (B) must agree with the net asset or fund balance amount on line 21.

States that accept Form 990-EZ as their basic report form may require a separate statement of changes in net assets. See *Appendix G*.

Part III. Statement of Program Service Accomplishments

A program service is a major (usually ongoing) objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters.

Step

Action

- 1 Enter the organization's primary exempt purpose.
- 2 All organizations must describe their exempt purpose achievements for each of their three largest program services (as measured by total expenses incurred).
 - Describe program service accomplishments through measurements such as clients served, days of care, number of sessions or events held, or publications issued.
 - Describe the activity's objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity.
 - Give reasonable estimates for any statistical information if exact figures are not readily available. Indicate that this information is estimated.
 - Be clear, concise, and complete in the description. Avoid attaching brochures, newsletters, newspaper articles about the organization, etc.
- 3 **Public interest law firm.** A public interest law firm exempt under section 501(c)(3) or 501(c)(4) must attach a list of all the cases in litigation or that have been litigated during the year. For each case, describe the matter in dispute and explain how the litigation will benefit the public generally. Also enter the fees sought and recovered in each case. See Rev. Proc. 92-59, 1992-2 C.B. 411.

Step

Action

- 4 **Expenses and Grants.** For each program service reported on lines 28–31, section 501(c)(3) and 501(c)(4) organizations and section 4749(a)(1) trusts must enter, in the "Expenses" column, the total expenses included on line 17 for that program service. These organizations also must enter, in the "Grants" space for each program service, the total grants and similar amounts reported on line 10 for that program service. If the amount of grants entered includes foreign grants, check the box to the left of the "Expenses" column. For all other organizations, entering expenses and grants and checking the foreign grants box is optional.
- 5 Attach a schedule that lists the organization's other program services.
 - The detailed information required for the three largest services is not necessary for this schedule.
 - However, section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts must show the expenses and grants attributable to their program services.
- 6 The organization can report the amount of any donated services, or use of materials, equipment, or facilities it received or utilized in connection with a specific program service.
 - Disclose the applicable amounts of any donated services, etc., on the lines for the narrative description of the appropriate program service.
 - Do not include these amounts in the expense column in Part III.
 - See the instructions for line 1, B2.

Part IV. List of Officers, Directors, Trustees, and Key Employees

List each person who was an officer, director, trustee, or key employee (defined below) of the organization at any time during the organization's tax year, even if they did not receive any compensation from the organization.



Form 990-EZ filers have two options for reporting compensation (see instructions for columns (c)–(e) on next page).

Officer. An officer is a person elected or appointed to manage the organization's daily operations, such as a president, vice-president, secretary, or treasurer. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its governing body, but at a minimum include those officers required by applicable state law.

Director or Trustee. A director or trustee is a member of the organization's governing body, but only if the member has voting rights. The governing body is the group of persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of directors (sometimes referred to as board of trustees) of a corporation or association, or the board of trustees of a trust (sometimes referred to simply as the trustees, or trustee, if only one trustee).

Key employee. A key employee is any person having responsibilities or powers similar to those of officers, directors, or trustees. The term includes the chief management and administrative officials of an organization (such as an executive director or chancellor). A chief financial officer and the officer in charge of the administration or program operations are both key employees if they have the authority to control the organization's activities, its finances, or both.

Enter a zero in columns (c), (d), and (e) (leave column (e) blank if Option 1 compensation reporting, described below, is used) if no hours were entered in column (b) and no compensation, contributions, expenses, and other allowances

were paid during the year or deferred for payment to a future year.

Enter all forms of cash and noncash compensation received by each listed officer, director, trustee, and key employee, whether paid currently or deferred, as described more fully under the Option 1 and Option 2 instructions below.

If the organization pays any other person, such as a management services company, for the services provided by any of the organization's officers, directors, trustees, or key employees, report the compensation and other items in Part IV as if the organization had paid the officers, directors, trustees, and key employees, directly.

A failure to fully complete Part IV can subject both the organization and the individuals responsible for such failure to penalties for filing an incomplete return. See *General Instruction G*. In particular, entering the phrase on Part IV, "Information available upon request," or a similar phrase, is not acceptable.

In addition to the information required in Part IV, the organization can provide an attachment to explain the entire annual compensation package for any person listed in Part IV.

Form 941 must be filed to report income tax withholding and social security and Medicare taxes. The organization must also file Form 940 to report Federal unemployment tax, unless the organization is not subject to these taxes. See Pub. 15 (Circular E) for more information.

Amounts paid or accrued by certain other organizations treated as paid or accrued by the filing organization. Treat as paid, accrued, or held directly by the organization any amounts paid or accrued under a deferred compensation plan, or held by a deferred compensation trust, that is established, sponsored, or maintained by the organization.

Treat as paid or accrued directly by the organization any amounts paid or accrued by a common paymaster as defined in Regulations section 31.3121(s)-1(b) for services performed for the organization.

Column (a)

Enter the name and address of each person who was an officer, director, trustee, or key employee (defined above) at any time during the organization's tax year.

Aid in the processing of the organization's return by grouping together, preferably at the end of the list, those who received no compensation. Be careful not to repeat names.

Use an attachment if there are more than 18 persons to list in Part IV.

Give the preferred address at which officers, directors, trustees, and key employees want the Internal Revenue Service to contact them, whether home address, business address, or the organization's address listed on page 1 of Form 990-EZ. This information, like the other information in the Form 990-EZ, will be available to the public.

Column (b)

Enter each person's title or position with the organization. Enter all titles or positions if more than one (for instance, President and Director).

In column (b), a numerical estimate of the average hours per week devoted to the position is required for a complete answer. Statements such as "as needed" or "as required" or "40+" are unacceptable.

Columns (c)–(e)

Two methods to report compensation in columns (c)–(e). The organization can report the compensation of officers, directors, trustees, and key employees in accordance with either Option 1 or Option 2. Option 1 is similar to the Form 990 method of compensation reporting but simplified. Option 2 is essentially the 2007 Form 990-EZ method of compensation reporting. The option selected for 2008 (or 2009 for organizations that did not file a 2008 Form 990-EZ) must be used consistently from year to year, and must be used for all officers, directors, trustees, and key employees (and, for

section 501(c)(3) organizations, for their five highest compensated employees in Part VI).

Option 1 (Form W-2 method). All compensation reporting under Option 1 is based on the calendar year ending with or within the organization's tax year. For example, if a fiscal-year organization's tax year is the 12-month period ending June 30, 2010, the organization must report compensation for the calendar year ending December 31, 2009.

Option 1 — column (c). Enter the person's reportable compensation. Reportable compensation consists of:

- For officers and other key employees – amounts required to be reported in box 5 of Form W-2;
- For directors and individual trustees – amounts required to be reported in box 7 of Form 1099-MISC (plus box 5 of Form W-2 if also compensated as an officer or employee); and
- For institutional trustees (such as banks or trust companies) – fees for services paid pursuant to a contractual agreement or statutory entitlement.

If the organization did not file a Form 1099-MISC because the amounts paid were below the threshold reporting requirement, then include and report the amount actually paid.



Corporate officers are considered employees for purposes of Form W-2 reporting, unless they perform no services as officers, or perform only minor services and neither receive nor are entitled to receive, directly or indirectly, any compensation. Corporate directors are considered independent contractors, not employees, and director compensation, if any, generally is required to be reported on Form 1099-MISC. See Regulations section 31.3401(c)-1(f).

For certain kinds of employees, such as certain members of the clergy and religious workers who are not subject to social security and Medicare taxes as employees, box 5 of Form W-2 can be zero or blank. In such case, the amount required to be reported in box 1 of Form W-2 must be reported as reportable compensation in column (c).

Option 1 — column (d). Report the following items of deferred compensation and benefits:

1. Tax-deferred contributions by the employer to a qualified defined-contribution retirement plan;
2. The annual increase in actuarial value of a qualified defined benefit plan, whether or not funded or vested;
3. The value of health benefits provided by the employer, that are not included in reportable compensation. For this purpose, health benefits provided by the employer include payments of health benefit plan premiums, medical reimbursement and flexible spending programs, and the value of health coverage (rather than actual benefits paid) provided by an employer's self-insured or self-funded arrangement. Health benefits include medical, dental, optical, drug, and medical equipment benefits. They do not include disability or long-term care insurance premiums or benefits for this purpose;
4. Tax-deferred contributions by the employer and employee to a non-qualified defined contribution plan, whether or not funded, vested, or subject to a substantial risk of forfeiture; and
5. The annual increase in actuarial value of a non-qualified defined benefit plan, whether or not funded, vested, or subject to a substantial risk of forfeiture.

Reasonable estimates can be used if precise cost figures are not readily available to determine column (d) amounts.

Option 1 — column (e). Leave column (e) blank.

Option 2 (pre-2008 method). For purposes of reporting all amounts in columns (b) through (e) in Part IV, fiscal-year organizations either can use their tax year, or the calendar year ending within such tax year. Whichever year is selected (tax year or calendar year) must be used consistently from year to year, and must be used for all officers, directors, trustees, and key employees (and, for 501(c)(3) organizations, for their five highest compensated employees in Part VI).

Option 2 — column (c). For each person listed, enter salary, fees, bonuses, and severance payments paid. Include

current-year payments of amounts reported or reportable as deferred compensation in any prior year.

Option 2 — column (d). Include in this column all forms of deferred compensation and future severance payments (whether or not funded; whether or not vested or subject to a substantial risk of forfeiture; and whether or not the deferred compensation plan is a qualified plan under section 401(a)). Include also payments to welfare benefit plans on behalf of the officers, directors, trustees, and key employees. Such plans provide benefits such as medical, dental, life insurance, severance pay, disability, directors, trustees, and key employees. Reasonable estimates can be used if precise cost figures are not readily available.

Unless the amounts were reported in column (c), report, as deferred compensation in column (d), salaries and other compensation earned during the period covered by the return, but not yet paid by the date the organization files its return.

Option 2 — column (e). Enter both taxable and nontaxable fringe benefits, other than:

1. Working condition fringe benefits described in section 132(d),
2. Expense reimbursements and allowances under an accountable plan described in Regulations section 1.62-2(c)(2), and
3. *De minimis* fringe benefits described in section 132(e).

Include amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. See Pub. 525, Taxable and Nontaxable Income, for more information.

Part V. Other Information

Required Statements

1. **Schedule A attachment.** Section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts must complete and attach Schedule A (Form 990 or Form 990-EZ), Public Charity Status and Public Support.

2. **Statement regarding personal benefit contract.** If, in connection with a transfer to or for the use of the organization, the organization directly or indirectly pays premiums on any *personal benefit contract*, or there is an understanding or expectation that any person will directly or indirectly pay such premiums, the organization must do the following:

- Attach a statement describing the organization's involvement with the *personal benefit contract(s)*;
- Report on Form 8870 the premiums that the organization paid, and the premiums paid by others but treated as paid by the organization; and
- Report and pay an excise tax, equal to premiums paid, on Form 4720.

A *personal benefit contract* is generally any life insurance, annuity, or endowment contract that benefits, directly or indirectly, the transferor, a member of the transferor's family, or any other person designated by the transferor (other than an organization described in section 170(c)). See section 170(f)(10); Notice 2000-24, 2000-1 C.B. 952; and Announcement 2000-82, 2000-2 C.B. 385.

Line 33. Change in Activities

Attach a statement to describe any significant activities initiated during the past 3 years that were not previously reported to the IRS on Form 990-EZ or Form 990. Also describe significant activities that were discontinued.



An organization must report new, significant program services or significant changes in how it conducts program services in Part III of Form 990-EZ, rather than in a letter to the IRS Exempt Organization Determination Office ("EO Determination"). EO Determination no longer issues letters confirming the tax-exempt status of organizations that report such new services or significant changes.

Line 34. Changes in Organizing or Governing Documents

Attach a conformed copy of any changes to the articles of incorporation, articles of association, constitution, trust instrument, or other organizing document, or the bylaws or other governing document.

A conformed copy is one that agrees with the original document and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents. Photocopies of articles of incorporation showing the certification of an appropriate state official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for details. When a number of changes are made, attach a copy of the entire revised organizing instrument or governing document.

However, if the exempt organization changes its legal structure, such as from a trust to a corporation, the new legal entity must file a new exemption application to establish that it qualifies for exemption.

Line 35. Unrelated Business Income and Lobbying Proxy Tax

Unrelated Business Income

Political organizations described in section 527 are not required to answer this question.

Check "Yes" on line 35a if the organization's total gross income from all of its unrelated trades and businesses is \$1,000 or more for the tax year. Gross income is gross receipts less the cost of goods sold. See Pub. 598 for a description of unrelated business income, and see Instructions for the Form 990-T for the filing requirements of Form 990-T.

If the organization had income from business activities, such as those reported on lines 2, 6, and 7 (among others), but not reported on Form 990-T, attach a statement explaining the reasons for not reporting the income on Form 990-T.

Neither Form 990-T nor Form 990-EZ is a substitute for the other. Items of income and expense reported on Form 990-T must also be reported on Form 990-EZ (and vice versa) when the organization is required to file both forms.



All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income if they expect their tax liability to be \$500 or more. Use Form 990-W to compute these amounts.

Section 6033(e) Tax for Lobbying Expenditures

If the organization checks "No" to line 35a, it is certifying that the organization was not subject to the notice and reporting requirements of section 6033(e) and that the organization had no lobbying and political expenditures potentially subject to the proxy tax.

Section 6033(e) notice and reporting requirements and proxy tax. Section 6033(e) requires certain sections 501(c)(4), 501(c)(5), and 501(c)(6) organizations to tell their members the portion of their membership dues that were allocable to the political or lobbying activities of the organization. If an organization does not give its members this information, then the organization is subject to a proxy tax. The tax is reported on Form 990-T.

If the organization checks "Yes" on line 35a to declare that it had reportable section 6033(e) lobbying and political expenses in the tax year (and potential liability for the proxy tax):

1. Complete Parts III-A and III-B of Schedule C (Form 990 or 990-EZ), Political Campaign and Lobbying Activities (see instructions); and

2. Attach this schedule to Form 990-EZ.

Only the following tax-exempt organizations are subject to the section 6033(e) notice and reporting requirements, and a potential proxy tax:

- Section 501(c)(4) social welfare organizations,
- Section 501(c)(5) agricultural and horticultural organizations, and
- Section 501(c)(6) organizations.

If the organization is not tax-exempt under sections 501(c)(4), 501(c)(5), or 501(c)(6), check “No” on line 35a, unless it had \$1,000 or more of unrelated business income.

If the organization meets *Exception 1* or *2* below, it is excluded from the notice, reporting, and proxy tax requirements of section 6033(e), and it should check “No” to line 35a, unless the organization had \$1,000 or more of unrelated business income. See also Rev. Proc. 98-19, 1998-1 C.B. 547.

Exception 1. Section 6033(e)(3) exception for nondeductible dues.

1. All organizations exempt from tax under section 501(a), other than sections 501(c)(4), 501(c)(5), and 501(c)(6) organizations;
2. Local associations of employees’ and veterans’ organizations described in section 501(c)(4), but not section 501(c)(4) social welfare organizations;
3. Labor unions and other labor organizations described in section 501(c)(5), but not section 501(c)(5) agricultural and horticultural organizations;
4. Sections 501(c)(4), 501(c)(5), and 501(c)(6) organizations that receive more than 90% of their dues from:
 - a. Section 501(c)(3) organizations,
 - b. State or local governments,
 - c. Entities whose income is exempt from tax under section 115, or
 - d. Organizations described in 1 through 3, above;
5. Section 501(c)(4) and (5) organizations that receive more than 90% of their annual dues from:
 - a. Persons,
 - b. Families, or
 - c. Entitiesthat each paid annual dues of \$101 or less in 2009 (adjusted annually for inflation). See Rev. Proc. 2008-66;
6. Any organization that receives a private letter ruling from the IRS stating that the organization satisfies the section 6033(e)(3) exception;
7. Any organization that keeps records to substantiate that 90% or more of its members cannot deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes; or
8. Any organization that is not a membership organization.



Special rules treat affiliated social welfare organizations, agricultural and horticultural organizations, and business leagues as parts of a single organization for purposes of meeting the nondeductible dues exception. See Rev. Proc. 98-19, 1998-1 C.B. 547.

Exception 2. Section 6033(e)(1) \$2,000 in-house lobbying exception. An organization satisfies the \$2,000 in-house lobbying exception if it:

1. Did not receive a waiver for proxy tax owed for the prior year;
2. Did not make any political expenditures or foreign lobbying expenditures during the current tax year; and
3. Incurred lobbying expenses during the current tax year consisting only of in-house direct lobbying expenses totaling \$2,000 or less, but excluding:
 - a. Any allocable overhead expenses, and
 - b. All direct lobbying expenses of any local council regarding legislation of direct interest to the organization or its members.

Definitions

Grassroots lobbying. Refers to attempts to influence any segment of the general public regarding legislative matters or referendums.

Direct lobbying includes attempting to influence:

- Legislation through communication with legislators and other government officials, and
- The official actions or positions of covered executive branch officials through direct communication.

Direct lobbying does not include attempting to influence:

- Any local council on legislation of direct interest to the organization or its members, and
- The general public regarding legislative matters (grassroots lobbying).

Other lobbying includes:

- Grassroots lobbying,
- Foreign lobbying,
- Third-party lobbying, and
- Dues paid to another organization that were used to lobby.

In-house expenditures include:

- Salaries, and
- Other expenses of the organization’s officials and staff (including amounts paid or incurred for the planning of legislative activities).

In-house expenditures do not include:

- Any payments to other taxpayers engaged in lobbying or political activities as a trade or business.
- Any dues paid to another organization that are allocable to lobbying or political activities.

Line 36. Liquidation, Dissolution, Termination, or Significant Disposition of Net Assets

If there was a liquidation, dissolution, termination, or significant disposition of net assets, enter “Yes” and complete and attach the applicable parts of Schedule N (Form 990 or 990-EZ).

For a complete liquidation, dissolution, termination, or cessation of operations, also check the *Terminated* box in the heading of the return.

A *significant disposition of net assets* is a sale, exchange, disposition or other transfer of more than 25% of the fair market value of the organization’s net assets during the year, regardless of whether the organization received full or adequate consideration. A significant disposition of net assets involves:

1. One or more disposition during the organization’s tax year amounting to more than 25% of the fair market value of the organization’s assets as of the beginning of its tax year; or
2. One of a series of related dispositions or events commenced in a prior year, that when combined comprise more than 25% of the fair market value of the organization’s assets as of the beginning of the tax year when the first disposition of net assets occurred. Whether a series of related dispositions is a significant disposition of net assets depends on the facts and circumstances in each case.

Examples of the types of transactions that are *significant dispositions of net assets* required to be reported in Part II of Schedule N (Form 990 or 990-EZ) include:

- Taxable or tax-free sales or exchanges of exempt assets for cash or other consideration (such as a social club described in section 501(c)(7) selling land, or an exempt organization selling assets it had used to further its exempt purposes);
- Sales, contributions, or other transfers of assets to establish or maintain a partnership, joint venture, or corporation (for-profit or nonprofit), regardless of whether such sales or transfers are governed by section 721 or section 351, whether or not the transferor receives an ownership interest in exchange for the transfer;
- Sales of assets by a partnership or joint venture in which the exempt partner has an ownership interest;
- Transfers of assets pursuant to a reorganization in which the organization is a surviving entity; and

- A contraction of net assets resulting from a grant or charitable contribution of assets to another organization described in section 501(c)(3).



An organization filing Form 990-EZ need not complete Part II of Schedule N for a transaction that is not a significant disposition of net assets.

Line 37. Expenditures for Political Purposes

Political organizations described in section 527 are not required to answer this question.

A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice-Presidential electors. It does not matter whether the attempt succeeds.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

All section 501(c) organizations. An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under section 527(f)(1).

If a section 501(c) organization establishes and maintains a section 527(f)(3) separate segregated fund, it is the fund's responsibility to file its own Form 1120-POL if the fund meets the Form 1120-POL filing requirements. Do not include the segregated fund's receipts, expenditures, and balance sheet items on the Form 990-EZ of the section 501(c) organization that establishes and maintains the fund. When answering question 37 on its Form 990-EZ, the section 501(c) organization should disregard the political expenses and Form 1120-POL filing requirement of the segregated fund. However, when a section 501(c) organization transfers its own funds to a separate segregated section 527(f)(3) fund for use as political expenses, the section 501(c) organization must report the transferred funds as its own political expenses on its Form 990-EZ.

Section 501(c)(3) organizations. A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

A section 501(c)(3) organization must pay a section 4955 excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization who knowingly agrees to a political expenditure must pay a section 4955 excise tax, unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

When an organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures:

- Remuneration to such individual (a candidate or prospective candidate) for speeches or other services;
- Travel expenses of such individual;
- Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by such individual;
- Expenses of advertising, publicity, and fundraising for such individual; and
- Any other expense that has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of such individual.

An organization is effectively controlled by a candidate or prospective candidate only if such individual has a continuing, substantial involvement in the day-to-day operations or management of the organization.

A determination of whether the primary purpose of an organization is promoting the candidacy or prospective

candidacy of an individual for public office is made on the basis of all the facts and circumstances. See section 4955 and Regulations section 53.4955.

Use Form 4720 to figure and report these excise taxes.

Line 38. Loans To or From Officers, Directors, Trustees, and Key Employees

Enter the end-of-year unpaid balance of secured and unsecured loans made to or received from officers, directors, trustees, and key employees (as defined in Part IV above). For example, if the organization borrowed \$1,000 from one officer and loaned \$500 to another, none of which has been repaid, report \$1,500 on line 38b.

For loans outstanding at the end of the year, complete and attach Part II of Schedule L (Form 990 or 990-EZ), Transactions with Interested Persons. See the Schedule L instructions.

Report any interest expense paid to an officer, director, trustee, or key employee on line 16 (except for mortgage interest reportable on line 14) and any interest income paid by an officer, director, trustee, or key employee on line 8.

Line 39. Section 501(c)(7) Organizations

Gross receipts test. See *Appendix C* for discussion of the gross receipts test for purposes of determining exemption under section 501(c)(7). This definition of gross receipts differs from the definition for purposes of *Header Item L* and determining whether the organization must file Form 990 or 990-EZ.

Line 39a. Include capital contributions, initiation fees, and unusual amounts of income not included in calculating gross receipts for the purpose of determining the exempt status of section 501(c)(7) organizations, as discussed in *Appendix C*.

Line 39b. Gross receipts for public use of club facilities are gross receipts (as defined above for 501(c)(7) exemption purposes) derived from the use of the organization's facilities from persons other than members, spouses of members, dependents of members, or guests of members.

Investment income and Form 990-T. If a section 501(c)(7) organization qualifies as tax-exempt under the gross receipts test described in *Appendix C*, then include the amount entered on line 39b of Form 990-EZ on the club's Form 990-T if the club is required to file Form 990-T. Investment income earned by a section 501(c)(7) organization is not tax-exempt income unless it is set aside for one or more of the following purposes: religious, charitable, scientific, literary, educational purposes, or prevention of cruelty to children or animals.

If the combined amount of an organization's gross investment income and other unrelated business income exceeds \$1,000, it must report the investment income and other unrelated business income on Form 990-T.

Nondiscrimination policy. A section 501(c)(7) organization is not exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion, if the social club:

1. Is an auxiliary of a fraternal beneficiary society exempt under section 501(c)(8), and
2. Limits its membership to the members of a particular religion; or the membership limitation is:
 - a. A good-faith attempt to further the teachings or principles of that religion, and
 - b. Not intended to exclude individuals of a particular race or color.

Line 40a. Section 501(c)(3) Organizations: Disclosure of Excise Taxes Imposed under Section 4911, 4912, or 4955

Section 501(c)(3) organizations must disclose any excise tax imposed during the year under section 4911 (excess lobbying expenditures), 4912 (disqualifying lobbying expenditures), or,

unless abated, 4955 (political expenditures). See sections 4962 and 6033(b).

Line 40b. Section 501(c)(3) and 501(c)(4) Organizations: Disclosure of Section 4958 Excess Benefit Transactions and Excise Taxes

Sections 6033(b) and 6033(f) require section 501(c)(3) and 501(c)(4) organizations to report the amount of taxes imposed under section 4958 (excess benefit transactions) involving the organization, unless abated, as well as any other information the Secretary may require concerning those transactions.

If the organization answers "Yes," then complete and attach Part I of Schedule L (Form 990 or 990-EZ), Transactions with Interested Persons.



An excess benefit transaction can have serious implications for the disqualified person that entered into the transaction with the organization, any organization managers that knowingly approved of the transaction, and the organization itself. A section 501(c)(3) or 501(c)(4) organization that becomes aware that it may have engaged in an excess benefit transaction should obtain competent advice regarding section 4958, consider pursuing correction of any excess benefit, and take other appropriate steps to protect its interests with regard to such transaction and the potential impact it could have on the organization's continued exempt status. See Appendix E for a discussion of section 4958, and Schedule L, Part I, regarding reporting of excess benefit transactions.

Line 40c. Taxes Imposed on Organization Managers or Disqualified Persons

For line 40c, enter the amount of taxes imposed on organization managers and/or disqualified persons under sections 4912, 4955, and 4958, unless abated.

Line 40d. Taxes Reimbursed by the Organization

For line 40d, enter the amount of tax on line 40c that was reimbursed by the organization. Any reimbursement of the excise tax liability of a disqualified person or organization manager will be treated as an excess benefit unless (1) the organization treats the reimbursement as compensation during the year the reimbursement is made, and (2) the total compensation to that person, including the reimbursement, is reasonable.

Line 40e. Tax on Prohibited Tax Shelter Transactions

Answer "Yes" if the organization was a party to a prohibited tax shelter transaction as described in section 4965(e) at any time during the organization's tax year. An organization that files Form 990-EZ (other than a section 527 political organization or a section 4947(a)(1) trust) and that is a party to a prohibited tax shelter transaction must file Form 8886-T and may also have to file Form 4720 and pay excise tax imposed by section 4965. For more information, see the instructions to Forms 8886-T and 4720.

Line 41. List of States

List each state with which the organization is filing a copy of this return in full or partial satisfaction of state filing requirements.

Line 42a. Location of Books and Records

Provide the name of the person who possesses the organization's books and records. The organization is not required to provide the address or telephone number for the personal residence of an individual. The organization's address and phone number can be used instead, or the business address and telephone number of such individual.

Line 42b. Foreign Financial Accounts

Answer "Yes" if either item 1 or 2 below applies:

1. At any time during the calendar year (ending with or within the organization's tax year), the organization had an interest in, or signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account); and

- a. The combined value of the accounts was more than \$10,000 at any time during the calendar year; and
 - b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.
2. The organization owns more than 50% of the stock in any corporation that would answer "Yes" to item 1 above.

If the "Yes" box is checked, enter the name of the foreign country or countries. Attach a separate sheet if more space is needed.

File Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts by June 30 after the end of the calendar year with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is available by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at www.irs.gov. Do not file it with the IRS or attach it to Form 990-EZ.

Line 43. Section 4947(a)(1) Nonexempt Charitable Trusts

A section 4947(a)(1) nonexempt charitable trust that has no taxable income under Subtitle A can use Form 990-EZ to meet its section 6012 filing requirement by checking the box on line 43 (in which case Form 1041 is not required). In such case, enter on line 43 the total of exempt-interest dividends received or accrued (if reporting under the accrual method of accounting) during the tax year. Such tax-exempt interest includes exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.

Line 44. Donor Advised Funds



A sponsoring organization of a donor advised fund must file Form 990 rather than Form 990-EZ, regardless of the amount of its gross receipts or net assets.

A sponsoring organization is any of the following types of organizations if it maintains one or more donor advised funds:

1. A section 501(c)(3) public charity described in section 509(a)(1), (2), or (3).
2. A veterans' organization, organized in the United States or any of its possessions, no part of the net earnings of which inures to the benefit of any private shareholder or individual, that meets the requirements to receive deductible contributions under section 170(c)(3).
3. A domestic fraternal organization described in section 501(c)(8) or (10) that uses charitable contributions exclusively for charitable purposes.
4. A cemetery company described in section 501(c)(13).

A "donor advised fund" is a fund or account:

1. That is separately identified by reference to contributions of a donor or donors,
2. That is owned and controlled by a sponsoring organization, and
3. With respect to which the donor or donor advisor has or reasonably expects to have advisory privileges in the distribution or investment of amounts held in the donor advised fund or account because of the donor's status as a donor.

A donor advised fund does not include any fund or account:

1. That makes distributions only to a single identified organization or governmental entity, or
2. With respect to which a donor or donor advisor gives advice about which individuals receive grants for travel, study, or other similar purposes, if:
 - a. The donor or donor advisor's advisory privileges are performed exclusively by such person in his or her capacity as a committee member in which all of the committee members are appointed by the sponsoring organization;
 - b. No combination of donors or donor advisors directly or indirectly control the committee; and
 - c. All grants from the fund or account are awarded on an objective and nondiscriminatory basis following a procedure

approved in advance by the board of directors of the sponsoring organization. The procedure must be designed to ensure that all grants meet the requirements of section 4945(g)(1), (2), or (3); or

3. That the Secretary exempts from being treated as a donor advised fund because either such fund or account is advised by a committee not directly or indirectly controlled by the donor or donor advisor or such fund benefits a single identified charitable purpose. For example, see Notice 2006-109, 2006-2 C.B. 1121, and any future related guidance.

A “donor advisor” is any person appointed or designated by a donor to advise a sponsoring organization on the distribution or investment of amounts held in the donor’s donor advised fund or similar account.

Line 45. Section 512(b)(13) Controlled Entity



A controlling organization of a controlled entity under section 512(b)(13) must file Form 990 rather than Form 990-EZ if there was any transfer of funds between the controlling organization and any controlled entity during the year.

The controlled entity can be a stock or nonstock corporation, association, partnership, limited liability company, or trust. Control exists if the controlling organization owns more than 50% of:

- The stock of a corporation (measured by voting power or value),
- The profits or capital interest in a partnership, or
- The beneficial interest in a trust or other entity.

Control of a nonstock corporation means that over 50% of its directors or trustees are either representatives of, or directly or indirectly controlled by, the controlling organization. A trustee or director is a representative of an exempt organization whenever such a person is a trustee, director, agent, or employee of such exempt organization. A trustee or director is controlled by an exempt organization if such organization has the power to remove such trustee or director and designate a new trustee or director.

Part VI. Section 501(c)(3) Organizations and Section 4947(a)(1) Nonexempt Charitable Trusts Only

All section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts must complete Part VI.

Line 46. Political Campaign Activities

Answer “Yes” and complete Part I of Schedule C (Form 990 or 990-EZ), Political Campaign and Lobbying Activities, if the organization participated or intervened in (including the publishing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office, directly or indirectly. See the Schedule C instructions for a discussion of political campaign activity.

Line 47. Lobbying Activities

Answer “Yes” and complete Part II of Schedule C (Form 990 or 990-EZ) if the organization engaged in lobbying activities. See the Schedule C instructions for a discussion of lobbying activities.

Line 48. Schools

Answer “Yes” and complete Schedule E (Form 990 or 990-EZ), Schools, if the organization checked the box on line 2 of Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support, Part I, indicating that it is a school.

Line 49. Transfers to Exempt Non-Charitable Related Organizations

Answer “Yes” if the organization made any transfer to a related organization that is an exempt organization other than a 501(c)(3) organization, such as a related 501(c)(4) organization or a related 527 political organization.

A transfer for this purpose is any transaction or arrangement in which the organization transferred something of value (cash, other assets, services, use of property, etc.) to the exempt non-charitable related organization, whether or not for adequate consideration. The organization can (but is not required to) explain the transfer in an attachment.

A related organization for this purpose is an organization with either of the following relationships to the filing organization at any time during the organization’s tax year:

1. The two organizations share some element of common control, or
2. A historic and continuing relationship exists between the two organizations.

An element of common control is present when one or more of the officers, directors, or trustees of one organization are elected or appointed by the officers, directors, trustees, or members of the other. An element of common control is also present when more than 25% of the officers, directors, or trustees of one organization serve as officers, directors, or trustees of the other organization.

A historic and continuing relationship exists when two organizations participate in a joint effort to work in concert toward the attainment of one or more common purposes on a continuous or recurring basis rather than on the basis of one or several isolated transactions or activities. Such a relationship also exists when two organizations share facilities, equipment, or paid personnel during the year, regardless of the length of time the arrangement is in effect.

Line 50. Five Highest Compensated Employees over \$100,000

Complete this table for the five employees (other than officers, directors, trustees, and key employees as defined in Part IV on page 15) with the highest annual compensation over \$100,000. On line 50f, enter the number of other employees (other than officers, directors, trustees, and key employees) with annual compensation over \$100,000 who are not individually listed.

Determination of the five highest compensated employees depends on whether the organization uses Option 1 or Option 2 for Part IV compensation reporting. Whichever option is selected must be used for both Part IV and Part VI compensation reporting.

Under Option 1, a fiscal-year organization must use the calendar year ending within its tax year to determine its five highest compensated employees over \$100,000, and to report such compensation. Combine the compensation includible in columns (c) and (d) in determining whether compensation exceeds \$100,000 for the calendar year.

Under Option 2, a fiscal-year organization can determine the five highest compensated employees over \$100,000 for its tax year, or for the calendar year ending within its tax year. Use the same year as was used in reporting compensation for officers, directors, trustees, and key employees in Part IV. Combine compensation includible in columns (c), (d), and (e) in determining whether compensation exceeds \$100,000.

See the Part IV instructions on pages 16 and 17 for more information on Option 1 and Option 2 compensation reporting and for completing table columns (a) through (e) of line 50.

Example. S is not a key employee. The organization uses a calendar tax year. During the year, S received a salary of \$80,000 and a \$2,000 bonus. S contributed \$5,000 of the salary on a pre-tax basis to a qualified defined-contribution retirement plan, and received a matching employer contribution of \$5,000 from the organization. S contributed another \$5,000 of the salary on a pre-tax basis to a qualified health plan. S received from the employer non-taxable health benefits for herself and her family of \$10,000, and non-taxable family educational benefits of \$5,000.

To determine whether S is to be listed as among the five highest compensated employees under Option 1, S’s compensation in column (c) would be \$82,000, the amount reportable in Form W-2, box 5, consisting of the \$80,000 salary

(including her contributions to the qualified plans) and the \$2,000 bonus. S's compensation in column (d) would be \$15,000, consisting of the organization's payments of \$5,000 to the retirement plan and \$10,000 to the health plan. Thus, under Option 1, S's total compensation of \$97,000 would not place her among the five highest compensated employees over \$100,000.

To determine whether S is to be listed as among the five highest compensated employees under Option 2, S would have the following compensation: \$82,000 under column (c), consisting of the \$80,000 salary and \$2,000 bonus; and \$20,000 under column (d), consisting of the employer's payments of \$5,000 to the retirement plan, \$10,000 to the health plan, and \$5,000 of educational benefits. Total compensation of S would be \$102,000. Thus, under Option 2, S would be listed in line 50 as one of the five highest compensated employees unless there are five other employees (other than key employees) with higher compensation.

See Pub. 525, Taxable and Nontaxable Income, for more information.

Line 51. Five Highest Compensated Independent Contractors over \$100,000

Complete this table for the five highest compensated independent contractors that received more than \$100,000 in compensation for services, whether professional services or other services, from the organization. On line 51d, enter the number of other independent contractors with annual compensation over \$100,000 who are not individually listed.

Independent contractors include organizations as well as individuals and can include professional fundraisers, law firms, accounting firms, publishing companies, management companies, and investment management companies. See Pub. 1779, Independent Contractor or Employee, and Pub. 15-A, Employer's Supplemental Tax Guide, for distinguishing employees from independent contractors. Any compensation received by an officer, director, trustee, key employee, or highest compensated employee in the capacity as an independent contractor must be included in such person's compensation reported in Part IV, or Part VI, line 50.

Fiscal-year organizations must use the same year (whether tax year or calendar year ending within the tax year) as is used in *Part IV, List of Officers, Directors, Trustees, and Key Employees*, in determining their five highest compensated independent contractors and reporting their compensation in such year on line 51.

Column (c) — compensation. Enter the amount of compensation the organization paid or incurred for the applicable year. If the organization uses the calendar year and the cash method of accounting, report the amount reported on Form 1099-MISC, box 7, if filed. Otherwise, report the amount paid pursuant to the parties' agreement or applicable state law.



Form 1099-MISC is not always required to be issued for payments to an independent contractor.

Compensation includes fees and similar payments to independent contractors but not reimbursement of expenses. However, for this purpose, the organization must report the gross payment to the independent contractor that includes expenses and fees if the expenses are not separately reported to the organization.

Signature Block

To make the return complete, an officer of the organization authorized to sign it must sign in the space provided. For a

corporation or association, this officer can be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate or association officer, such as a tax officer. A receiver, trustee or assignee must sign any return he or she files for a corporation or association. For a trust, the authorized trustee(s) must sign.

Paid Preparer

Generally, anyone who is paid to prepare the return must sign the return and fill in the other blanks in the Paid Preparer's Use Only area. An employee of the filing organization is not a paid preparer.

The paid preparer must:

- Sign the return in the space provided for the preparer's signature,
- Enter the preparer information (other than PTIN and EIN blocks, except as described below), and
- Give a copy of the return to the organization.

The paid preparer must enter the preparer's identifying taxpayer identification number and the preparer's firm's EIN only if filing Form 990-EZ for a section 4947(a)(1) nonexempt charitable trust that is not filing Form 1041. The preparer's identifying number is the preparer's social security number or the preparer's taxpayer identification number (PTIN), if obtained.



The IRS is not authorized to redact the paid preparer's social security number if such SSN is entered in the paid preparer's block. Because the Form 990-EZ is a publicly disclosable document, any information entered in this block will be publicly disclosed (see Appendix D). Accordingly, any paid preparer whose identifying number must be listed on the Form 990-EZ can apply for and obtain a PTIN using Form W-7P, Application for Preparer Tax Identification Number.

Paid Preparer Authorization

On the last line of Part II, check "Yes" if the IRS can contact the paid preparer who signed the return to discuss the return. This authorization applies only to the individual whose signature appears in the "Paid Preparer's Use Only" section of the Form 990-EZ. It does not apply to the firm, if any, shown in that section.

By checking this box "Yes," the organization is authorizing the IRS to contact the paid preparer to answer any questions that may arise during the processing of the return. The organization is also authorizing the paid preparer to:

- Give the IRS any information that is missing from the return,
- Call the IRS for information about the processing of the return, and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

The organization is not authorizing the paid preparer to bind the organization to anything or otherwise represent the organization before the IRS.

The authorization will automatically end no later than the due date (excluding extensions) for filing the organization's 2010 Form 990-EZ. If the organization wants to expand the paid preparer's authorization or revoke the authorization before it ends, see Pub. 947, Practice Before the IRS and Power of Attorney.

Check "No" if the IRS is to contact the organization at the address or telephone number listed in the heading, rather than the paid preparer.

Appendix of Special Instructions to Form 990-EZ

Contents

- A Exempt Organizations Reference Chart
- B How to Determine Whether an Organization's Gross Receipts Are Normally \$25,000 (or \$5,000) or Less
- C Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and Section 501(c)(15) Organizations
- D Public Inspection of Returns
- E Section 4958 Excess Benefit Transactions
- F Forms and Publications To File or Use
- G Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements

Appendix A: Exempt Organizations Reference Chart

To determine how the instructions for Form 990-EZ apply to the organization, an organization must know the Code section under which the organization is exempt.

Type of Organization		I.R.C. Section
Corporations Organized Under Act of Congress		501(c)(1)
Title Holding Corporations		501(c)(2)
Charitable, Religious, Educational, Scientific, etc. Organizations		501(c)(3)
Civic Leagues and Social Welfare Organizations		501(c)(4)
Labor, Agricultural, and Horticultural Organizations		501(c)(5)
Business Leagues, etc.		501(c)(6)
Social and Recreation Clubs		501(c)(7)
Fraternal Beneficiary and Domestic Fraternal Societies and Associations		501(c)(8) & (c)(10)
Voluntary Employees' Beneficiary Associations		501(c)(9)
Teachers' Retirement Fund Associations		501(c)(11)
Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc.		501(c)(12)
Cemetery Companies		501(c)(13)
State Chartered Credit Unions, Mutual Reserve Funds		501(c)(14)
Insurance Companies or Associations Other than Life		501(c)(15)
Cooperative Organizations to Finance Crop Operations		501(c)(16)
Supplemental Unemployment Benefit Trusts		501(c)(17)

Type of Organization		I.R.C. Section
Employee Funded Pension Trusts (created before 6/25/1959)		501(c)(18)
Organizations of Past or Present Members of the Armed Forces		501(c)(19) & (c)(23)
Black Lung Benefit Trusts		501(c)(21)
Withdrawal Liability Payment Funds		501(c)(22)
Title Holding Corporations or Trusts		501(c)(25)
State-Sponsored Organizations Providing Health Coverage for High-Risk Individuals		501(c)(26)
State-Sponsored Workmen's Compensation and Insurance and Reinsurance Organizations		501(c)(27)
Religious and Apostolic Associations		501(d)
Cooperative Hospital Service Organizations		501(e)
Cooperative Service Organizations of Operating Educational Organizations		501(f)
Child Care Organizations		501(k)
Charitable Risk Pools		501(n)
Political Organizations		527

Appendix B: How to Determine Whether an Organization's Gross Receipts Are Normally \$25,000 (or \$5,000) or Less

To figure whether an organization has to file Form 990-EZ (or Form 990), apply the \$25,000 (or \$5,000) gross receipts test (below) using the following definition of gross receipts and information in *Figuring Gross Receipts* below.

Gross Receipts

Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.



Do not use the definition of gross receipts described in Appendix C, Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and Section 501(c)(15) Organizations, to figure gross receipts for this purpose. The Appendix C tests are limited to determining the tax-exempt status of section 501(c)(7) and 501(c)(15) organizations.

Gross receipts when acting as an agent. If a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from them, the local chapter does not include the premiums in its gross receipts.

The parent lodge reports them instead. The same treatment applies in other situations in which one organization collects funds merely as an agent for another.

Figuring Gross Receipts

Figure gross receipts for Form 990 and Form 990-EZ as follows.

Form 990. Gross receipts are the sum of lines 6b (both columns), 7b (both columns), 8b, 9b, 10b, and 12 (Column A) of Form 990, Part VIII.

Form 990-EZ. Gross receipts are the sum of lines 5b, 6b, 7b, and 9 of Form 990-EZ, Part I.

Example. Organization M reported \$50,000 as total revenue on line 9 of its Form 990-EZ. M added back the costs and expenses it had deducted on lines 5b (\$2,000); 6b (\$1,500); and 7b (\$500) to its total revenue of \$50,000 and determined that its gross receipts for the tax year were \$54,000.

\$25,000 Gross Receipts Test

To determine whether an organization's gross receipts are normally \$25,000 or less, apply the following test. An organization's gross receipts are considered normally to be \$25,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, \$37,500 or less during its first tax year;
2. Between 1 and 3 years old and averaged \$30,000 or less in gross receipts during each of its first 2 tax years; or

3. Three years old or more and averaged \$25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

If the organization's gross receipts are normally \$25,000 or less, it must submit Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ (with exceptions for certain organizations described in General Instruction B).

\$5,000 Gross Receipts Test

To determine whether an organization's gross receipts are normally \$5,000 or less, apply the following test. An organization's gross receipts are considered normally to be \$5,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, \$7,500 or less during its first tax year;
2. Between 1 and 3 years old and averaged \$6,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged \$5,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

Appendix C: Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations

Section 501(c)(7) organizations (social clubs) and 501(c)(15) organizations (insurance companies) apply the same gross receipts test as other organizations to determine whether they must file the Form 990 or 990-EZ. However, section 501(c)(7) and 501(c)(15) organizations are also subject to separate gross receipts tests to determine whether they qualify as tax-exempt for the tax year. The following tests use a special definition of gross receipts for purposes of determining whether these organizations are exempt for a particular tax year.

Section 501(c)(7)

A section 501(c)(7) organization can receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts) can be from public use of a social club's facilities.

"Gross receipts," for purposes of determining the tax-exempt status of section 501(c)(7) organizations, are the club's income from its usual activities and include:

- Charges,
- Admissions,
- Membership fees,
- Dues,
- Assessments, and
- Investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments.

Gross receipts for this purpose do not include:

- Capital contributions (see Regulations section 1.118-1),
- Initiation fees, or
- Unusual amounts of income (such as the sale of the clubhouse).



College fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues, must include initiation fees in their gross receipts.

Section 501(c)(15)

If any section 501(c)(15) insurance company (other than life insurance) normally has gross receipts of more than \$25,000 for the tax year and meets both parts of the following test, then the company can file Form 990 (or Form 990-EZ, if applicable).

1. The company's gross receipts must be equal to or less than \$600,000, and
2. The company's premiums must be more than 50% of its gross receipts.

If the company did not meet this test and the company is a mutual insurance company, then it must meet the *Alternate test* to qualify to file Form 990 (or Form 990-EZ, if applicable). Insurance companies that do not qualify as tax-exempt must file Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return, or Form 1120, U.S. Corporation Income Tax Return, as taxable entities for the year. See Notice 2006-42, which is on page 878 of the Internal Revenue Bulletin 2006-19 available at www.irs.gov.

Alternate test. If any section 501(c)(15) insurance company (other than life insurance) is a mutual insurance company and it did not meet the above test, then the company must meet both parts of the following alternate test.

1. The company's gross receipts must be equal to or less than \$150,000.
2. The company's premiums must be more than 35% of its gross receipts.

If the company does not meet either test, then it must file Form 1120-PC or Form 1120 (if the company is not entitled to insurance reserves) instead of Form 990 or Form 990-EZ.



The alternate test does not apply if any employee of the mutual insurance company or a member of the employee's family is an employee of another company that is exempt under section 501(c)(15) (or would be exempt if this provision did not apply).

Gross receipts. To determine whether a section 501(c)(15) organization satisfies either of the above tests described in Appendix C, figure gross receipts by adding:

1. Premiums (including deposits and assessments) without reduction for return premiums or premiums paid for reinsurance;
2. Gross investment income of a non-life insurance company (as described in section 834(b)); and
3. Other items that are included in the filer's gross income under Subchapter B, Chapter 1, Subtitle A of the Code.

This definition does not, however, include contributions to capital. For more information, see Notice 2006-42.

Premiums. Premiums consist of all amounts received as a result of entering into an insurance contract. They are reported on Form 990, Part VIII (Statement of Revenue), line 2, or on Form 990-EZ, Part I, line 2.

Anti-abuse rule. The anti-abuse rule, found in section 501(c)(15)(C), explains how gross receipts (including premiums) from all members of a controlled group are aggregated in figuring the above tests described in Appendix C.

Appendix D: Public Inspection of Returns

Some members of the public rely on Form 990 or 990-EZ as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its returns.

An organization's completed Form 990 or 990-EZ is available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors is open for public inspection for section 527 organizations filing Form 990 or Form 990-EZ. For other organizations that file Form 990 or Form 990-EZ, parts of Schedule B can be open to public inspection. Form 990-T filed after August 17, 2006, by a section 501(c)(3) organization to report any unrelated business income, is also available for public inspection and disclosure.

Through the IRS

Use Form 4506-A to request:

- A copy of an exempt or political organization's return, report, notice, or exemption application; or
- An inspection of a return, report, notice, or exemption application at an IRS office.

The IRS can provide copies of exempt organization returns on a compact disc (CD). Requesters can order the complete set (all Forms 990 and 990-EZ or all Forms 990-PF filed for a year) or a partial set by state or by month. For more information on the cost and how to order CD-ROMs, call the TE/GE Customer Account Services toll-free number (1-877-829-5500) or write to the IRS:

Internal Revenue Service
Mail Stop 6716
Ogden, UT 84201

The IRS generally cannot disclose portions of an exemption application relating to any trade secrets, etc. Additionally, the IRS cannot disclose the names and addresses of contributors. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more information about the disclosure of that schedule.

Notice 2008-49, 2008-20 I.R.B. 979, provides interim guidance regarding the requirement that section 501(c)(3) organizations and the IRS make available for public inspection Form 990-T.


A section 527 organization's Form 990 or 990-EZ can only be requested for tax years beginning after June 30, 2000.

A return, report, notice, or exemption application can be inspected at an IRS office free of charge. Copies of these items can also be obtained through the organization as discussed in the following section.

Through the Organization

Public inspection and distribution of certain returns of unrelated business income. Section 501(c)(3) organizations that are required to file Form 990-T after August 17, 2006, must make Form 990-T available for public inspection under section 6104(d)(1)(A)(ii).

Public inspection and distribution of returns and reports for a political organization. Section 527 political organizations required to file Form 990 or 990-EZ, must, in general, make their Form 8871, 8872, 990, or 990-EZ available for public inspection in the same manner as annual information returns of section 501(c) organizations and section 4947(a)(1) nonexempt charitable trusts. See the public inspection rules for *Tax-exempt organizations*, later. Generally, Form 8871 and Form 8872 are available for inspection and printing in the Charities & Nonprofits section of the IRS website (www.irs.gov).

 **TIP** Note that a section 527 political organization (and an organization filing Form 990-PF) must disclose their Schedule B (Form 990, 990-EZ, or 990-PF). See the Instructions for Schedule B. The penalties discussed in General Instruction H also apply to section 527 political organization (Rev. Rul. 2003-49, 2003-20 I.R.B. 903).

Public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations. Under Regulations sections 301.6104(d)-1 through 3, a tax-exempt organization must:

- Make its application for recognition of exemption and its annual information returns available for public inspection without charge at its principal, regional and district offices during regular business hours;
- Make each annual information return available for a period of 3 years beginning on the date the return is required to be filed (determined with regard to any extension of time for filing) or is actually filed, whichever is later; and
- Provide a copy without charge (for Form 990-T, this requirement applies only to Forms 990-T filed after August 17, 2006), other than a reasonable fee for reproduction and actual postage costs, of all or any part of any application or return required to be made available for public inspection to any individual who makes a request for such copy in person or in writing (except as provided in Regulations sections 301.6104(d)-2 and (d)-3).

Definitions

Tax-exempt organization is any organization that is described in section 501(c) or (d) and is exempt from taxation under section 501(a). The term tax-exempt organization also includes any section 4947(a)(1) nonexempt charitable trust or nonexempt private foundation that is subject to the reporting requirements of section 6033.

Application for tax exemption includes:

- Any prescribed application form (such as Form 1023 or Form 1024),
- All documents and statements the IRS requires an applicant to file with the form,
- Any statement or other supporting document submitted in support of the application, and
- Any letter or other document issued by the IRS concerning the application.

Application for tax exemption does not include:

- Any application for tax exemption filed before July 15, 1987, unless the organization filing the application had a copy of the application on July 15, 1987;
- In the case of a tax-exempt organization other than a private foundation, the name and address of any contributor to the organization; or
- Any material that is not available for public inspection under section 6104.



If there is no prescribed application form, see Regulations section 301.6104(d)-1(b)(3)(ii).

Annual information return includes:

- An exact copy of the Form 990 or 990-EZ filed by a tax-exempt organization as required by section 6033,
- Any amended return the organization files with the IRS after the date the original return is filed, and
- An exact copy of Form 990-T if one is filed by a 501(c)(3) organization.

The copy must include all information furnished to the IRS on Form 990, 990-EZ, or 990-T as well as all schedules, attachments and supporting documents, except for the name and address of any contributor to the organization. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF). However, schedules, attachments, and supporting documents filed with Form 990-T that do not relate to the imposition of unrelated business income tax are not required to be made available for public inspection and copying. See Notice 2008-49, 2008-20 I.R.B. 979.

Annual returns more than 3 years old. An annual information return does not include any return after the expiration of 3 years from the date the return is required to be filed (including any extension of time that has been granted for filing such return) or is actually filed, whichever is later.

If an organization files an amended return, however, the amended return must be made available for a period of 3 years beginning on the date it is filed with the IRS.

Local or subordinate organizations. For rules relating to annual information returns of local or subordinate organizations, see Regulations section 301.6104(d)-1(f)(2).

Regional or district offices. A regional or district office is any office of a tax-exempt organization, other than its principal office, that has paid employees, whether part-time or full-time, whose aggregate number of paid hours a week are normally at least 120.

A site is not considered a regional or district office, however, if:

- The only services provided at the site further exempt purposes (such as day care, health care or scientific or medical research); and
- The site does not serve as an office for management staff, other than managers who are involved solely in managing the exempt function activities at the site.

Special Rules Relating to Public Inspection

Permissible conditions on public inspection. A tax-exempt organization:

- Can have an employee present in the room during an inspection,
- Must allow the individual conducting the inspection to take notes freely during the inspection, and
- Must allow the individual to photocopy the document at no charge, if the individual provides photocopying equipment at the place of inspection.

Organizations that do not maintain permanent offices.

A tax-exempt organization with no permanent office:

- Must make its application for tax exemption and its annual information returns available for inspection at a reasonable location of its choice,
- Must permit public inspection within a reasonable amount of time after receiving a request for inspection (normally not more than 2 weeks) and at a reasonable time of day,
- Can mail, within 2 weeks of receiving the request, a copy of its application for tax exemption and annual information returns to the requester instead of allowing an inspection, and
- Can charge the requester for copying and actual postage costs only if the requester consents to the charge.

An organization that has a permanent office, but has no office hours, or very limited hours during certain times of the year, must make its documents available during those periods when office hours are limited, or not available, as though it were an organization without a permanent office.

Special Rules Relating to Copies

Time and place for providing copies in response to requests made in-person. A tax-exempt organization must:

- Provide copies of required documents under section 6104(d) in response to a request made in person at its principal, regional and district offices during regular business hours, and
- Provide such copies to a requester on the day the request is made, except for unusual circumstances (see below).

Unusual circumstances. In the case of an in-person request, where unusual circumstances exist so that fulfilling the request on the same business day causes an unreasonable burden to the tax-exempt organization, the organization must provide the copies no later than the next business day following the day that the unusual circumstances cease to exist, or the 5th business day after the date of the request, whichever occurs first.

Unusual circumstances include:

- Requests received that exceed the organization's daily capacity to make copies;
- Requests received shortly before the end of regular business hours that require an extensive amount of copying; or
- Requests received on a day when the organization's managerial staff capable of fulfilling the request is conducting special duties, such as student registration or attending an off-site meeting or convention, rather than its regular administrative duties.

Agents for providing copies. For rules relating to use of agents to provide copies, see Regulations sections 301.6104(d)-1(d)(1)(iii) and 1(d)(2)(ii)(C).

Request for copies in writing. A tax-exempt organization must honor a written request for a copy of documents (or the requested part) required under section 6104(d) if the request:

1. Is addressed to, and delivered by mail, electronic mail, facsimile, or a private delivery service, as defined in section 7502(f), to a principal, regional, or district office of the organization; and
2. Sets forth the address to which the copy of the documents should be sent.

Time and manner of fulfilling written requests

IF the organization	THEN the organization
Receives a written request for a copy,	Must mail the copy of the requested documents (or the requested parts) within 30 days from the date it receives the request.
Mails the copy of the requested document,	Is deemed to have provided the copy on the postmark date or private delivery mark (if sent by certified or registered mail, the date of registration or the date of the postmark on the sender's receipt).
Requires payment in advance,	Is required to provide the copies within 30 days from the date it receives payment.
Receives a request or payment by mail,	Is deemed to have received it 7 days after the date of the postmark, absent evidence to the contrary.
Receives a request transmitted by electronic mail or facsimile,	Is deemed to have received it the day the request is transmitted successfully.
Receives a written request without payment or with an insufficient payment, when payment in advance is required,	Must notify the requester of the prepayment policy and the amount due within 7 days from the date of the request's receipt.
Receives consent from an individual making a request,	Can provide a copy of the requested document exclusively by electronic mail (the material is provided on the date the organization successfully transmits the electronic mail).

Request for a copy of parts of a document. A tax-exempt organization must fulfill a request for a copy of the organization's entire application for tax exemption or annual information return or any specific part or schedule of its application or return. A request for a copy of less than the entire application or less than the entire return must specifically identify the requested part or schedule.

Fees for copies. A tax-exempt organization can charge a reasonable fee for providing copies. Before the organization provides the documents, it can require that the individual requesting copies of the documents pay the fee. If the organization has provided an individual making a request with notice of the fee, and the individual does not pay the fee within 30 days, or if the individual pays the fee by check and the check does not clear upon deposit, the organization can disregard the request.

Form of payment—(A) Request made in person. If a tax-exempt organization charges a fee for copying, it must accept payment by cash and money order for requests made in person. The organization can accept other forms of payment, such as credit cards and personal checks.

(B) Request made in writing. If a tax-exempt organization charges a fee for copying and postage, it must accept payment by certified check, money order, and either personal check or credit card for requests made in writing. The organization can accept other forms of payment.

Avoidance of unexpected fees. Where a tax-exempt organization does not require prepayment and a requester does not enclose payment with a request, an organization must receive consent from a requester before providing copies for which the fee charged for copying and postage exceeds \$20.

Documents to be provided by regional and district offices. Except as otherwise provided, a regional or district office of a tax-exempt organization must satisfy the same rules as the principal office with respect to allowing public inspection and providing copies of its application for tax exemption and annual information returns.

A regional or district office is not required, however, to make its annual information return available for inspection or to provide copies until 30 days after the date the return is required to be filed (including any extension of time that is granted for filing such return) or is actually filed, whichever is later.

Documents Provided by Local and Subordinate Organizations

Applications for tax exemption. Except as otherwise provided, a tax-exempt organization that did not file its own application for tax exemption (because it is a local or subordinate organization covered by a group exemption letter) must, upon request, make available for public inspection, or provide copies of, the application submitted to the IRS by the central or parent organization to obtain the group exemption letter and those documents which were submitted by the central or parent organization to include the local or subordinate organization in the group exemption letter.

However, if the central or parent organization submits to the IRS a list or directory of local or subordinate organizations covered by the group exemption letter, the local or subordinate organization is required to provide only the application for the group exemption ruling and the pages of the list or directory that specifically refer to it. The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day. See Regulations section 301.6104(d)-1(f) for further information.

Annual information returns. A local or subordinate organization that does not file its own annual information return (because it is affiliated with a central or parent organization that files a group return) must, upon request, make available for public inspection, or provide copies of, the group returns filed by the central or parent organization.

However, if the group return includes separate schedules with respect to each local or subordinate organization included in the group return, the local or subordinate organization receiving the request can omit any schedules relating only to other organizations included in the group return.

The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day.

In a case where the requester seeks inspection, the local or subordinate organization can mail a copy of the applicable documents to the requester within the same time period instead of allowing an inspection. In such a case, the organization can charge the requester for copying and actual postage costs only if the requester consents to the charge.

If the local or subordinate organization receives a written request for a copy of its annual information return, it must fulfill the request by providing a copy of the group return in the time and manner specified in *Request for copies in writing* on page 27.

The requester has the option of requesting from the central or parent organization, at its principal office, inspection or copies of group returns filed by the central or parent organization. The central or parent organization must fulfill such requests in the time and manner specified in *Special Rules Relating to Public Inspection* and *Special Rules Relating to Copies* on page 27.

Failure to comply. If an organization fails to comply with the requirements specified in this paragraph, the penalty provisions of sections 6652(c)(1)(C), 6652(c)(1)(D), and 6685 apply.

Making Applications and Returns Widely Available

A tax-exempt organization is not required to comply with a request for a copy of its application for tax exemption or an

annual information return if the organization has made the requested document widely available (see below).

An organization that makes its application for tax exemption and/or annual information return widely available must nevertheless make the document available for public inspection as required under Regulations section 301.6104(d)-1(a).

A tax-exempt organization makes its application for tax exemption and/or an annual information return widely available if the organization complies with the Internet posting requirements and the notice requirements given below.

Internet posting. A tax-exempt organization can make its application for tax exemption and/or an annual information return widely available by posting the document on a World Wide Web page that the tax-exempt organization establishes and maintains or by having the document posted, as part of a database of similar documents of other tax-exempt organizations, on a World Wide Web page established and maintained by another entity. The document will be considered widely available only if:

- The World Wide Web page through which it is available clearly informs readers that the document is available and provides instructions for downloading it;
- The document is posted in a format that, when accessed, downloaded, viewed and printed in hard copy, exactly reproduces the image of the application for tax exemption or annual information return as it was originally filed with the IRS, except for any information permitted by statute to be withheld from public disclosure; and
- Any individual with access to the Internet can access, download, view and print the document without special computer hardware or software required for that format (other than software that is readily available to members of the public without payment of any fee) and without payment of a fee to the tax-exempt organization or to another entity maintaining the World Wide Web page.

Reliability and accuracy. In order for the document to be widely available through an Internet posting, the entity maintaining the World Wide Web page must have procedures for ensuring the reliability and accuracy of the document that it posts on the page and must take reasonable precautions to prevent alteration, destruction or accidental loss of the document when posted on its page. In the event that a posted document is altered, destroyed or lost, the entity must correct or replace the document.

Notice requirement. If a tax-exempt organization has made its application for tax exemption and/or an annual information return widely available, it must notify any individual requesting a copy where the documents are available (including the address on the World Wide Web, if applicable). If the request is made in person, the organization must provide such notice to the individual immediately. If the request is made in writing, the notice must be provided within 7 days of receiving the request.

Tax-Exempt Organization Subject to Harassment Campaign

If the Director, EO Examination (or designee) determines that the organization is being harassed, a tax-exempt organization is not required to comply with any request for copies that it reasonably believes is part of a harassment campaign.

Whether a group of requests constitutes a harassment campaign depends on the relevant facts and circumstances such as:

- A sudden increase in requests;
- An extraordinary number of requests by form letters or similarly worded correspondence;
- Hostile requests;
- Evidence showing bad faith or deterrence of the organization's exempt purpose;
- Prior provision of the requested documents to the purported harassing group; and
- A demonstration that the organization routinely provides copies of its documents upon request.

A tax-exempt organization can disregard any request for copies of all or part of any document beyond the first two received within any 30-day period or the first four received within any 1-year period from the same individual or the same address, regardless of whether the Director, EO Examination (or designee) has determined that the organization is subject to a harassment campaign.

A tax-exempt organization can apply for a determination that it is the subject of a harassment campaign and that compliance with requests that are part of the campaign would not be in the public interest by submitting a signed application to the Director, EO Examination (or designee) for the area where the organization's principal office is located.

In addition, the organization can suspend compliance with any request it reasonably believes to be part of the harassment campaign until it receives a response to its application for a harassment campaign determination. However, if the Director, EO Examination (or designee) determines that the organization did not have a reasonable basis for requesting a determination that it was subject to a harassment campaign or reasonable belief that a request was part of the campaign, the officer, director, trustee, employee, or other responsible individual of the organization remains liable for any penalties for not providing the copies in a timely fashion. See Regulations section 301.6104(d)-3.

Appendix E: Section 4958 Excess Benefit Transactions

The intermediate sanction regulations are important to the exempt organization community as a whole, and for ensuring compliance in this area. The rules provide a roadmap by which an organization can steer clear of situations that may give rise to inurement.

Under section 4958, any disqualified person who benefits from an excess benefit transaction with an applicable tax-exempt organization is liable for a 25% tax on the excess benefit. The disqualified person is also liable for a 200% tax on the excess benefit if the excess benefit is not corrected by a certain date. Also, organization managers who participate in an excess benefit transaction knowingly, willfully, and without reasonable cause are liable for a 10% tax on the excess benefit, not to exceed \$20,000 for all participating managers on each transaction.

Applicable Tax-Exempt Organization

These rules only apply to certain applicable section 501(c)(3) and 501(c)(4) organizations. An *applicable tax-exempt organization* is a section 501(c)(3) or a section 501(c)(4) organization that is tax exempt under section 501(a), or was such an organization at any time during a 5-year period ending on the day of the excess benefit transaction.

An applicable tax-exempt organization does not include:

- A private foundation as defined in section 509(a),
- A governmental entity that is exempt from (or not subject to) taxation without regard to section 501(a) or relieved from filing an annual return under Regulations section 1.6033-2(g)(6), and
- Certain foreign organizations.

An organization is not treated as a section 501(c)(3) or 501(c)(4) organization for any period covered by a final determination that the organization was not tax-exempt under section 501(a), so long as the determination was not based on private inurement or one or more excess benefit transactions.

Disqualified Person

The vast majority of section 501(c)(3) or 501(c)(4) organization employees and independent contractors will not be affected by these rules. Only the few influential persons within these organizations are covered by these rules when they receive benefits, such as compensation, fringe benefits, or contract payments. The IRS calls this class of covered individuals disqualified persons.

A *disqualified person*, regarding any transaction, is any person who was in a position to exercise substantial influence

over the affairs of the applicable tax-exempt organization at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization. This would include, for example, voting members of the governing body, and persons holding the power of:

- Presidents, chief executive officers, or chief operating officers, and
- Treasurers and chief financial officers.

A disqualified person also includes certain family members of a disqualified person, and 35% controlled entities of a disqualified person.

The following persons are considered disqualified persons with respect to the following organizations, along with certain family members and 35% controlled entities associated with them:

- With respect to a transaction involving a donor advised fund, a donor or donor advisor of that donor advised fund,
- With respect to a donor advised fund sponsoring organization, an investment advisor of the sponsoring organization, and
- With respect to a supported organization of a section 509(a)(3) supporting organization, the disqualified persons of the section 509(a)(3) supporting organization.

With respect to a section 509(a)(3) supporting organization, substantial contributors to the supporting organization are also considered disqualified persons along with their family members and 35% controlled entities.

See the instructions for Form 4720, Schedule I for more information regarding these disqualified persons.

Who is not a disqualified person? The rules also clarify which persons are not considered to be in a position to exercise substantial influence over the affairs of an organization. They include:

- An employee who receives benefits that total less than the highly compensated amount (\$100,000 in 2007, \$105,000 in 2008, \$110,000 in 2009) and who does not hold the executive or voting powers just mentioned; is not a family member of a disqualified person; and is not a substantial contributor;
- Tax-exempt organizations described in section 501(c)(3); and
- Section 501(c)(4) organizations with respect to transactions engaged in with other section 501(c)(4) organizations.

Who else can be considered a disqualified person? Other persons not described above can also be considered disqualified persons, depending on all the relevant facts and circumstances.

Facts and circumstances tending to show substantial influence.

- The person founded the organization.
- The person is a substantial contributor to the organization under the section 507(d)(2)(A) definition, only taking into account contributions to the organization for the past 5 years.
- The person's compensation is primarily based on revenues derived from activities of the organization that the person controls.
- The person has or shares authority to control or determine a substantial portion of the organization's capital expenditures, operating budget, or compensation for employees.
- The person manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.
- The person owns a controlling interest (measured by either vote or value) in a corporation, partnership, or trust that is a disqualified person.
- The person is a nonstock organization controlled directly or indirectly by one or more disqualified persons.

Facts and circumstances tending to show no substantial influence.

- The person is an independent contractor whose sole relationship to the organization is providing professional advice (without having decision-making authority) with respect to

transactions from which the independent contractor will not economically benefit.

- The person has taken a vow of poverty.
- Any preferential treatment the person receives based on the size of the person's donation is also offered to others making comparable widely solicited donations.
- The direct supervisor of the person is not a disqualified person.
- The person does not participate in any management decisions affecting the organization as a whole or a discrete segment of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.

What about persons who staff affiliated organizations? In the case of multiple affiliated organizations, the determination of whether a person has substantial influence is made separately for each applicable tax-exempt organization. A person can be a disqualified person with respect to more than one organization in the same transaction.

Excess Benefit Transaction

An *excess benefit transaction* generally is a transaction in which an economic benefit is provided by an applicable tax-exempt organization, directly or indirectly, to or for the use of any disqualified person, and the value of the economic benefit provided by the applicable tax-exempt organization exceeds the value of the consideration (including the performance of services) received for providing such benefit, but see the special rules below for donor advised funds and supporting organizations. An excess benefit transaction also can occur when a disqualified person embezzles from the exempt organization.

To determine whether an excess benefit transaction has occurred, all consideration and benefits exchanged between a disqualified person and the applicable tax-exempt organization, and all entities it controls, are taken into account.

For purposes of determining the value of economic benefits, the value of property, including the right to use property, is the fair market value. Fair market value is the price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

Donor advised funds. For a donor advised fund, an excess benefit transaction includes a grant, loan, compensation, or similar payment from the fund to a:

- Donor or donor advisor,
- Family member of a donor or donor advisor,
- 35% controlled entity of a donor or donor advisor, or
- 35% controlled entity of a family member of a donor or donor advisor.

For these transactions, the excess benefit is defined as the amount of the grant, loan, compensation, or similar payment. For additional information, see the Instructions for Form 4720.

Supporting organizations. For any supporting organization defined in section 509(a)(3), an excess benefit transaction includes grants, loans, compensation, or similar payment provided by the supporting organization to a:

- Substantial contributor,
- Family member of a substantial contributor,
- 35% controlled entity of a substantial contributor, and
- 35% controlled entity of a family member of a substantial contributor.

Additionally, an excess benefit transaction includes any loans provided by the supporting organization to a disqualified person (other than an organization described in section 509(a)(1), (2), or (4)).

A substantial contributor is any person who contributed or bequeathed an aggregate of more than \$5,000 to the organization, if that amount is more than 2% of the total contributions and bequests received by the organization before

the end of the tax year of the organization in which the contribution or bequest is received by the organization from such person. In the case of a trust, a substantial contributor also means the creator of the trust.

The excess benefit for substantial contributors and parties related to those contributors includes the amount of the grant, loan, compensation, or similar payment. For additional information, see the Instructions for Form 4720.

When does an excess benefit transaction usually occur?

An excess benefit transaction occurs on the date the disqualified person receives the economic benefit from the organization for federal income tax purposes. However, when a single contractual arrangement provides for a series of compensation payments or other payments to a disqualified person during the disqualified person's tax year, any excess benefit transaction with respect to these payments occurs on the last day of the taxpayer's tax year.

In the case of the transfer of property subject to a substantial risk of forfeiture, or in the case of rights to future compensation or property, the transaction occurs on the date the property, or the rights to future compensation or property, is not subject to a substantial risk of forfeiture. Where the disqualified person elects to include an amount in gross income in the tax year of transfer under section 83(b), the excess benefit transaction occurs on the date the disqualified person receives the economic benefit for federal income tax purposes.

Section 4958 applies only to post-September 1995 transactions. Section 4958 applies the general rules to excess benefit transactions occurring on or after September 14, 1995. Section 4958 does not apply to any transaction occurring pursuant to a written contract that was binding on September 13, 1995, and at all times thereafter before the transaction occurs. The special rules relevant to transactions with supporting organizations apply to transactions occurring after July 25, 2006, while the special rules relevant to transactions with donor advised funds apply to transactions occurring after August 17, 2006.

What is Reasonable Compensation?

Reasonable compensation is the valuation standard that is used to determine if there is an excess benefit in the exchange of a disqualified person's services for compensation.

Reasonable compensation is the value that would ordinarily be paid for like services by like enterprises under like circumstances. This is the section 162 standard that will apply in determining the reasonableness of compensation. The fact that a bonus or revenue-sharing arrangement is subject to a cap is a relevant factor in determining the reasonableness of compensation.

For determining the reasonableness of compensation, all items of compensation provided by an applicable tax-exempt organization in exchange for the performance of services are taken into account in determining the value of compensation (except for certain economic benefits that are disregarded, as discussed in *What benefits are disregarded* on page 31). Items of compensation include:

- All forms of cash and noncash compensation, including salary, fees, bonuses, severance payments, and deferred and noncash compensation;
- The payment of liability insurance premiums for, or the payment or reimbursement by the organization of taxes or certain expenses under section 4958, unless excludable from income as a *de minimis* fringe benefit under section 132(a)(4). (A similar rule applies in the private foundation area.) Inclusion in compensation for purposes of determining reasonableness under section 4958 does not control inclusion in income for income tax purposes;
- All other compensatory benefits, whether or not included in gross income for income tax purposes;
- Taxable and nontaxable fringe benefits, except fringe benefits described in section 132; and
- Foregone interest on loans.

Written intent required to treat benefits as compensation. An economic benefit is not treated as consideration for the performance of services unless the organization providing the benefit clearly indicates its intent to treat the benefit as compensation when the benefit is paid.

An applicable tax-exempt organization (or entity that it controls) is treated as clearly indicating its intent to provide an economic benefit as compensation for services only if the organization provides written substantiation that is contemporaneous with the transfer of the economic benefits under consideration. Ways to provide contemporaneous written substantiation of its intent to provide an economic benefit as compensation include:

- The organization produces a signed written employment contract;
- The organization reports the benefit as compensation on an original Form W-2, Form 1099, Form 990, or 990-EZ, or on an amended form filed prior to the start of an IRS examination; or
- The disqualified person reports the benefit as income on the person's original Form 1040 or on an amended form filed prior to the start of an IRS examination.

Exception. To the extent the economic benefit is excluded from the disqualified person's gross income for income tax purposes, the applicable tax-exempt organization is not required to indicate its intent to provide an economic benefit as compensation for services. (For example, employer provided health benefits, and contributions to qualified plans under section 401(a).)

What benefits are disregarded? The following economic benefits are disregarded for purposes of section 4958.

- Nontaxable fringe benefits, for example, an economic benefit that is excluded from income under section 132.
- Benefits to volunteers, for example, an economic benefit provided to a volunteer for the organization if the benefit is provided to the general public in exchange for a membership fee or contribution of \$75 or less per year.
- Benefits to members or donors, for example, an economic benefit provided to a member of an organization due to the payment of a membership fee, or to a donor as a result of a deductible contribution, if a significant number of nondisqualified persons make similar payments or contributions and are offered a similar economic benefit.
- Benefits to a charitable beneficiary, for example, an economic benefit provided to a person solely as a member of a charitable class that the applicable tax-exempt organization intends to benefit as part of the accomplishment of its exempt purpose.
- Benefits to a governmental unit, for example, a transfer of an economic benefit to or for the use of a governmental unit, as defined in section 170(c)(1), if exclusively for public purposes.

Is there an exception for initial contracts? Section 4958 does not apply to any fixed payment made to a person pursuant to an initial contract. This is a very important exception, since it would potentially apply, for example, to all initial contracts with new, previously unrelated officers and contractors.

An *initial contract* is a binding written contract between an applicable tax-exempt organization and a person who was not a disqualified person immediately prior to entering into the contract.

A *fixed payment* is an amount of cash or other property specified in the contract, or determined by a fixed formula that is specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property.

A *fixed formula* can, in general, incorporate an amount that depends upon future specified events or contingencies, as long as no one has discretion when calculating the amount of a payment or deciding whether to make a payment (such as a bonus).

Treatment as new contract. A binding written contract providing that it can be terminated or canceled by the applicable tax-exempt organization without the other party's consent (except as a result of substantial non-performance) and without substantial penalty, is treated as a new contract, as of the

earliest date that any termination or cancellation would be effective. Also, a contract in which there is a material change, which includes an extension or renewal of the contract (except for an extension or renewal resulting from the exercise of an option by the disqualified person), or a more than incidental change to the amount payable under the contract, is treated as a new contract as of the effective date of the material change. Treatment as a new contract can cause the contract to fall outside the initial contract exception, and it thus would be tested under the fair market value standards of section 4958.

Rebuttable Presumption of Reasonableness

Payments under a compensation arrangement are presumed to be reasonable and the transfer of property (or right to use property) is presumed to be at fair market value, if the following three conditions are met.

1. The transaction is approved by an authorized body of the organization (or an entity it controls) which is composed of individuals who do not have a conflict of interest concerning the transaction.

2. Prior to making its determination, the authorized body obtained and relied upon appropriate data as to comparability. There is a special safe harbor for small organizations. If the organization has gross receipts of less than \$1 million, appropriate comparability data includes data on compensation paid by three comparable organizations in the same or similar communities for similar services.

3. The authorized body adequately documents the basis for its determination concurrently with making that determination. The documentation should include:

- a. The terms of the approved transaction and the date approved;
- b. The members of the authorized body who were present during debate on the transaction that was approved and those who voted on it;
- c. The comparability data obtained and relied upon by the authorized body and how the data was obtained;
- d. Any actions by a member of the authorized body having a conflict of interest; and
- e. Documentation of the basis for the determination before the later of the next meeting of the authorized body or 60 days after the final actions of the authorized body are taken, and approval of records as reasonable, accurate and complete within a reasonable time thereafter.

Special rebuttable presumption rule for nonfixed payments.

As a general rule, in the case of a nonfixed payment, no rebuttable presumption arises until the exact amount of the payment is determined, or a fixed formula for calculating the payment is specified, and the three requirements creating the presumption have been satisfied. However, if the authorized body approves an employment contract with a disqualified person that includes a nonfixed payment (for example, discretionary bonus) with a specified cap on the amount, the authorized body can establish a rebuttable presumption as to the nonfixed payment when the employment contract is entered into by, in effect, assuming that the maximum amount payable under the contract will be paid, and satisfying the requirements giving rise to the rebuttable presumption for that maximum amount.

An IRS challenge to the presumption of reasonableness.

The Internal Revenue Service can refute the presumption of reasonableness only if it develops sufficient contrary evidence to rebut the probative value of the comparability data relied upon by the authorized body. This provision gives taxpayers added protection if they faithfully find and use contemporaneous persuasive comparability data when they provide the benefits.

Organizations that do not establish a presumption of reasonableness. An organization can still comply with section 4958 even if it did not establish a presumption of reasonableness. In some cases, an organization may find it impossible or impracticable to fully implement each step of the rebuttable presumption process described above. In such

cases, the organization should try to implement as many steps as possible, in whole or in part, in order to substantiate the reasonableness of benefits as timely and as well as possible. If an organization does not satisfy the requirements of the rebuttable presumption of reasonableness, a facts and circumstances approach will be followed, using established rules for determining reasonableness of compensation and benefit deductions in a manner similar to the established procedures for section 162 business expenses.

Section 4958 Taxes

Tax on disqualified persons. An excise tax equal to 25% of the excess benefit is imposed on each excess benefit transaction between an applicable tax-exempt organization and a disqualified person. The disqualified person who benefited from the transaction is liable for the tax. If the 25% tax is imposed and the excess benefit transaction is not corrected within the taxable period, an additional excise tax equal to 200% of the excess benefit is imposed.

If a disqualified person makes a payment of less than the full correction amount, the 200% tax is imposed only on the unpaid portion of the correction amount. If more than one disqualified person received an excess benefit from an excess benefit transaction, all such disqualified persons are jointly and severally liable for the taxes.

To avoid the imposition of the 200% tax, a disqualified person must correct the excess benefit transaction during the taxable period. The taxable period begins on the date the transaction occurs and ends on the earlier of the date the statutory notice of deficiency is issued or the section 4958 taxes are assessed. This 200% tax can be abated if the excess benefit transaction subsequently is corrected during a 90-day correction period.

Tax on organization managers. An excise tax equal to 10% of the excess benefit may be imposed on the participation of an organization manager in an excess benefit transaction between an applicable tax-exempt organization and a disqualified person. This tax, which cannot exceed \$20,000 with respect to any single transaction, is only imposed if the 25% tax is imposed on the disqualified person, the organization manager knowingly participated in the transaction, and the manager's participation was willful and not due to reasonable cause. There is also joint and several liability for this tax. An organization manager may be liable for both the tax on disqualified persons and on organization managers in appropriate circumstances.

An *organization manager* is any officer, director, or trustee of an applicable tax-exempt organization, or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization, regardless of title. An organization manager is not considered to have participated in an excess benefit transaction where the manager has opposed the transaction in a manner consistent with the fulfillment of the manager's responsibilities to the organization. For example, a director who votes against giving an excess benefit would ordinarily not be subject to this tax.

A person participates in a transaction knowingly if the person has actual knowledge of sufficient facts so that, based solely upon such facts, the transaction would be an excess benefit transaction. Knowing does not mean having reason to know. The organization manager ordinarily will not be considered knowing if, after full disclosure of the factual situation to an appropriate professional, the organization manager relied on the professional's reasoned written opinion on matters within the professional's expertise or if the manager relied on the fact that the requirements for the rebuttable presumption of reasonableness have been satisfied. Participation by an organization manager is willful if it is voluntary, conscious, and intentional. An organization manager's participation is due to reasonable cause if the manager has exercised responsibility on behalf of the organization with ordinary business care and prudence.

Correcting an Excess Benefit Transaction

A disqualified person corrects an excess benefit transaction by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. The organization is not required to rescind the underlying agreement; however, the parties may need to modify an ongoing contract with respect to future payments.

A disqualified person corrects an excess benefit by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit; the interest rate can be no lower than the applicable Federal rate. There is an anti-abuse rule to prevent the disqualified person from effectively transferring property other than cash or cash equivalents.

Exception. For a correction of an excess benefit transaction described in *Donor advised funds* (discussed earlier), no amount repaid in a manner prescribed by the Secretary can be held in a donor advised fund.

Property. With the agreement of the applicable tax-exempt organization, a disqualified person can make a payment by returning the specific property previously transferred in the excess benefit transaction. The return of the property is considered a payment of cash (or cash equivalent) equal to the lesser of:

- The fair market value of the property on the date the property is returned to the organization, or
- The fair market value of the property on the date the excess benefit transaction occurred.

Insufficient payment. If the payment resulting from the return of the property is less than the correction amount, the disqualified person must make an additional cash payment to the organization equal to the difference.

Excess payment. If the payment resulting from the return of the property exceeds the correction amount described above, the organization can make a cash payment to the disqualified person equal to the difference.

Churches and Section 4958

The regulations make it clear that the IRS will apply the procedures of section 7611 when initiating and conducting any inquiry or examination into whether an excess benefit transaction has occurred between a church and a disqualified person.

Revenue Sharing Transactions

Proposed intermediate sanction regulations were issued in 1998. The proposed regulations had special provisions covering "any transaction in which the amount of any economic benefit provided to or for the use of a disqualified person is determined in whole or in part by the revenues of one or more activities of the organization. . ." — so-called revenue-sharing transactions. Rather than setting forth additional rules on revenue-sharing transactions, the final regulations reserve this section. Consequently, until the Service issues new regulations for this reserved section on revenue-sharing transactions, these transactions will be evaluated under the general rules (for example, the fair market value standards) that apply to all contractual arrangements between applicable tax-exempt organizations and their disqualified persons.

Revocation of Exemption and Section 4958

Section 4958 does not affect the substantive standards for tax exemption under section 501(c)(3) or section 501(c)(4), including the requirements that the organization be organized and operated exclusively for exempt purposes, and that no part of its net earnings inure to the benefit of any private shareholder or individual. The legislative history indicates that in most instances, the imposition of this intermediate sanction will be in lieu of revocation. The IRS has indicated that the following factors will be considered (among other facts and circumstances) in determining whether to revoke an applicable

tax-exempt organization's exemption status where an excess benefit transaction has occurred.

- The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred.
- The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes.
- Whether the organization has been involved in multiple excess benefit transactions with one or more persons.
- Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions.
- Whether the excess benefit transaction has been corrected, or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

Appendix F: Forms and Publications To File or Use

Internet. You can access the IRS website 24 hours a day, 7 days a week, at www.irs.gov to:

- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email.

DVD for tax products. You can order Pub. 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Bonus: Historical Tax Products DVD-Ships with the final release.
- Tax Map: An electronic research tool and finding aid.
- Tax law frequently asked questions (FAQs).
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- The DVD which is released twice during the year.
 1. The first release will ship the beginning of January 2010.
 2. The final release will ship the beginning of March 2010.

Purchase the DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for \$30 (plus a \$6 handling fee).

By phone and in person. You can order forms and publications by calling 1-800-TAX-FORM (1-800-829-3676). You can also get most forms and publications at your local IRS office.

Other Forms That May Be Required

Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support.

Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors.

Schedule C (Form 990 or 990-EZ), Political Campaign and Lobbying Activities.

Schedule E (Form 990 or 990-EZ), Schools.

Schedule G (Form 990 or 990-EZ), Supplemental Information Regarding Fundraising or Gaming Activities.

Schedule L (Form 990 or 990-EZ), Transactions with Interested Persons.

Schedule N (Form 990 or 990-EZ), Liquidation, Termination, Dissolution or Significant Disposition of Assets.

Forms W-2 and W-3, Wage and Tax Statement; and Transmittal of Wage and Tax Statements.

Form W-9, Request for Taxpayer Identification Number and Certification.

Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation.

Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return.

Form 941, Employer's QUARTERLY Federal Tax Return. Used to report social security, Medicare, and income taxes withheld by an employer and social security and Medicare taxes paid by an employer.

Form 943, Employer's Annual Tax Return for Agricultural Employees.

Trust fund recovery penalty. If certain excise, income, social security, and Medicare taxes that must be collected or withheld are not collected or withheld, or these taxes are not paid to the IRS, a trust fund recovery penalty may apply. The trust fund recovery penalty may be imposed on all persons (including volunteers) who the IRS determines were responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so.

This penalty does not apply to volunteer unpaid members of any board of trustees or directors of a tax-exempt organization, if these members are solely serving in an honorary capacity, do not participate in the day-to-day or financial activities of the organization, and do not have actual knowledge of the failure to collect, account for, and pay over these taxes. However, the preceding sentence does not apply if it results in no person being liable for the penalty.

The penalty is equal to the unpaid trust fund tax. See Pub. 15 (Circular E), Employer's Tax Guide, for more details, including the definition of responsible persons.

Form 990-T, Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of \$1,000 or more from business unrelated to the organization's exempt purpose. The Form 990-T is also filed to pay the section 6033(e)(2) proxy tax. For Form 990, see Part V, line 3 and its instructions; for Form 990-EZ, see Part V, line 35 and its instructions.

Form 990-W, Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

Form 1024, Application for Recognition of Exemption Under Section 501(a).

Form 1040, U.S. Individual Income Tax Return.

Form 1041, U.S. Income Tax Return for Estates and Trusts. Required of section 4947(a)(1) nonexempt charitable trusts that also file Form 990 or 990-EZ. However, if such a trust does not have any taxable income under Subtitle A of the Code, it can file Form 990 or 990-EZ, and does not have to file Form 1041 to meet its section 6012 filing requirement. If this condition is met, complete Form 990 or 990-EZ, and do not file Form 1041.

Form 1096, Annual Summary and Transmittal of U.S. Information Returns.

Form 1098 series. Information returns to report mortgage interest, student loan interest, qualified tuition and related expenses received, and a contribution of a qualified vehicle that has a claimed value of more than \$500.

Form 1099 series. Information returns to report acquisitions or abandonments of secured property, proceeds from broker and barter exchange transactions, cancellation of debt, dividends and distributions, certain government and state qualified tuition program payments, taxable distributions from cooperatives, interest payments, payments of long-term care and accelerated death benefits, miscellaneous income payments, distributions from an HSA, Archer MSA or Medicare Advantage MSA, original issue discount, distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc., and proceeds from real estate transactions. Also, use certain of these returns to report amounts that were received as a nominee on behalf of another person.

Form 1120-POL, Income Tax Return for Certain Political Organizations

Form 1128, Application To Adopt, Change, or Retain a Tax Year.

Form 2848, Power of Attorney and Declaration of Representative.

Form 3115, Application for Change in Accounting Method.

Form 3520, Annual Return To Report Transaction With Foreign Trusts and Receipt of Certain Foreign Gifts.

Form 4506, Request for Copy of Tax Return.

Form 4506-A, Request for Public Inspection or Copy of Exempt or Political Organization IRS Form.

Form 4562, Depreciation and Amortization.

Form 4720, Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code.

Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations.

Form 5500, Annual Return/Report of Employee Benefit Plan.

Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file the Form 5500. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax.

Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.

Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns.

Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues.

Form 8282, Donee Information Return. Required of the donee of charitable deduction property who sells, exchanges, or otherwise disposes of donated property within 3 years after receiving it. The form is also required of any successor donee who disposes of charitable deduction property within 3 years after the date that the donor gave the property to the original donee. It does not matter who gave the property to the successor donee. It may have been the original donee or another successor donee.

Form 8274, Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption from Employer Social Security and Medicare Taxes.

Form 8283, Noncash Charitable Contributions.

Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business. Used to report cash amounts in excess of \$10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162). However, if the organization receives a charitable cash contribution in excess of \$10,000, it is not subject to the reporting requirement since the funds were not received in the course of a trade or business.

Form 8328, Carryforward Election of Unused Private Activity Bond Volume Cap.

Form 8718, User Fee for Exempt Organization Determination Letter Request.

Form 8821, Tax Information Authorization.

Form 8822, Change of Address. Used to notify the IRS of a change in mailing address that occurs after the return is filed.

Form 8868, Application for Extension of Time to File an Exempt Organization Return.

Form 8871, Political Organization Notice of Section 527 Status.

Form 8872, Political Organization Report of Contributions and Expenditures.

Form 8886, Reportable Transaction Disclosure Statement.

Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction.

Form 8899, Notice of Income from Donated Intellectual Property. Used to report net income from qualified intellectual property to the IRS and the donor.

Form 8921, Applicable Insurance Contracts Information Return.

Form SS-4, Application for Employer Identification Number.

Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.

Helpful Publications

Publication 15, (Circular E), Employer's Tax Guide.

Publication 15-A, Employer's Supplemental Tax Guide (Fringe Benefits).

Publication 463, Travel, Entertainment, Gift, and Car Expenses.

Publication 525, Taxable and Nontaxable Income.

Publication 526, Charitable Contributions.

Publication 538, Accounting Periods and Methods.

Publication 557, Tax-Exempt Status for Your Organization.

Publication 561, Determining the Value of Donated Property.

Publication 598, Tax on Unrelated Business Income of Exempt Organizations.

Publication 892, Organization Appeal Procedures for Unagreed Issues.

Publication 910, IRS Guide to Free Tax Services.

Publication 946, How To Depreciate Property.

Publication 947, Practice Before the IRS and Power of Attorney.

Publication 1771, Charitable Contributions— Substantiation and Disclosure Requirements.

Publication 1779, Employee Independent Contractor Brochure.

Publication 1828, Tax Guide for Churches and Religious Organizations.

Publication 3079, Gaming Publication for Tax-Exempt Organizations.

Publication 3386, Tax Guide for Veterans' Organizations.

Publication 3833, Disaster Relief, Providing Assistance through Charitable Organizations.

Publication 4220, Applying for 501(c)(3) Tax-Exempt Status.

Publication 4221-PC, Compliance Guide for 501(c)(3) Public Charities.

Publication 4221-PF, Compliance Guide for 501(c)(3) Private Foundations.

Publication 4302, A Charity's Guide to Vehicle Donations.

Publication 4303, A Donor's Guide to Vehicle Donations.

Publication 4630, Exempt Organizations Products and Services Navigator.

Appendix G: Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements

Some states and local government units will accept a copy of Form 990 or 990-EZ in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected. If the organization uses Form 990 or 990-EZ to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following discussions.

Determine State Filing Requirements

The organization can consult the appropriate officials of all states and other jurisdictions in which it does business to determine their specific filing requirements. Doing business in a jurisdiction can include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; (d) maintaining a checking account; or (e) owning or renting property there.

Monetary Tests May Differ

Some or all of the dollar limitations applicable to Form 990 or 990-EZ when filed with the IRS may not apply when using Form 990 or 990-EZ in place of state or local report forms. Examples of the IRS dollar limitations that do not meet some state requirements are the normally \$25,000 gross receipts minimum that creates an obligation to file with the IRS and the \$100,000 minimum for listing independent contractors in Form 990, Part VII, Section B, or Form 990-EZ, Part VI, line 51.

Additional Information May Be Required

State or local filing requirements may require the organization to attach to Form 990 or 990-EZ one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in net assets; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990 or 990-EZ filed with the IRS.

Even if the Form 990 or 990-EZ that the organization files with the IRS is accepted by the IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if (1) required information is not provided, including any of the additional information discussed above, or (2) the state determines that the form was not completed by following the applicable Form 990 or 990-EZ instructions or supplemental state instructions. In such case, the state may ask the organization to provide the missing information or to submit an amended return.

Use Of Audit Guides May Be Required

To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, grants, similar amounts, and functional expenses be reported according to the AICPA industry audit and accounting guide, Not-for-Profit Organizations (New York, NY, AICPA, 2003), supplemented by Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (Washington, DC, National Health Council, Inc., 1998, 4th edition).

Donated Services And Facilities

Even though reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by the two publications named above, many states and the IRS do not permit the inclusion of those amounts in Parts VIII and IX of Form 990 or Part I of Form 990-EZ. The optional reporting of donated services and facilities is discussed in the instructions for Part III for Form 990 and 990-EZ.

Amended Returns

If the organization submits supplemental information or files an amended Form 990 or 990-EZ with the IRS, it must also send a copy of the information or amended return to any state with which it filed a copy of Form 990 or 990-EZ originally to meet that state's filing requirement. If a state requires the organization to file an amended Form 990 or 990-EZ to correct conflicts with the Form 990 or 990-EZ instructions, the organization must also file an amended return with the IRS.

Method of Accounting

Most states require that all amounts be reported based on the accrual method of accounting. See also *General Instruction D*.

Time For Filing May Differ

The deadline for filing Form 990 or 990-EZ with the IRS differs from the time for filing reports with some states.

Public Inspection

The Form 990 or 990-EZ information made available for public inspection by the IRS may differ from that made available by the states, such as Schedule B (Form 990, 990-EZ, or 990-PF).

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. Section 6109 requires return preparers to provide their identifying numbers on the return.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
990-EZ	29 hr., 10 min.	11 hr., 33 min.	14 hr., 24 min.	32 min.
Schedule A (Form 990 or 990-EZ)	39 hr., 56 min.	6 hr., 51 min.	7 hr., 48 min.	-----
Schedule B (Form 990, 990-EZ, or 990-PF)	5 hr., 58 min.	1 hr., 35 min.	1 hr., 45 min.	-----
Schedule C (Form 990 or 990-EZ)	22 hr., 0 min.	42 min.	1 hr., 5 min.	-----
Schedule E (Form 990 or 990-EZ)	5 hr., 30 min.	53 min.	1 hr., 1 min.	-----
Schedule G (Form 990 or 990-EZ)	24 hr., 9 min.	24 min.	48 min.	-----
Schedule L (Form 990 or 990-EZ)	5 hr., 30 min.	1 hr., 5 min.	1 hr., 13 min.	-----
Schedule N (Form 990 or 990-EZ)	7 hr., 53 min.	42 min.	51 min.	-----

We welcome comments on forms. If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave., NW, IR-6526, Washington, DC 20224.

Do not send the form to this address. Instead, see *When, Where, and How To File* in *General Instruction E*.

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Instructions for Schedule A (Form 990 or 990-EZ)

Public Charity Status and Public Support

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule A (Form 990 or 990-EZ) is used by an organization that files Form 990 or Form 990-EZ to provide the required information regarding **public charity** status and public support.

Who Must File

An organization that answered "Yes" to Form 990, Part IV, line 1, must complete and attach Schedule A (Form 990 or 990-EZ) to Form 990. Any section 501(c)(3) organization or section 4947(a)(1) nonexempt charitable trust that files a Form 990-EZ must complete and attach this schedule to Form 990-EZ. These include:

- Organizations that are described in section 501(c)(3) and are **public charities**;
- Organizations that are described in sections 501(e), 501(f), 501(k), or 501(n); and
- **Nonexempt charitable trusts** described in section 4947(a)(1) that are not treated as private foundations.

If an organization is not required to file Form 990 or 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

TIP Any organization that is exempt from tax under section 501(c)(3) but is a private foundation and not a public charity should not file Form 990, Form 990-EZ, or Schedule A (Form 990 or 990-EZ), but should file Form 990-PF. See instructions to Part I.

Accounting Method

When completing Schedule A (Form 990 or 990-EZ), the organization must use the same accounting method it checked on Form 990, Part XI, line 1, or Form 990-EZ, line G. The organization must use this accounting method in reporting all amounts on Schedule A (Form 990 or 990-EZ), regardless of the accounting method it used in completing Schedule A (Form 990 or 990-EZ) for 2008.

If the accounting method the organization used in completing the 2008 Schedule A (Form 990 or 990-EZ) was different from the accounting method checked on the 2009 Form 990, Part XI, line 1, or the 2009 Form 990-EZ, line G, the organization should not report, in either Part II or Part III, the amounts reported in the applicable columns of the 2008 Schedule A (Form 990 or 990-EZ). Instead, the organization should report all amounts in Part II or Part III using the accounting method checked on the 2009 Form 990, Part XI, line 1, or the 2009 Form 990-EZ, line G.

Example 1. An organization checks "Cash" on Form 990, Part XI, line 1. It should report the amounts in Part II or Part III using the cash method. If the organization filed a 2008 Schedule A (Form 990 or 990-EZ) using the cash method, it should report in the 2005 through 2008 columns on the 2009 Schedule A (Form 990 or 990-EZ) the same amounts that it reported in the 2005 through 2008 columns on the 2008 Schedule A (Form 990 or 990-EZ).

Example 2. An organization checks "Accrual" on Form 990, Part XI, line 1. The organization reports grants on Form 990, Part VIII, line 1, in accordance with **SFAS 116** (see instructions for Form 990, Part VIII, line 1). The organization receives a grant to be paid in future years. The organization should report the grants' present value on the 2009 Schedule A (Form 990 or Form 990-EZ). The organization should report accruals of present value increments to the unpaid grant on Schedule A (Form 990 or 990-EZ) in future years.

CAUTION The IRS has eliminated the advance ruling process for section 501(c)(3) organizations described in sections 170(b)(1)(A)(vi) and 509(a)(2). Organizations with an advance ruling that expired on or after June 9, 2008 no longer need to file Form 8734, Support Schedule for Advance Ruling Period, after 5 years to receive a definitive ruling. Organizations described in sections 170(b)(1)(A)(vi) and 509(a)(2) now use a 5-year period that includes the current tax year and the four preceding tax years in computing their public support percentages.

Specific Instructions

Part I. Reason for Public Charity Status

Lines 1–11

Check only one of the boxes on lines 1 through 11 to indicate the reason the organization is a **public charity** for **tax year 2009**. The reason can be the same as stated in the organization's tax-exempt determination letter from the IRS ("exemption letter") or subsequent IRS determination letter, or it can be different. An organization that does not check any of the boxes on lines 1 through 11 should not file Form 990, Form 990-EZ, or Schedule A (Form 990 or 990-EZ) for 2009 but should file Form 990-PF instead.

If an organization believes there is more than one reason why it is a public charity, it should check only one box but can explain the other reasons it qualifies for public charity status in Part IV.

The IRS does not update its records on an organization's public charity status based on a change the organization makes on Schedule A (Form 990 and Form 990-EZ). Thus, an organization that checks a public charity status different from the reason stated in its exemption letter or subsequent determination letter, although not required, may submit a request to the IRS Exempt Organizations Determinations Office for a determination letter confirming that it qualifies for the new public charity status if the organization wants the IRS records to reflect that new public charity status. See Section 9 of Rev. Proc. 2009-4, 2009-1 I.R.B. 118 (or latest annual update) for instructions. No user fee is required to be paid.

A **subordinate organization** of a **group exemption** that is filing its own return, but has not received its own tax exemption determination letter from the IRS, should check the public charity status box which most accurately describes its public charity status.

An organization that does not know the public charity status stated in its exemption letter or subsequent determination letter should call the Exempt Organizations Customer Account Services toll free at 1-877-829-5500 or write to Internal Revenue Service, TE/GE

Customer Account Services, P.O. Box 2508, Cincinnati, OH 45201. See the examples below.

Example 1. The organization received an exemption letter that it is a public charity under section 170(b)(1)(A)(vi). For 2009, it meets the requirements for public charity status under section 170(b)(1)(A)(vi). The organization should check the box on line 7 and complete Part II.

Example 2. The organization received an exemption letter that it is a public charity under section 170(b)(1)(A)(vi). For 2009, it does not meet the requirements for public charity status under section 170(b)(1)(A)(vi). Instead, it meets the requirements for public charity status under section 509(a)(2). The organization should check the box on line 9 and complete Part III.

Example 3. The organization received an exemption letter that it is a public charity under section 509(a)(2). For 2009, it does not meet the requirements for public charity status under section 509(a)(2) or 170(b)(1)(A)(vi). Instead, it meets the requirements for public charity status as a **supporting organization** under section 509(a)(3). The organization should (a) check the box on line 11; (b) check the box on either line 11a, 11b, 11c, or 11d; (c) complete lines 11e through 11g; and (d) complete the table on line 11h.

Example 4. The organization received an exemption letter that it is a **supporting organization** under section 509(a)(3). Based on Announcement 2009-62, 2009-33 I.R.B. 247, the organization submitted a request to the IRS to change its classification to public charity status under section 509(a)(2). The organization received a determination letter that it has been reclassified as a public charity under section 509(a)(2). The organization should check the box on line 9 and complete Part III.

Example 5. The organization received an exemption letter that it is a public charity under section 170(b)(1)(A)(vi). For 2009, it does not meet the requirements for public charity status under section 170(b)(1)(A)(vi) or 509(a)(2), or as a supporting organization under section 509(a)(3). Nor does it meet the requirements for public charity status under any other provision of the Internal Revenue Code. The organization is a **private foundation** and should not file Form 990, Form 990-EZ, or Schedule A (Form 990 or Form 990-EZ) for 2009 but should file Form 990-PF instead.

Line 1. Check the box for a **church**, convention of churches, or association of churches. Pub. 1828, Tax Guide for Churches and Religious Organizations, provides certain characteristics generally attributed to churches. These attributes of a church have been developed by the IRS and by court decisions. They include: distinct legal existence; recognized creed

and form of worship; definite and distinct ecclesiastical government; formal code of doctrine and discipline; distinct religious history; membership not associated with any other church or denomination; organization of ordained ministers; ordained ministers selected after completing prescribed courses of study; literature of its own; established places of worship; regular congregations; regular religious services; Sunday schools for the religious instruction of the young; schools for the preparation of its ministers. The IRS generally uses a combination of these characteristics, together with other facts and circumstances, to determine whether an organization is considered a church for federal tax purposes.

Line 2. Check the box for a **school** whose primary function is the presentation of formal instruction, which regularly has a faculty, a curriculum, an enrolled body of students, and a place where educational activities are regularly conducted. A private school must have a racially nondiscriminatory policy toward its students. For details about these requirements, see Schedule E (Form 990 or 990-EZ), and its related instructions.

TIP An organization that checks the box on line 2 must also complete Schedule E (Form 990 or 990-EZ).

Line 3. Check the box for an organization whose main purpose is to provide hospital or medical care. A rehabilitation institution or an outpatient clinic can qualify as a **hospital** if its principal purposes or functions are the providing of hospital or medical care, but the term does not include medical schools, medical research organizations, convalescent homes, homes for children or the aged, or vocational training institutions for handicapped individuals.

Check the box on line 3 also for a cooperative hospital service organization described in section 501(e).

TIP The definition of hospital for Schedule A (Form 990 or 990-EZ), Part I, is different from the definition for Schedule H (Form 990), Hospitals. Accordingly, see Who Must File in the Instructions for Schedule H (Form 990) regarding whether the organization also is required to complete Schedule H (Form 990), Hospitals.

Line 4. Check the box for an organization whose principal purpose or function is to engage in **medical research**, and that is directly engaged in the continuous active conduct of medical research in conjunction with a hospital. The hospital must be described in section 501(c)(3) or operated by the federal government, a state or its political subdivision, a U.S. possession or its political subdivision, or the District of Columbia.

If the organization primarily gives funds to other organizations (or grants and scholarships to individuals) for them

to do the research, the organization is not a medical research organization.

The organization is not required to be an affiliate of the **hospital**, but there must be a joint effort by the organization and the hospital to maintain continuing close cooperation in the active conduct of medical research.

TIP The definition of medical research for Schedule A (Form 990 or 990-EZ), Part I, is different from the definition for Schedule H (Form 990). Accordingly, research that constitutes medical research for purposes of determining whether an organization is a medical research organization is not necessarily medical research for Schedule H (Form 990) reporting purposes.

Assets test/expenditure test. An organization qualifies as a medical research organization if its principal purpose is medical research, and if it devotes more than half its assets, or spends at least 3.5% of the **fair market value** of its endowment, directly in conducting **medical research**. Either test can be met based on a computation period consisting of the immediately preceding tax year or the immediately preceding 4 tax years.

If an organization does not satisfy either the assets test or the expenditure test, it can still qualify as a medical research organization based on the circumstances involved.

These tests are discussed in Regulations sections 1.170A-9(d)(2)(v) and (vi). Under these tests, value the organization's assets as of any day in its tax year using the same day every year, and value the endowment at fair market value, using commonly accepted valuation methods. See Regulations section 20.2031.

Line 5. Check the box and complete Part II if the organization receives and manages property for and expends funds to benefit a college or university that is owned or operated by one or more states or political subdivisions. The school must be an organization described in the instructions for line 2.

Expending funds to benefit a college or university includes acquiring and maintaining the campus, its buildings and equipment, granting scholarships and student loans, and making any other payments in connection with the normal functions of colleges and universities.

The organization must meet the same public support test described below for line 7. See Rev. Rul. 82-132, 1982-2 C.B. 107.

Line 6. Only a federal, state, or local government or **governmental unit** that has received an exemption letter recognizing it as exempt from tax under section 501(c)(3) should check this box. See Rev. Rul. 60-384, 1960-2 C.B. 172.

Line 7. Check the box and complete Part II if the organization meets one of the

section 170(b)(1)(A)(vi) public support tests. See instructions for Part II regarding how an organization can qualify as a publicly supported organization under section 170(b)(1)(A)(vi).

Line 8. Check the box and complete Part II if the organization is a community trust and meets a section 170(b)(1)(A)(vi) public support test. A community trust is a charity that attracts large **contributions** for the benefit of a particular community or area, often initially from a small number of donors, and is generally governed by representatives of its particular community or area. See Temporary Regulations sections 1.170A-9T(f)(10), (11), and (12).



A community trust claiming it qualifies as a public charity should check the box on line 8 whether it is structured as a corporation or as a trust.

Line 9. Check the box and complete Part III if the organization meets both of the section 509(a)(2) support tests. See the instructions for Part III regarding how an organization can qualify as a publicly supported organization under section 509(a)(2).

Line 10. Check the box only if the organization has received a ruling from the IRS that it is organized and operated primarily to test for public safety.

Line 11. Check the box if the organization is a **supporting organization**. For more information about supporting organizations, see Regulations section 1.509(a)-4, and sections 509(a)(3) and 509(f).

If the organization is a **supporting organization**, it also must check either box 11a, 11b, 11c, or 11d to show the type of supporting organization it is. The organization also must complete lines 11e through 11g, and the table on line 11h.

Lines 11a–11d. Use the information below to determine the **supporting organization's** type. If the organization checks the box on line 11f, the letter the organization received from the IRS identifies its type. If the box checked on any of lines 11a through 11d is different from the type stated in the letter, provide an explanation in Part IV. If the organization does not check the box on line 11f, it should check the box on lines 11a to 11d that best describes the type of supporting organization it is.

• **Type I.** A *Type I* **supporting organization** is operated, supervised, or controlled by one or more publicly **supported organizations**. If the organization can answer “Yes” to the following question, check the box for *Type I*.

Does the **governing body**, officers or membership of the supported public charity(ies) select a majority of the supporting organization's officers, directors, or trustees?

• **Type II.** A *Type II* **supporting organization** is supervised or controlled in connection with one or more publicly

supported organizations. If the organization can answer “Yes” to the following question, check the box for *Type II*.

Do the same persons, such as directors, trustees, and officers, supervise or control the **supported organization(s)** and the supporting organization?

• **Type III—Functionally Integrated.** Check this box if:

1. The organization is not described in *Type I* or *Type II* above;
2. The organization's activities perform the functions of, or carry out the purposes of, the publicly supported organizations; and
3. But for the organization's involvement, such activities would normally be engaged in by the publicly supported organizations themselves.

See Regulations section 1.509(a)-4(i)(3)(ii); Rev. Proc. 2009-32, 2009-28 I.R.B. 142; and any further related guidance for more information.

• **Type III—Other.** Check this box if the organization is not described as a *Type I*, *Type II*, or *Type III — Functionally Integrated* organization.

Line 11e. A section 509(a)(3) **supporting organization** cannot be controlled by **disqualified persons**, other than foundation managers. Section 509(a)(1) or (2) organizations and foundation managers who are disqualified persons only as a result of being foundation managers are not treated as disqualified persons.

Line 11f. The organization's exemption letter or subsequent determination letter may state the type of **supporting organization** it is. If it does, check the box on this line. If the letter does not state the type, leave this line blank.

A grantor to a section 509(a)(3) **supporting organization**, acting in good faith, can rely on this letter in determining whether the organization is a *Type I*, *Type II*, or *Type III* organization. The grantor also can rely on certain representations made by the organization, or can rely on a reasoned written opinion of counsel of either the grantor or the organization that the organization is a functionally integrated *Type III* supporting organization. See Rev. Proc. 2009-32, 2009-28 I.R.B. 142.

Line 11g. This information is necessary to determine whether the organization is controlled by certain donors. Section 509(f)(2), which became effective August 17, 2006, prohibits certain **supporting organizations** from accepting gifts or contributions from certain persons associated with the supported organization of such supporting organization. For example, if a *Type I* or *Type III* supporting organization accepts a gift or contribution from a person who controls the governing body of a supporting organization or from certain related persons, then the supporting

organization loses its status as a supporting organization.

Line 11h. An organization checking a box on line 11 must complete the table on line 11h.

• **Columns (i) and (ii).** Enter the name and employer identification number (**EIN**) for each **supported organization**.

• **Column (iii).** For each supported organization named in column (i), show which line number (from lines 1 through 9) best describes the supported organization. For example, if the organization supported a **hospital**, enter “3” in column (iii). If the organization supported a federal, state, local government, or **governmental unit**, or foreign government, enter “6” in column (iii).

• **Column (iv).** Check “Yes” if the supported organization named in column (i) is specifically named as a supported organization in the organization's declaration of trust, articles of incorporation, or other governing document. An organization that supports non-designated publicly supported organizations and meets the requirements of Regulations section 1.509(a)-4(d)(2)(i) (relating to designating the publicly supported organizations by class or purpose rather than by name) should not complete column (iv) but should provide a statement in Part IV explaining how it meets these requirements.

• **Column (v).** Only *Type III* organizations are required to answer this question. Check “Yes” if the organization notified the supported organization named in column (i) of its support.

• **Column (vi).** Only *Type III* organizations are required to answer this question. Check “Yes” if the supported organization named in column (i) is organized in the United States.

• **Column (vii).** Enter the total amount of monetary support paid to, or for the benefit of, the supported organization named in column (i) during 2009. If no monetary support was provided during 2009, enter “-0-.” Do not report non-monetary support in column (vii). However, the organization can describe such support in Part IV. If the organization provided to or purchased for the benefit of the supported organization services, facilities, or goods, explain in Part IV.

Part II. Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)



If the organization checked a box on line 5, 7, or 8 of Part I, it should complete Part II. If the organization checks the box on line 13 of Part II, it should stop there and not complete the rest of Part II.



If the organization checked a box on line 5, 7, or 8 of Part I and also checks the box on line 18 of Part II, the organization should complete Part III to determine if it qualifies as a publicly supported organization under section 509(a)(2). If it does qualify, the organization should instead check the box on line 9 of Part I.

Public Support Test. For an organization to qualify as a publicly supported organization under section 170(b)(1)(A)(vi), either:

- 33 $\frac{1}{3}$ % or more of its total support must come from governmental agencies, contributions from the general public, and contributions or grants from other public charities, or
- 10% or more of its total support must come from governmental agencies, contributions from the general public, and contributions or grants from other public charities and the facts and circumstances indicate it is a publicly supported organization.

Note. An organization will not meet either of these public support tests if almost all of its support comes from gross receipts from related activities and an insignificant amount of its support comes from **governmental units** and **contributions** made directly or indirectly by the general public.

Public support is measured using a 5-year computation period. If the organization was not a section 501(c)(3) organization for the entire 5-year period in Part II, report amounts only for the years the organization was a section 501(c)(3) organization.

Line 1. Do not include any "unusual grants." See *Unusual grants* on this page. Include membership fees only to the extent to which the fees are payments to provide support for the organization rather than to purchase admissions, merchandise, services, or the use of facilities. To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in a related activity, report the membership fees on line 12. To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in an unrelated business activity, report the membership fees on line 9. See Temporary Regulations section 1.170A-9T(f)(7)(iv).

Use any reasonable method to determine the value of noncash contributions reported on line 1.

Support from a governmental unit. Include on line 1 support received from a **governmental unit**. This includes any amounts received from a governmental unit, including donations or **contributions** and amounts received in connection with a contract entered into with a governmental unit for the performance of services or in connection with a government research grant, unless the

amounts are received from exercising or performing the organization's tax-exempt purpose or function, which should be reported on line 12. An amount received from a governmental unit is not treated as received from exercising or performing the organization's tax-exempt purpose or function if the payment is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public (for example, to maintain library facilities that are open to the public). See Temporary Regulations section 1.170A-9T(f)(8) and Rev. Rul. 81-276, 1981-2 C.B. 128.

Unusual grants. An organization that received any unusual grants during the 5-year period should keep for its records a list showing, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the grant. If the organization used the cash method for the applicable year, show only the amounts the organization actually received during that year. If the organization used the accrual method for the applicable year, show only the amounts the organization accrued for that year. An example of this list is given below.



Do not file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 1. Example

Year ▶ 2009	Description
Name ▶ Mr. Distinguished Donor	Undeveloped land
Date of Grant ▶ January 15, 2009	
Amount of Grant ▶ \$60,000	

Include in Part IV a list showing the amount of each unusual grant actually received each year (if the cash accounting method is used), or accrued each year (if the accrual accounting method is used).



Do not include the names of the grantors because Part IV will be made available for public inspection.

Unusual grants generally are substantial contributions and bequests from disinterested persons and are:

1. Attracted because of the organization's publicly supported nature,
2. Unusual and unexpected because of the amount, and
3. Large enough to endanger the organization's status as normally meeting either the 33 $\frac{1}{3}$ % public support test or the 10% facts and circumstances test.

For a list of other factors to be considered in determining whether a grant is an unusual grant, see Temporary Regulations section 1.509(a)-3T(c)(4).

An unusual grant is excluded even if the organization receives or accrues the funds over a period of years.

Do not report gross investment income items as unusual grants. Instead, include all investment income on line 8.

See Rev. Rul. 76-440, 1976-2 C.B. 58; Temporary Regulations section 1.170A-9T(f)(6)(ii); and Temporary Regulations sections 1.509(a)-3T(c)(3) and (4) for details about unusual grants.

Reporting contributions not reported as revenue. If the organization reports any **contributions** on line 1 of this part that it does not report as revenue in Part VIII or assets in Part X of Form 990, or as revenue or assets in Form 990-EZ, explain in Part IV the basis for characterizing such transfers as contributions but not as revenue or assets. For example, if an organization is a community foundation that receives and holds a cash transfer for another tax-exempt organization and reports contributions of such property on line 1 without reporting it as revenue in Part VIII or assets in Part X, explain the basis for characterizing the property as contributions but not as revenue or assets.

Line 2. Enter tax revenue levied for the organization's benefit by a **governmental unit** and either paid to the organization or expended on its behalf. Report this amount whether or not the organization includes this amount as revenue on its financial statements or elsewhere on Form 990 or 990-EZ.

Line 3. Enter the value of services or facilities furnished by a **governmental unit** to the organization without charge. Do not include the value of services or facilities generally furnished to the public without charge. For example, include the fair rental value of office space furnished by a governmental unit to the organization without charge but only if the governmental unit does not generally furnish similar office space to the public without charge. Report these amounts whether or not the organization includes these amounts as revenue on its financial statements or elsewhere on Form 990 or 990-EZ.

Line 5. Enter in column (f) the portion of total **contributions** by each individual, trust, or corporation included on line 1 for the years reported that exceeds 2% of the amount reported on line 11, column (f). However, the 2% limitation does not apply to contributions from organizations qualifying as publicly supported organizations under section 170(b)(1)(A)(vi), governmental units described in section 170(b)(1)(A)(v), and other organizations, such as the following, but only if they also qualify as publicly supported organizations under section 170(b)(1)(A)(vi):

- Churches described in section 170(b)(1)(A)(i);
- Educational institutions described in section 170(b)(1)(A)(ii);

- Hospitals described in section 170(b)(1)(A)(iii); and
- Organizations operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv).

The organization should keep for its records a list showing the name of and amount contributed by each donor (other than a **governmental unit** or publicly supported organization) whose total gifts during the years reported exceed 2% of the amount reported on line 11, column (f). An example of this list is given below.



Do not file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 8. Include the gross income from interest, dividends, payments with respect to securities loans (section 512(a)(5)), rents, royalties, and income from similar sources. Do not include on this line payments that result from activities of the organization that further its exempt purpose. Instead, report these amounts on line 12.

Line 9. Enter the organization's net income from carrying on **unrelated business** activities, whether or not the activities are regularly carried on as a trade or business. See sections 512 and 513 and the applicable regulations. Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that is an unrelated business.

Net income and net losses from all of the organization's unrelated business activities should be aggregated. If a net loss results, enter "-0-" on this line.

Line 10. Include all support as defined in section 509(d) that is not included elsewhere in Part II. Explain in Part IV the nature and source of each amount

reported. Do not include gain or loss from the sale of capital assets.

Line 12. Enter the total amount of gross receipts the organization received from related activities for all years reported in Part II. Although an organization may otherwise meet the section 170(b)(1)(A)(vi) 33 1/3% public support test or the 10% facts and circumstances public support test, it will not be treated as meeting one of these tests if almost all of its support consists of gross receipts from related activities and an insignificant amount of support comes from **governmental units** and public **contributions**. See Temporary Regulations section 1.170A-9T(f)(7)(iii).

Include on line 12 gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities in any activity which is not an unrelated trade or business (within the meaning of section 513). See section 509(d)(2). Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in a related activity. For example, include on this line gross receipts from:

- A trade or business in which substantially all work is performed by **volunteers**. See section 513(a)(1).
- A trade or business carried on by the organization primarily for the convenience of its members, students, patients, **officers**, or **employees**. See section 513(a)(2).
- A trade or business which is the selling of merchandise, substantially all of which the organization received as gifts or **contributions**. See section 513(a)(3).
- "Qualified public entertainment activities" or "qualified convention and trade show activities" of certain organizations. See section 513(d).
- Furnishing certain **hospital** services. See section 513(e).

- A trade or business consisting of conducting **bingo** games, but only if the conduct of such games is lawful. See section 513(f).
- Qualified pole rentals by a mutual or cooperative telephone or electric company. See section 513(g).
- The distribution of certain low cost articles and exchange and rental of members lists. See section 513(h).
- Soliciting and receiving qualified sponsorship payments. See section 513(i).

Line 13. An organization that checks this box should stop here and should not complete the rest of Part II. It should not make a public support computation on line 14 or 15 or check any of the boxes on lines 16 through 18.

Example. An organization receives an exemption letter from the IRS that it is exempt from tax under section 501(c)(3) and qualifies as a public charity under section 170(b)(1)(A)(vi) effective March 25, 2009, its date of incorporation. The organization uses a calendar year accounting period. When the organization prepares Part II for 2009 through 2013, it should check the box on line 13 and should not complete the rest of Part II. When the organization prepares Part II for 2014 and subsequent years, it should not check the box on line 13 and should complete the rest of Part II.



An organization in its first 5 years as a section 501(c)(3) organization should make the public support computations on a copy of Schedule A that it keeps for itself. An organization should carefully monitor its public support on an ongoing basis to ensure that it will meet a public support test in the sixth year and succeeding years.

Line 14. Round to the nearest hundredth decimal point in reporting the percentage

Line 5. Example

Assumption: 2% of the amount on Schedule A (Form 990 or 990-EZ), Part II, line 11, column (f) is \$12,000							
Contributors whose total gifts from 2005 through 2009 were in excess of the 2% limitation							
Name	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total	(g) Excess contributions (col. (f) minus the 2% limitation)
XYZ Foundation			\$59,000	\$3,000	\$18,000	\$80,000	\$68,000
Banana Office Supply	\$12,000			3,000	1,000	16,000	4,000
Plum Corporation			15,000	15,000		30,000	18,000
John Smith	5,000	\$5,000	5,000	1,000		16,000	4,000
Sue Adams		10,000		10,000	10,000	30,000	18,000
Raisin Trade Assoc.			20,000	7,000		27,000	15,000
Total. Add the items in column (g). Enter the total here and on Part II, column (f), line 5							\$127,000

of public support. For example, if the organization calculates its public support percentage as 58.3456%, this percentage would be rounded to 58.35% when reported on line 14.

Line 15. For 2009, enter the public support percentage from the 2008 Schedule A (Form 990 or 990-EZ), Part II, line 14. Round to the nearest hundredth decimal point in reporting the percentage of public support.

Line 16a. If the organization did not check the box on line 13, and line 14 is 33 $\frac{1}{3}$ % or more, **check the box on this line and do not complete the rest of Part II.** The organization qualifies as a publicly supported organization for 2009 and 2010.

Line 16b. If the organization did not check a box on line 13 or 16a, and line 15 is 33 $\frac{1}{3}$ % or more, **check the box on this line and do not complete the rest of Part II.** The organization qualifies as a publicly supported organization for 2009.

Line 17a. If the organization did not check a box on line 13, 16a or 16b, and line 14 is 10% or more, and if the organization meets the “facts and circumstances” test, **check the box on this line and do not complete the rest of Part II.** The organization qualifies as a publicly supported organization for 2009 and 2010.

If this box is checked, explain in Part IV how the organization meets the “facts and circumstances” test in Temporary Regulations section 1.170A-9T(f)(3). Include the following information.


- Explain whether the organization maintains a continuous and *bona fide* program for solicitation of funds from the general public, community, membership group involved, **governmental units** or other **public charities**.
- List all other facts and circumstances, including the sources of support, whether the organization has a **governing body** which represents the broad interests of the public, and whether the organization generally provides facilities or services directly for the benefit of the general public on a continuing basis.
- If the organization is a membership organization, explain whether the solicitation for dues-paying members is designed to enroll a substantial number of persons from the community, whether dues for individual members have been fixed at rates designed to make membership available to a broad cross-section of the interested public, and whether the activities of the organization will be likely to appeal to persons having some broad common interest or purpose.


Line 17b. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the “facts and circumstances” test, **check the box on this line and do not complete the rest of Part II.** The organization qualifies as a publicly supported organization for 2009. If this box is checked, explain in Part IV

how the organization meets the “facts and circumstances” test in Temporary Regulations section 1.170A-9T(f)(3). Include the same information identified in the instructions for line 17a on this page.


Note. The alternative test for organizations experiencing substantial and material changes in its sources of support, other than from unusual grants, has been eliminated.


Line 18. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, it does not qualify as a publicly supported organization under section 170(b)(1)(A)(iv) or 170(b)(1)(A)(vi) for the 2009 tax year and should check the box on this line. If the organization does not qualify as a public charity under any of the boxes in Part I, lines 1 through 11, it is a private foundation as of the beginning of the 2009 tax year and should not file Form 990, Form 990-EZ, or Schedule A (Form 990 or 990-EZ) for the 2009 tax year. Instead, the organization should file Form 990-PF.

 *If Form 990 or 990-EZ is for the organization's sixth tax year as a section 501(c)(3) organization, and it checked the box on line 18, it should compute the public support percentage on its Form 990 or 990-EZ for its first 5 tax years. If its public support percentage for its first 5 tax years is 33 $\frac{1}{3}$ % or more, or if it meets the 10% facts and circumstances test for its first five tax years, it will qualify as a public charity for its sixth tax year. If the organization qualifies in this manner, explain in Part IV.*

 *If the organization does not qualify as a publicly supported organization under section 170(b)(1)(A)(vi), it can complete Part III to determine if it qualifies as a publicly supported organization under section 509(a)(2).*

Part III. Support Schedule for Organizations Described in Section 509(a)(2)

 *If an organization checked the box on line 9 of Part I, it should complete Part III. If the organization checks the box on line 14 of Part III, it should stop there and not complete the rest of Part III.*

 *If the organization checked the box on line 9 of Part I and also checks the box on line 20 of Part III, the organization should complete Part II to determine if it qualifies as a publicly supported organization under section 170(b)(1)(A)(vi). If it does qualify, the organization should instead check the box on line 5, 7, or 8 of Part I, whichever applies.*

Public Support Test. For an organization to qualify as a publicly

supported organization under section 509(a)(2):

- More than 33 $\frac{1}{3}$ % of its support must come from **contributions**, membership fees, and gross receipts from activities related to its exempt functions or from amounts which are not **unrelated trades or businesses** under section 513, and
- No more than 33 $\frac{1}{3}$ % of its support must come from gross investment income and net **unrelated business income** (less section 511 tax) from businesses acquired by the organization after June 30, 1975.

Public support is measured using a 5-year computation period. If the organization was not a section 501(c)(3) organization for the entire 5-year period in Part III, report amounts only for the years the organization was a section 501(c)(3) organization.

Line 1. Do not include any “unusual grants.” See *Unusual grants* on page 7. Include membership fees only to the extent to which the fees are payments to provide support for the organization rather than to purchase admissions, merchandise, services, or the use of facilities. To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in a related activity, include the membership fees on line 2. See Regulations section 1.509(a)-3(h). To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that is not an **unrelated business** under section 513, report the membership fees on line 3. To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that is an unrelated business, report the net amount either on line 10b or line 11, as appropriate.

Use any reasonable method to determine the value of noncash contributions reported on line 1.

Support from a governmental unit. Include on line 1 support received from a **governmental unit**. This includes any amounts received from a governmental unit, including donations or **contributions** and amounts received in connection with a contract entered into with a governmental unit for the performance of services or in connection with a government research grant, unless the amounts are received from exercising or performing the organization's tax-exempt purpose or function, which should be reported on line 2. An amount received from a governmental unit is not treated as received from exercising or performing the organization's tax-exempt purpose or function if the payment is to provide services, facilities, or products primarily for the economic benefit of the payee. For example, if a state agency pays an organization to operate an institute to train employees from various industries in the principles of management and

administration, the funds received should be included on line 2 as support related to the exercise or performance of the organization's tax-exempt purpose. See Regulations section 1.509(a)-3(g).

Unusual grants. An organization that received any unusual grants during the 5-year period, should keep for its records a list showing, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the grant. If the organization used the cash method for the applicable year, show only amounts the organization actually received during that year. If the organization used the accrual method for the applicable year, show only amounts the organization accrued for that year. An example of this list is given below.



Do not file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 1. Example

Year ▶ 2009	Description
Name ▶ Mr. Distinguished Donor	Undeveloped land
Date of Grant ▶ January 15, 2009	
Amount of Grant ▶ \$60,000	

Include in Part IV a schedule showing the amount of each unusual grant actually received each year (if the cash accounting method is used), or accrued each year (if the accrual accounting method is used).



Do not include the names of the grantors because Part IV will be made available for public inspection.

Unusual grants generally are substantial **contributions** and bequests from disinterested persons and are:

1. Attracted because of the organization's publicly supported nature,
2. Unusual and unexpected because of the amount, and
3. Large enough to endanger the organization's status as normally meeting the 33 1/3% public support test.

For a list of other factors to be considered in determining whether a grant is an unusual grant, see Temporary Regulations section 1.509(a)-3T(c)(4).

An unusual grant is excluded even if the organization receives or accrues the funds over a period of years.

Do not report gross investment income items as unusual grants. Instead, include all investment income on line 10a.

See Rev. Rul. 76-440, 1976-2 C.B. 58; Regulations section 1.170A-9(f)(6)(ii); and Temporary Regulations sections 1.509(a)-3T(c)(3) and 1.509(a)-3T(c)(4) for details about unusual grants.

Reporting contributions not reported as revenue. If the organization reports any **contributions** on line 1 of this Part that it does not report as revenue in Part VIII or assets in Part X of Form 990, or as revenue or assets in Form 990-EZ, explain in Part IV the basis for characterizing such transfers as contributions but not as revenue or assets. For example, if an organization is a community foundation that receives and holds a cash transfer for another tax-exempt organization and reports contributions of such property on line 1 without reporting it as revenue in Part VIII or assets in Part X, explain the basis for characterizing the property as contributions but not as revenue or assets.

Line 2. Include gross receipts from admissions, merchandise sold, services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose (such as charitable, educational, etc.). To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in a related activity, include the membership fees on this line 2. See Regulations section 1.509(a)-3(h).

Line 3. Include gross receipts from:

- A trade or business in which substantially all work is performed by **volunteers**. See section 513(a)(1).
- A trade or business carried on by the organization primarily for the convenience of its members, students, patients, **officers**, or **employees**. See section 513(a)(2).
- A trade or business which is the selling of merchandise, substantially all of which the organization received as gifts or **contributions**. See section 513(a)(3).
- "Qualified public entertainment activities" or "qualified convention and trade show activities" of certain organizations. See section 513(d).
- Furnishing certain **hospital** services. See section 513(e).

- A trade or business consisting of conducting **bingo** games, but only if the conduct of such games is lawful. See section 513(f).
- Qualified pole rentals by a mutual or cooperative telephone or electric company. See section 513(g).
- The distribution of certain low cost articles and exchange and rental of members lists. See section 513(h).
- Soliciting and receiving qualified sponsorship payments. See section 513(i).

Line 4. Enter tax revenue levied for the organization's benefit by a **governmental unit** and either paid to the organization or expended on its behalf. Report this amount whether or not the organization includes this amount as revenue on its **financial statements** or elsewhere on Form 990 or 990-EZ.

Line 5. Enter the value of services or facilities furnished by a governmental unit to the organization without charge. Do not include the value of services or facilities generally furnished to the public without charge. For example, include the fair rental value of office space furnished by a governmental unit to the organization without charge, but only if the governmental unit does not generally furnish similar office space to the public without charge. Report these amounts whether or not the organization includes these amounts as revenue on its financial statements or elsewhere on Form 990 or 990-EZ.

Line 7a. Enter the amounts that are included on lines 1, 2, and 3 that the organization received from **disqualified persons**. See second *Glossary* definition of **disqualified person** in the Instructions for Form 990.

For amounts included on lines 1, 2, and 3 that were received from a disqualified person, the organization should keep for its records a list showing the name of, and total amounts received in each year from, each disqualified person. Enter the total of such amounts for each year on line 7a. See an example of this list below.



Do not file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 7a. Example

Disqualified Person	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
David Smith	\$7,000	\$6,000			\$2,000	\$15,000
Anne Parker			\$5,000	\$7,000	4,000	16,000
Total	\$7,000	\$6,000	\$5,000	\$7,000	\$6,000	\$31,000

Line 7b. For any gross receipts included on lines 2 and 3 from related activities received from a person or from a bureau or similar agency of a **governmental unit**, other than from a **disqualified person**, that exceed the greater of \$5,000 or 1% of the amount on line 13 for the applicable year, enter the excess on line 7b. The organization should keep for its records a list showing, for each year, the name of the person or government agency, the amount received during the applicable year, the larger of \$5,000 or 1% of the amount on line 13 for the applicable year, and the excess, if any. See an example of this list below.



Do not file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 10a. Include the gross income from interest, dividends, payments received on securities loans (section 512(a)(5)), rents, royalties, and income from similar sources. Do not include on this line payments that result from activities of the organization that further its exempt purpose. Instead, report these amounts on line 2.

Line 10b. Enter the excess of the organization's **unrelated business taxable income** (as defined in section 512) from trades or businesses that it acquired or commenced after June 30, 1975, over the amount of tax imposed on this income under section 511. Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in an unrelated business activity that is a trade or business that was acquired or commenced after June 30, 1975.

Net income and net losses from all of these trades or businesses should be aggregated. If a net loss results, enter -0- on this line. See Regulations section 1.509(a)-3(a)(3).

Line 11. Enter the organization's net income from carrying on **unrelated business** activities not included on line 10b, whether or not the activities are regularly carried on as a trade or business. See sections 512 and 513 and the applicable regulations. Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that is an unrelated business not included on line 10b.

Net income and net losses from all of the organization's unrelated business

activities should be aggregated. If a net loss results, enter "-0-" on this line.

Line 12. Include all support as defined in section 509(d) that is not included elsewhere in Part III. Explain in Part IV the nature and source of each amount reported. Do not include gain or loss from sale of capital assets.

Line 14. An organization that checks this box should stop here and should not complete the rest of Part III. It should not make a public support computation on line 15 or 16 or an investment income computation on line 17 or 18, or check any of the boxes on line 19 or 20.

Example. An organization receives an exemption letter from the IRS that it is exempt from tax under section 501(c)(3) and qualifies as a **public charity** under section 509(a)(2) effective March 25, 2009, its date of incorporation. The organization uses a calendar year accounting period. When the organization prepares Part III for 2009 through 2013, it should check the box on line 14 and should not complete the rest of Part III. When the organization prepares Part III for 2014 and subsequent years, it should not check the box on line 14 and should complete the rest of Part III.



An organization in its first 5 years as a section 501(c)(3) organization should make the public support and investment income computations on a copy of Schedule A (Form 990 or 990-EZ) that it keeps for itself. An organization should carefully monitor its public support on an ongoing basis to ensure that it will meet the public support tests in the sixth year and succeeding years.

Line 15. Round to the nearest hundredth decimal point in reporting the percentage of public support. For example, if the organization calculates its public support percentage as 58.3456%, this percentage would be rounded to 58.35% when reported on line 15.

Line 16. For 2009, enter the public support percentage from the 2008 Schedule A (Form 990 or 990-EZ), Part III, line 15. Round to the nearest hundredth decimal point in reporting the percentage of public support.

Line 17. Round to the nearest whole percentage.

Line 18. For 2009, enter the investment income percentage from the 2008 Schedule A (Form 990 or 990-EZ), Part III, line 17. Round to the nearest whole percentage.

Line 19a. If the organization did not check the box on line 14, line 15 is more than 33 $\frac{1}{3}$ %, and line 17 is not more than 33 $\frac{1}{3}$ %, **check the box on this line and do not complete the rest of this schedule.** The organization qualifies as a publicly supported organization for 2009 and 2010.

Line 19b. If the organization did not check the box on line 14 or 19a, line 16 is more than 33 $\frac{1}{3}$ %, and line 18 is not more than 33 $\frac{1}{3}$ %, **check the box on this line and do not complete the rest of this schedule.** The organization qualifies as a publicly supported organization for 2009.

Note. The alternative test for organizations experiencing substantial and material changes in its sources of support, other than from unusual grants, has been eliminated.

Line 20. If the organization did not check the box on line 14, 19a, or 19b, it does not qualify as a publicly supported organization under section 509(a)(2) for 2009 and should check the box on this line. If the organization does not qualify as a public charity under any of the boxes on Schedule A (Form 990 or 990-EZ), Part I, lines 1 through 11, it is a private foundation as of the beginning of the tax year and should not file Form 990, Form 990-EZ, or Schedule A (Form 990 or 990-EZ) for the 2009 tax year. Instead, the organization should file Form 990-PF.



If Form 990 or 990-EZ is for the organization's sixth tax year as a section 501(c)(3) organization, and it checked the box on line 20, it should compute the public support percentage and the investment income percentage on its Form 990 for its first 5 tax years. If its public support percentage for its first 5 tax years is more than 33 $\frac{1}{3}$ % and the investment income percentage for its first 5 tax years is not more than 33 $\frac{1}{3}$ %, it will qualify as a public charity for its sixth tax year. If the organization qualifies in this manner, explain in Part IV.



If the organization does not qualify as a publicly supported organization under section 509(a)(2), it can complete Part II to determine if the organization qualifies as a publicly supported organization under section 170(b)(1)(A)(vi).

Part IV. Supplemental Information

Use Part IV to provide the narrative explanations required, if applicable, by Part II, line 10, Part II, line 17a or 17b, and Part III, line 12. Also use Part IV to

**Line 7b. Example
Year 2009**

(a) Name	(b) Amount received in 2009	(c) 1% of amount on line 13 in 2009	(d) Enter the larger of column (c) or \$5,000	(e) 2009 excess (column (b) minus column (d))
Word Processing, Inc.	\$25,000	\$2,000	\$5,000	\$20,000
Enter on Schedule A, column (e), line 7b				\$20,000

provide other narrative information required by these instructions or to supplement responses to questions on Schedule A (Form 990 or 990-EZ). Identify the specific part and line number

that the response supports, in the order in which they appear on Schedule A (Form 990 or 990-EZ). Part IV can be duplicated if more space is needed.



Do not include in Part IV the names of any donors, grantors, or contributors because Part IV will be made available for public inspection.



Instructions for Schedule C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the instructions for Form 990.

Purpose of Schedule

Schedule C (Form 990 or 990-EZ) is used by:

- Section 501(c) organizations, and
- Section 527 organizations.

These organizations must use Schedule C (Form 990 or 990-EZ) to furnish additional information on **political campaign activities** or **lobbying activities**, as those terms are defined below for the various parts of this schedule.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, *Checklist of Required Schedules*, line 3, 4, or 5, must complete the appropriate parts of Schedule C (Form 990 or 990-EZ) and attach Schedule C to Form 990. An organization that answered "Yes" on Form 990-EZ, Part VI, line 46 or 47, must complete the appropriate parts of Schedule C (Form 990 or 990-EZ) and attach Schedule C to Form 990-EZ. An organization that answered "Yes" to Form 990-EZ, line 35a, because it is subject to the section 6033(e) notice and reporting requirements and proxy tax, must complete Part III of Schedule C (Form 990 or 990-EZ) and attach Schedule C to Form 990-EZ.

If an organization has an ownership interest in a **joint venture** that conducts **political campaign activities** or **lobbying activities**, the organization must report its share of such activity occurring in its **tax year** on Schedule C (Form 990 or 990-EZ). See Form 990, Appendix F, *Disregarded Entities and Joint Ventures*.

Part I. Political campaign activities.

Part I is completed by section 501(c) organizations and section 527 organizations that file the Form 990 (not Form 990-EZ). If the organization answered "Yes" to Form 990, Part IV, line 3, or Form 990-EZ, Part VI, line 46, then complete the specific parts as follows.

- A section 501(c)(3) organization must complete Parts I-A and I-B. Do not complete Part I-C.
- A section 501(c) organization other than section 501(c)(3) must complete Parts I-A and I-C. Do not complete Part I-B.
- A section 527 organization that files the Form 990 must complete Part I-A. Do not complete Parts I-B and I-C.

Part II. Lobbying activities. Part II is completed only by section 501(c)(3) organizations. If the organization answered "Yes" to Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47, then complete the specific parts as follows.

- A section 501(c)(3) organization that elected to be subject to the lobbying expenditure limitations of section 501(h) by filing Form 5768 and for which the election was valid and in effect for its tax year beginning in the year 2009, must complete Part II-A. Do not complete Part II-B.
- A section 501(c)(3) organization that has not elected to be subject to the lobbying expenditure limitations of section 501(h) (or has revoked such election by filing Form 5768 for which the revocation was valid and in effect for its tax year beginning in the year 2009) must complete Part II-B. Do not complete Part II-A.

Part III. Section 6033(e) notice and reporting requirements and proxy tax.

Part III is completed by section 501(c)(4), section 501(c)(5), and section 501(c)(6) organizations that received membership dues, assessments, or similar amounts as defined in Rev. Proc. 98-19, and that answered "Yes" to Form 990, Part IV, line 5 or "Yes" to Form 990-EZ, line 35a, regarding the proxy tax.

If an organization is not required to file Form 990 or Form 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Definitions

Definitions in this section are applicable throughout this schedule, except where noted. The following terms are defined in the *Glossary*.

- **Joint venture.**
- **Legislation.**
- **Lobbying activities.**
- **Political campaign activities.**
- **Tax year.**



TIP See Revenue Ruling 2007-41, 2007-25 I.R.B. 1421 for guidelines on the scope of the tax law prohibition of campaign activities by section 501(c)(3) organizations.

Section 527 exempt function activities. Section 527 exempt function activities include all functions that influence or attempt to influence the selection, nomination, election, or appointment of any individual to any federal, state, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, whether or not such individual or electors are selected, nominated, elected, or appointed.

Political expenditures. Any expenditures made for **political campaign activities** are political expenditures. An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

Specific legislation. Specific legislation includes (1) legislation that has already been introduced in a legislative body and (2) specific legislative proposals that an organization either supports or opposes.

Definitions (Part II-A)

Definitions in this section are applicable only to Part II-A.

Expenditure test. Under the expenditure test, there are limits both upon the amount of the organization's grassroots lobbying expenditures and upon the total amount of its direct lobbying and grassroots lobbying expenditures. If the electing public charity does not meet this expenditure test, it will owe a section 4911 excise tax on its excess lobbying expenditures. Moreover, if over a 4-year averaging period the organization's average annual total lobbying or grassroots lobbying expenditures are more than 150% of its dollar limits, the organization will lose its exempt status.

Exempt purpose expenditures. In general, an exempt purpose expenditure is paid or incurred by an electing public charity to accomplish the organization's exempt purpose.

Exempt purpose expenditures include:

1. The total amount paid or incurred for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, or to foster national or international amateur sports competition (not including providing athletic facilities or equipment, other than by qualified amateur sports organizations described in section 501(j)(2));

2. The allocable portion of administrative expenses paid or incurred for the above purposes;

3. Amounts paid or incurred to try to influence legislation, whether or not for the purposes described in 1 above;

4. Allowance for depreciation or amortization; and

5. Fundraising expenditures, except that exempt purpose expenditures do not include amounts paid to or incurred for either the organization's separate fundraising unit or other organizations, if the amounts are primarily for fundraising.

See Regulations section 56.4911-4(c) for a discussion of excluded expenditures.

Lobbying expenditures. Lobbying expenditures are expenditures (including allocable overhead and administrative costs) paid or incurred for the purpose of attempting to influence legislation:

- Through communication with any member or employee of a legislative or similar body, or with any government official or employee who may participate in the formulation of the legislation, and
- By attempting to affect the opinions of the general public.

To determine if an organization has spent excessive amounts on lobbying, the organization must know which expenditures are lobbying expenditures and which are not lobbying expenditures. An electing public charity's lobbying expenditures for a year are the sum of its expenditures during that year for direct lobbying communications (direct lobbying expenditures) plus grassroots lobbying communications (grassroots expenditures).

Direct lobbying communications (direct lobbying expenditures).

A direct lobbying communication is any attempt to influence any legislation through communication with:

- A member or employee of a legislative or similar body;
- A government official or employee (other than a member or employee of a legislative body) who may participate in the formulation of the legislation, but only if the principal purpose of the communication is to influence legislation; or
- The public in a referendum, initiative, constitutional amendment, or similar procedure.

A communication with a legislator or government official will be treated as a direct lobbying communication if, but only if, the communication:

- Refers to specific legislation, and
- Reflects a view on such legislation.

Grassroots lobbying communications (grassroots expenditures). A grassroots lobbying communication is any attempt to influence any legislation through an attempt to affect the opinions of the general public or any part of the general public.

A communication is generally not a grassroots lobbying communication unless (in addition to referring to specific legislation and reflecting a view on that legislation) it encourages recipients to take action about the specific legislation.

A communication encourages a recipient to take action when it:

1. States that the recipient should contact legislators;
2. States a legislator's address, phone number, or similar information;
3. Provides a petition, tear-off postcard, or similar material for the recipient to send to a legislator; or
4. Specifically identifies one or more legislators who:
 - a. Will vote on legislation;
 - b. Opposes the communication's view on the legislation;
 - c. Is undecided about the legislation;
 - d. Is the recipient's representative in the legislature; or
 - e. Is a member of the legislative committee that will consider the legislation.

A communication described in (4) above generally is grassroots lobbying only if, in addition to referring to and reflecting a view on specific legislation, it is a communication that cannot meet the full and fair exposition test as nonpartisan analysis, study, or research.

Exceptions to lobbying. In general, engaging in nonpartisan analysis, study, or research and making its results available to the general public or segment or members thereof, or to governmental bodies, officials, or employees is not considered either a direct lobbying communication or a grassroots lobbying communication. Nonpartisan analysis, study, or research may advocate a particular position or viewpoint as long as there is a sufficiently full and fair exposition of the pertinent facts to enable the public or an individual to form an independent opinion or conclusion.

A communication that responds to a governmental body's or committee's written request for technical advice is not a direct lobbying communication.

A communication is not a direct lobbying communication if the communication is an appearance before, or communication with, any legislative body concerning action by that body that might affect the organization's existence, its powers and duties, its tax-exempt status, or the deductibility of contributions to the organization, as opposed to affecting merely the scope of the organization's future activities.

Communication with members. For purposes of section 4911, expenditures

for certain communications between an organization and its members are treated more leniently than are communications to nonmembers. Expenditures for a communication that refers to, and reflects a view on, specific legislation are not lobbying expenditures if the communication satisfies the following requirements.

1. The communication is directed only to members of the organization.

2. The specific legislation the communication refers to, and reflects a view on, is of direct interest to the organization and its members.

3. The communication does not directly encourage the member to engage in direct lobbying (whether individually or through the organization).

4. The communication does not directly encourage the member to engage in grassroots lobbying (whether individually or through the organization).

Expenditures for a communication directed only to members that refers to, and reflects a view on, specific legislation and that satisfies the requirements of items (1), (2), and (4), above, but does not satisfy the requirements of item (3), are treated as expenditures for direct lobbying.

Expenditures for a communication directed only to members that refers to, and reflects a view on, specific legislation and satisfies the requirements of items (1) and (2) above, but does not satisfy the requirements of item (4), are treated as grassroots expenditures, whether or not the communication satisfies the requirements of item (3). See Regulations section 56.4911-5 for details.

There are special rules regarding certain paid mass media advertisements about highly publicized legislation; allocation of mixed purpose expenditures; certain transfers treated as lobbying expenditures; and special rules regarding lobbying on referenda, ballot initiatives, and similar procedures. See Regulations sections 56.4911-2 and 56.4911-3.

Affiliated groups. Members of an affiliated group are treated as a single organization to measure lobbying expenditures. Two organizations are affiliated if one is bound by the other organization's decisions on legislative issues (control) or if enough representatives of one belong to the other organization's governing board to cause or prevent action on legislative issues (interlocking directorate). If the organization is not sure whether its group is affiliated, it may ask the IRS for a ruling letter. There is a fee for this ruling. For information on requesting rulings, see Rev. Proc. 2009-4, 2009-1 I.R.B. 118 (or latest annual update).

Members of an affiliated group measure both lobbying expenditures and permitted lobbying expenditures on the basis of the affiliated group's tax year. If all members of the affiliated group have the same tax year, that year is the tax

year of the affiliated group. However, if the affiliated group's members have different tax years, the tax year of the affiliated group is the calendar year, unless all the members of the group elect otherwise. See Regulations section 56.4911-7(e)(3).

Limited control. Two organizations that are affiliated because their governing instruments provide that the decisions of one will control the other only on national legislation are subject to the following provisions.

- The controlling organization is charged with its own lobbying expenditures and the national legislation expenditures of the affiliated organizations,
- The controlling organization is not charged with other lobbying expenditures (or other exempt-purpose expenditures) of the affiliated organizations, and
- Each local organization is treated as though it were not a member of an affiliated group. For example, the local organization should account for its own expenditures only and not any of the national legislation expenditures deemed as incurred by the controlling organization.

Definitions (Part III)

Definitions in this section are applicable only to Part III.

Lobbying and political expenditures. For purposes of this section only, lobbying and political expenditures do not include direct lobbying expenditures made to influence local legislation. Nor does it include any political campaign expenditures for which the tax under section 527(f) was paid (see Part I-C). They do include any expenditures for communications with a covered executive branch official in an attempt to influence the official actions or positions of that official.

Covered executive branch official. Covered executive branch officials include the President, Vice-President, White House Office of the Executive Office of the President officers and employees, the two senior level officers of each of the other agencies in the Executive Office, individuals in level I positions of the Executive Schedule and their immediate deputies, and individuals designated as having Cabinet level status and their immediate deputies.

Direct contact lobbying. This is a:

1. Meeting,
2. Telephone conversation,
3. Letter, or
4. Similar means of communication

that is with a:

- a. Legislator (other than a local legislator), or
- b. Covered executive branch official and that otherwise qualifies as a lobbying activity.

In-house expenditures include:

1. Salaries, and
2. Other expenses of the organization's officials and staff (including

amounts paid or incurred for the planning of legislative activities).

In-house expenditures do not include: Any payments to other taxpayers engaged in lobbying or political activities as a trade or business or any dues paid to another organization that are allocable to lobbying or political activities.

Specific Instructions

Part I-A. Political Activity of Exempt Organizations

Note. Section 501(c) organizations other than those exempt under section 501(c)(3) may establish section 527(f)(3) separate segregated funds to engage in political activity. Separate segregated funds are subject to their own filing requirements. A section 501(c) organization that engages a separate segregated fund to conduct political activity should report transfers to the fund in Parts I-A and I-C. The separate segregated fund should report specific activities on its own Form 990 if the fund is required to file.

Line 1. Section 501(c) organizations should provide a detailed description of their direct and indirect **political campaign activities** in Part IV. If the section 501(c) organization collects political contributions or member dues earmarked for a separate segregated fund, and promptly and directly transfers them to that fund as prescribed in Regulations section 1.527-6(e), do not report them here. Such amounts should be reported in Part I-C, line 5e.

Section 527 organizations should provide a detailed description of their exempt function activities in Part IV.

Line 2. Enter the total amount that the filing organization has spent conducting the activities described on line 1.

Line 3. If the organization used volunteer labor for its **political campaign activities** or section 527 exempt function activities, provide the total number of hours. Any reasonable method may be used to estimate this amount.

Part I-B. Section 501(c)(3) Organizations— Disclosure of Excise Taxes Imposed Under Section 4955

Section 501(c)(3) organizations must disclose any excise tax incurred during the year under section 4955 (political expenditures), unless abated. See sections 4962 and 6033(b).

Line 1. Enter the amount of taxes incurred by the organization itself under section 4955, unless abated. If no tax was incurred, enter -0-.

Line 2. Enter the amount of taxes incurred by the organization managers under section 4955, unless abated. If no tax was incurred, enter -0-.

Line 3. If the filing organization reported a section 4955 tax on a Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, for the tax year, answer "Yes."

Line 4. Describe in Part IV the steps taken by the organization to correct the activity that subjected it to the section 4955 tax. Correction of a political expenditure means recovering the expenditure to the extent possible and establishing safeguards to prevent future political expenditures. Recovery of the expenditure means recovering part or all of the expenditure to the extent possible, and, where full recovery cannot be accomplished, by any additional corrective action that is necessary. (The organization that made the political expenditure is not under any obligation to attempt to recover the expenditure by legal action if the action would in all probability not result in the satisfaction of execution on a judgment.)

Part I-C. Section 527 Exempt Function Activity of Section 501(c) Organizations Other Than Section 501(c)(3)

Note. Section 501(c) organizations that collect political contributions or member dues earmarked for a separate segregated fund, and promptly and directly transfer them to that fund as prescribed in Regulations section 1.527-6(e), do not report them on lines 1 or 2. Such amounts are reported on line 5e.

Line 1. Enter the amount of the organization's funds that it expended for section 527 exempt function activities. See Regulations section 1.527-6(b).

Line 2. Enter the amount of the organization's funds that it transferred to other organizations, including a separate segregated section 527(f)(3) fund created by the organization, for section 527 exempt function activity.

Line 3. Total exempt function expenditures. Add lines 1 and 2 and enter on line 3 and on Form 1120-POL, line 17b.

Line 4. If the filing organization reported taxable political expenditures on Form 1120-POL for this year, answer "Yes."

Line 5. In columns (a), (b), and (c), enter the name, address and employer identification number (EIN) of each section 527 political organization to which payments were made. In column (d), enter the amount paid from the filing organization's funds. In column (e), enter the amount of political contributions received and promptly and directly delivered to a separate political

organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, enter information in Part IV.

Part II-A. Lobbying Activity

Only section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) complete this section.

Part II-A provides a reporting format for any section 501(c)(3) organization that engaged in **lobbying activities** during the 2009 **tax year**, and for which the 501(h) lobbying expenditure election was valid and in effect. A **public charity** that makes a valid section 501(h) election may spend up to a certain percentage of its exempt purpose expenditures to influence **legislation** without incurring tax or losing its tax exempt status.

Affiliated groups. If the filing organization belongs to an affiliated group, check Part II-A, box A and complete lines 1a through 1i.

- Complete column (a) for the electing member of the group.
- Complete column (b) for the affiliated group as a whole.

If the filing organization checked box A and the limited control provisions apply to the organizations in the affiliated group, each member of the affiliated group should check box B and complete column (a) only.

If the filing organization does not check box A, do not check box B.

Affiliated group list. Provide in Part IV a list showing each affiliated group member's name, address, EIN, and expenses. Show which members made the election under section 501(h) and which did not.

Include each electing member's share of the excess lobbying expenditures on the list.

Nonelecting members do not owe tax, but remain subject to the general rule, which provides that no substantial part of their activities may consist of carrying on propaganda or otherwise trying to influence **legislation**.

Lies 1a through 1i. Complete lines 1a through 1i in column (a) for any organization required to complete Part II-A, but complete column (b) only for affiliated groups.

Lines 1a through 1i are used to determine whether any of the organization's current year lobbying expenditures are subject to tax under section 4911. File Form 4720 if the organization needs to report and pay the excise tax.

Line 1a. Enter the amount the organization expended for grassroots lobbying communications.

Line 1b. Enter the amount the organization expended for direct lobbying communications.

Line 1c. Add lines 1a and 1b.

Line 1d. Enter all other amounts (excluding lobbying) the organization

expended to accomplish its exempt purpose.

Line 1e. Add lines 1c and 1d. This is the organization's total exempt purpose expenditures.

If there are no excess lobbying expenditures on either line 1h or 1i of column (b), treat each electing member of the affiliated group as having no excess lobbying expenditures. However, if there are excess lobbying expenditures on either line 1h or 1i of column (b), treat each electing member as having excess lobbying expenditures. In such case, each electing member must file Form 4720, and must pay the tax on its proportionate share of the affiliated group's excess lobbying expenditures. Enter the proportionate share in column (a) on line 1h or line 1i, or on both lines. In Part IV, provide the *affiliated group list* described above. Show what amounts apply to each group member. To find a member's proportionate share, see Regulations section 56.4911-8(d).

Line 1j. If the filing organization reported section 4911 tax on Form 4720 for this year, answer "Yes."

Line 2. Line 2 is used to determine if the organization exceeded lobbying expenditure limits during the 4-year averaging period.

An organization for which a lobbying expenditure election under section 501(h) was in effect for its **tax year** beginning in 2009 must complete columns (a) through (e) of lines 2a through 2f except in the following situations.

1. An organization first treated as a section 501(c)(3) organization in its tax year beginning in 2009 does not have to complete any part of lines 2a through 2f.
2. An organization does not have to complete lines 2a through 2f for any period before it is first treated as a section 501(c)(3) organization.
3. If 2009 is the first year for which an organization's section 501(h) election is effective, that organization must complete line 2a, columns (d) and (e). The organization must then complete all of column (e) to determine whether the amount on line 2c, column (e), is equal to or less than the lobbying ceiling amount calculated on line 2b and whether the amount on line 2f is equal to or less than the grassroots ceiling amount calculated on line 2e. The organization does not satisfy both tests if either its total lobbying expenditures or grassroots lobbying expenditures exceed the applicable ceiling amounts. When this occurs, all five columns must be completed and a re-computation made unless exception 1 or 2 above applies.

4. If 2009 is the second or third tax year for which the organization's first section 501(h) election is in effect, that organization is required to complete only the columns for the years in which the election has been in effect, entering the totals for those years in column (e). The organization must determine, for those 2

or 3 years, whether the amount entered in column (e), line 2c, is equal to or less than the lobbying ceiling amount reported on line 2b, and whether the amount entered in column (e), line 2f, is equal to or less than the grassroots ceiling amount calculated on line 2e. The organization does not satisfy both tests if either its total lobbying expenditures or grassroots lobbying expenditures exceed applicable ceiling amounts. When that occurs, all five columns must be completed and a re-computation made, unless exception 1 or 2 above applies. If the organization is not required to complete all five columns, provide a statement explaining why in Part IV. In the statement, show the ending date of the tax year in which the organization made its first section 501(h) election and state whether or not that first election was revoked before the start of the organization's tax year that began in 2009.

Note. If the organization belongs to an affiliated group, enter the appropriate affiliated group totals from column (b), lines 1a through 1i, when completing lines 2a, 2c, 2d, and 2f.

Line 2a. For 2006 and 2007, enter the amount from line 41 of Schedule A, Part VI-A, filed for each year. For 2008 and 2009, enter the amount from Schedule C (Form 990 or 990-EZ), Part II-A, line 1f, filed for each year.

Line 2c. For 2006 and 2007, enter the amount from line 38 of Schedule A, Part VI-A, filed for each year. For 2008 and 2009, enter the amount from Schedule C (Form 990 or 990-EZ), Part II-A, line 1c, for each year.

Line 2d. For 2006 and 2007, enter the amount from line 42 of Schedule A, Part VI-A filed for each year. For 2008 and 2009, enter the amount from Schedule C (Form 990 or 990-EZ), Part II-A, line 1g, for each year.

Line 2f. For 2006 and 2007, enter the amount from line 36 of Schedule A, Part VI-A, filed for each year. For 2008 and 2009, enter the amount from Schedule C (Form 990 or 990-EZ), Part II-A, line 1a, for each year.

Enter the total for each line in column (e).

Part II-B. Lobbying Activity

Only section 501(c)(3) organizations that have not filed Form 5768 (election under section 501(h)) or have revoked a previous election complete this section.

Part II-B provides a reporting format for any section 501(c)(3) organization that engaged in **lobbying activities** during the 2009 **tax year** but did not make a section 501(h) lobbying expenditure election for that year by filing Form 5768. The Part II-A instructions defining direct and grassroots lobbying activities by organizations that made the section 501(h) election do not apply to organizations that complete Part II-B.

Nonelecting section 501(c)(3) organizations must complete both columns (a) and (b) of Part III-B to show lobbying expenditures paid or incurred.

Note. A nonelecting organization will generally be regarded as engaging in lobbying activity if the organization either contacts, or urges the public to contact, members of a legislative body for the purpose of proposing, supporting, or opposing legislation or the government's budget process; or advocates the adoption or rejection of **legislation**.

Organizations should answer "Yes" or "No" in column (a) to questions 1a through 1i and describe in Part IV the activities the organization conducted (through its employees or volunteers) attempting to influence legislation. Examples of activities include:

- Sending letters or publications to government officials or legislators,
- Meeting with or calling government officials or legislators,
- Sending or distributing letters or publications (including newsletters, brochures, etc.) to members or to the general public, or
- Using direct mail, placing advertisements, issuing press releases, holding news conferences, or holding rallies or demonstrations.

For lines 1c through 1i, enter in column (b) the lobbying expenditures paid or incurred. Enter total expenditures on column (b), line 1j.

Line 1f. Grants to other organizations are amounts from the organization's funds given to another organization for the purpose of assisting the other organization conducting **lobbying activities**.

Line 1g. Direct contact is a personal telephone call or visit with legislators, their staffs, or government officials.

Line 1h. Rallies, demonstrations, seminars, conventions, speeches, and lectures are examples of public forums conducted directly by the organization or paid for out of the organization's funds.

Line 1i. Provide in Part IV a detailed description of any other activity that the organization engaged in to influence **legislation**. The description should include all **lobbying activities**, whether expenses are incurred or not (for example, even lobbying activities carried out by unreimbursed volunteers).

Line 2a. Answer "Yes" if a section 501(c)(3) organization ceased to be described as a section 501(c)(3) organization because the amount on line 1j was substantial.

Line 2b. Enter the amount of taxes, if any, imposed on the organization itself under section 4912, unless abated.

Line 2c. Enter the amount of taxes, if any, imposed on the organization managers under section 4912, unless abated.

Line 2d. If the filing organization reported a section 4912 tax on a Form 4720 for this year, answer "Yes."

Part III. Section 6033(e) Notice and Reporting Requirements and Proxy Tax

Only certain organizations that are tax-exempt under:

- Section 501(c)(4) (social welfare organizations),
 - Section 501(c)(5) (agricultural and horticultural organizations), or
 - Section 501(c)(6) (business leagues)
- are subject to the section 6033(e) notice and reporting requirements, and a potential proxy tax. These organizations must report their total lobbying expenses, political expenses, and membership dues, or similar amounts.

Section 6033(e) requires certain section 501(c)(4), (5), and (6) organizations to tell their members what portion of their membership dues were allocable to the political or **lobbying activities** of the organization. If an organization does not give its members this information, then the organization is subject to a proxy tax. This tax is reported on Form 990-T.

Part III-A

Line 1. Answer "Yes" if any of the following exemptions apply. By doing so, the organization is declaring that substantially all of its membership dues were nondeductible.

1. Local associations of employees' and veterans' organizations described in section 501(c)(4), but not section 501(c)(4) social welfare organizations.
2. Labor unions and other labor organizations described in section 501(c)(5), but not section 501(c)(5) agricultural and horticultural organizations.
3. Section 501(c)(4), section 501(c)(5), and section 501(c)(6) organizations that receive more than 90% of their dues from:
 - a. Organizations exempt from tax under section 501(a), other than section 501(c)(4), section 501(c)(5), and section 501(c)(6) organizations,
 - b. State or local governments,
 - c. Entities whose income is exempt from tax under section 115, or
 - d. Organizations described in 1 or 2, above.
4. Section 501(c)(4) and section 501(c)(5) organizations that receive more than 90% of their annual dues from:

- a. Persons,
 - b. Families, or
 - c. Entities,
- who each paid annual dues of \$101 or less in 2009 (adjusted annually for inflation). See Rev. Proc. 2008-66.
5. Any organization that receives a private letter ruling from the IRS stating

that the organization satisfies the section 6033(e)(3) exception.

6. Any organization that keeps records to substantiate that 90% or more of its members cannot deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.

7. Any organization that is not a membership organization.



Special rules treat affiliated social welfare organizations, agricultural and horticultural organizations, and business leagues as parts of a single organization for purposes of meeting the nondeductible dues exception. See Rev. Proc. 98-19, 1998-1 C.B. 547.

Line 2. Answer "Yes" for line 2 if the organization satisfies the following criteria of the \$2,000 in-house lobbying exception.

1. The organization did not make any political expenditures or foreign lobbying expenditures during the 2009 reporting year.
2. The organization made lobbying expenditures during the 2009 reporting year consisting only of in-house direct lobbying expenditures totaling \$2,000 or less, but excluding:
 - a. Any allocable overhead expenses, and
 - b. All direct lobbying expenses of any local council regarding legislation of direct interest to the organization or its members.

If the organization's in-house direct lobbying expenditures during the 2009 reporting year were \$2,000 or less, but the organization also paid or incurred other lobbying or political expenditures during the 2009 reporting year, it should answer "No" to question 2. If the organization is required to complete Part III-B, the \$2,000 or less of in-house direct lobbying expenditures should not be included in the total on line 2a.

Line 3. Answer "Yes" for line 3 if the organization on its prior year report agreed to carryover an amount to be included in the current year's reasonable estimate of lobbying and political expenses.

Complete Part III-B only if the organization answered "No" to **both** line 1 and line 2 or if the organization answered "Yes" to line 3.

Part III-B. Dues Notices, Reporting Requirements, and Proxy Tax

Dues notices. An organization that checked "No" for both Part III-A, lines 1 and 2, and is thus responsible for completing Part III-B, must send dues notices to its members at the time of assessment or payment of dues, unless the organization chooses to pay the proxy tax instead of informing its members of the nondeductible portion of its dues.

These dues notices must reasonably estimate the dues allocable to the nondeductible lobbying and political expenditures reported in Part III-B, line 2a. An organization that checked "Yes" for Part III-A, line 3, must send dues notices to its members at the time of assessment or payment of dues and include the amount it agreed to carryover in its reasonable estimate of the dues allocable to the nondeductible lobbying and political expenditures reported in Part III-B, line 2a.

Dues, Lobbying, and Political Expenses

IF ...	THEN ...
The organization's lobbying and political expenses are more than its membership dues for the year,	The organization must: (a) Allocate all membership dues to its lobbying and political activities, and (b) Carry forward any excess lobbying and political expenses to the next tax year.
The organization: (a) Had only <i>de minimis</i> in-house expenses (\$2,000 or less) and no other nondeductible lobbying or political expenses (including any amount it agreed to carryover); or (b) Paid a proxy tax, instead of notifying its members on the allocation of dues to lobbying and political expenses; or (c) Established that substantially all of its membership dues, etc., are not deductible by members.	The organization need not disclose to its membership the allocation of dues, etc., to its lobbying and political activities.

Members of the organization cannot take a trade or business expense deduction on their tax returns for the portion of their dues, etc., allocable to the organization's lobbying and political activities.

Proxy Tax

IF ...	THEN ...
The organization's actual lobbying and political expenses are more than it estimated in its dues notices,	The organization is liable for a proxy tax on the excess.
The organization: (a) Elects to pay the proxy tax, and (b) Chooses not to give its members a notice allocating dues to lobbying and political campaign activities,	All the members' dues remain eligible for a section 162 trade or business expense deduction.
The organization: (a) Makes a reasonable estimate of dues allocable to nondeductible lobbying and political activities, and (b) Agrees to adjust its estimate in the following year*.	The IRS may permit a waiver of the proxy tax.
*A facts and circumstances test determines whether or not a reasonable estimate was made in good faith.	

Allocation of costs to lobbying activities and influencing legislation.

An organization that is subject to the lobbying disclosure rules of section 6033(e) must use a reasonable allocation method to determine total costs of its direct **lobbying activities**; that is, costs to influence:

- **Legislation**, and
- The actions of a covered executive branch official through direct communication (for example, President, Vice-President, or cabinet-level officials, and their immediate deputies) (section 162(e)(1)(A) and section 162(e)(1)(D)).

Reasonable methods of allocating costs to direct lobbying activities include, but are not limited to:

- The ratio method,
- The gross-up and alternative gross-up methods, and
- A method applying the principles of section 263A.

For more information, see Regulations sections 1.162-28 and 1.162-29. The special rules and definitions for these allocation methods are discussed under *Special Rules*, later.

An organization that is subject to the lobbying disclosure rules of section 6033(e) must also determine its total costs of:

- *De minimis* in-house lobbying,
- Grassroots lobbying, and
- **Political campaign activities.**

There are no special rules related to determining these costs.

All methods. For all the allocation methods, include labor hours and costs of personnel whose activities involve

significant judgment with respect to lobbying activities.

Special Rules

Ratio and gross-up methods. These methods:

- May be used even if volunteers conduct activities, and
- May disregard labor hours and costs of clerical or support personnel (other than lobbying personnel) under the ratio method.

Alternative gross-up method. This method may disregard:

- Labor hours, and
- Costs of clerical or support personnel (other than lobbying personnel).

Third-party costs. These are costs paid to:

- Outside parties for conducting **lobbying activities**,
- Dues paid to another membership organization that were declared to be nondeductible lobbying expenses, and
- Travel and entertainment costs for lobbying activity.

Direct contact lobbying. Treat all hours spent by a person in connection with direct contact lobbying as labor hours allocable to lobbying activities.

Do not treat the hours spent by a person who engages in research and other background activities related to direct contact lobbying, but who makes no direct contact with a legislator, or covered executive branch official, as direct contact lobbying.

De minimis rule. If less than 5% of a person's time is spent on lobbying activities, and there is no direct contact lobbying, an organization may treat that person's time spent on lobbying activities as zero.

Purpose for engaging in an activity.

The purpose for engaging in an activity is based on all the facts and circumstances. If an organization's lobbying communication was for a lobbying and a non-lobbying purpose, the organization must make a reasonable allocation of costs to influencing **legislation.**

Correction of prior year lobbying costs.

If in a prior year, an organization treated costs incurred for a future lobbying communication as a lobbying cost to influence legislation, but after the organization filed a timely return, it appears the lobbying communication will not be made under any foreseeable circumstance, the organization may apply these costs to reduce its current year's lobbying costs, but not below zero. The organization may carry forward any amount of the costs not used to reduce its current year's lobbying costs to subsequent years.

Example 1. Ratio method.

X Organization incurred:

1. 6,000 labor hours for all activities,
2. 3,000 labor hours for lobbying activities (3 employees),
3. \$300,000 for operational costs, and

4. No third-party lobbying costs.

X Organization allocated its lobbying costs as follows:

Basic lobbying labor costs of A + B	Allocable third-party costs	Costs allocable to third-party lobbying activities
3,000	\$300,000	\$150,000
6,000	\$0	\$0
Total labor hrs.		

Example 2. Gross-up method and alternative gross-up method.

A and B are employees of Y Organization.

- A's activities involve significant judgment with respect to lobbying activities.
- A's basic lobbying labor costs (excluding employee benefits) are \$50,000.
- B performs clerical and support activities for A.
- B's labor costs (excluding employee benefits) in support of A's activities are \$15,000.
- Allocable third-party costs are \$100,000.

If Y Organization uses the gross-up method to allocate its lobbying costs, it multiplies 175% times its basic labor costs (excluding employee benefits) for all of the lobbying of its personnel and adds its allocable third-party lobbying costs as follows:

Basic lobbying labor costs of A + B	Allocable third-party costs	Costs allocable to lobbying activities
175% × \$65,000	\$100,000	\$213,750

If Y Organization uses the alternative gross-up method to allocate its lobbying costs, it multiplies 225% times its basic labor costs (excluding employee benefits) for all of the lobbying hours of its lobbying personnel and adds its third-party lobbying costs as follows:

Basic lobbying labor costs of A	Allocable third-party costs	Costs allocable to lobbying activities
225% × \$50,000	\$100,000	\$212,500

Section 263A cost allocation method.

The examples that demonstrate this method are found in Regulations section 1.162-28(f).

Line 1. Enter the total dues, assessments, and similar amounts allocable to the 2009 reporting year. Dues are the amounts the organization requires a member to pay in order to be recognized as a member.

Payments that are similar to dues include:

- Members' voluntary payments,

- Assessments to cover basic operating costs, and
- Special assessments to conduct lobbying and political activities.

Line 2. Include on line 2a the total amount of expenses paid or incurred during the 2009 reporting year in connection with:

- Influencing legislation;
- Participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for any public office;
- Attempting to influence any segment of the general public with respect to elections, legislative matters, or referendums; and
- Communicating directly with a covered executive branch official in an attempt to influence the official actions or positions of such official.

Do not include:

- Any direct lobbying of any local council or similar governing body with respect to legislation of direct interest to the organization or its members;
- In-house direct lobbying expenditures, if the total of such expenditures is \$2,000 or less (excluding allocable overhead); or
- Political expenditures for which the section 527(f) tax has been paid (on Form 1120-POL).

Reduce the current year's lobbying expenditures, but not below zero, by costs previously allocated in a prior year to **lobbying activities** that were cancelled after a return reporting those costs was filed.

Carryforward any amounts not used as a reduction to subsequent years.

Include the following on line 2b.

- Lobbying and political expenditures carried over from the preceding tax year.
- An amount equal to the taxable lobbying and political expenditures reported on Part III-B, line 5 for the preceding tax year, if the organization received a waiver of the proxy tax imposed on that amount.

Line 3. Enter the total amount of dues, assessments, and similar amounts received, allocable to the 2009 reporting year, for which members were timely notified were nondeductible under section 162(e).

Example.

- Membership dues: \$100,000 for the 2009 reporting year,
- Organization's timely notices to members: 25% of membership dues nondeductible, and
- Line 3 entry: \$25,000.

Line 4. If the amount on line 2c exceeds the amount on line 3 and the organization sent dues notices to its members at the time of assessment or payment of dues, include the amount on line 4 that the organization agrees to carryover to the reasonable estimate of nondeductible

lobbying and political expenditure next year and include the amount in Part III-B, line 2b (carryover lobbying and political expenses), or its equivalent, on the 2010 Schedule C (Form 990 or 990-EZ).

If the organization did not send notices to its members, enter "-0-" on line 4.

Line 5. The taxable amount reportable on line 5 is the amount of dues, assessments, and similar amounts received:

- Allocable to the 2009 reporting year, and
- Attributable to lobbying and political expenditures that the organization did not timely notify its members were nondeductible.

Report the tax on Form 990-T.

If the amount on line 1 (dues, assessments, and similar amounts) is **greater** than the amount on line 2c (total lobbying and political expenditures), then subtract the nondeductible dues shown in notices (line 3) and the carryover amount (line 4) from the total lobbying and political expenditures (line 2c) to determine the taxable amount lobbying and political expenditures (line 5).

If the amount on line 1 (dues, assessments, and similar amounts) is **less** than the amount on line 2c (total lobbying and political expenditures), then subtract the nondeductible dues shown in notices (line 3) and the carryover amount (line 4) from dues, assessments, and similar amounts (line 1) to determine the taxable lobbying and political expenditures (line 5).

Subtract dues, assessments, and similar amounts (line 1) from lobbying and political expenditures (line 2c) to determine the excess amount to be carried over to the following tax year and reported on Part III-B, line 2b (carryover lobbying and political expenditures), or its equivalent, on the next year Schedule C (Form 990 or 990-EZ) along with the amounts the organization agreed to carryover on line 4.

Underreporting of lobbying expenses.

An organization is subject to the proxy tax for the 2009 reporting year for underreported lobbying and political expenses only to the extent that these expenses (if actually reported) would have resulted in a proxy tax liability for that year. A waiver of proxy tax for the tax year only applies to reported expenditures.

An organization that underreports its lobbying and political expenses is also subject to the section 6652(c) daily penalty for filing an incomplete or inaccurate return. See *H. Failure To File Penalties* in the instructions for Form 990.

Examples. Organizations A, B, and C:

- Reported on the calendar year basis,
- Incurred only grassroots lobbying expenses (did not qualify for the under \$2,000 in-house lobbying exception (*de minimis* rule)), and

3. Allocated dues to the tax year in which they were received.

Organization A. Dues, assessments, and similar amounts received in 2009 were greater than its lobbying expenses for 2009.

Workpapers (for 2009 Form 990) — Organization A

1. Total dues, assessments, etc., received	\$800		
2. Lobbying expenses paid or incurred		\$600	
3. Less: Total nondeductible amount of dues notices	100	100	
4. Subtract line 3 from both lines 1 and 2	700	500	
5. Taxable amount of lobbying expenses (smaller of the two amounts on line 4)		500	

TIP *The amounts on lines 1, 2, 3, and 5 of the workpapers were entered on lines 1, 2c, 3, and 5 of the 2009 Schedule C (Form 990 or 990-EZ), Part III-B.*

Because dues, assessments, and similar amounts received were greater than lobbying expenses, there is no carryover of excess lobbying expenses to Part III-B, line 2b, 2010 Schedule C (Form 990 or 990-EZ).

See the instructions for Part III-B, line 5, for the treatment of the \$500.

Organization B. Dues, assessments, and similar amounts received in 2009 were less than lobbying expenses for 2009.

Workpapers (for 2009 Form 990) — Organization B

1. Total dues, assessments, etc., received	\$400		
2. Lobbying expenses paid or incurred		\$600	
3. Less: Total nondeductible amount of dues notices	100	100	
4. Subtract line 3 from both lines 1 and 2	300	500	
5. Taxable amount of lobbying expenses (smaller of the two amounts on line 4)		300	

TIP *The amounts on lines 1, 2, 3, and 5 of the workpapers were entered on lines 1, 2c, 3, and 5 of the 2009 Schedule C (Form 990 or 990-EZ), Part III-B.*

Because dues, assessments, and similar amounts, received were less than lobbying expenses, excess lobbying expenses of \$200 must be carried forward to Part III-B, line 2b, of the 2010 Schedule C (Form 990 or 990-EZ) (excess of \$600 of lobbying expenses over \$400 dues, etc., received). The \$200 will be included along with the other lobbying and political expenses paid or incurred in the 2010 reporting year.

See the instructions for Part III-B, line 5, for the treatment of the \$300.

Organization C. Dues, assessments, and similar amounts received in 2009 were greater than lobbying expenses for 2009 and the organization agreed to carryover a portion of its excess lobbying and political expenses to the next year.

Workpapers (for 2009 Form 990) — Organization C

1. Total dues, assessments, etc., received	\$800		
2. Lobbying expenses paid or incurred		\$600	
3. Less: Total nondeductible amount of dues notices	100	100	
4. Less: Amount agreed to carryover	100	100	
5. Subtract line 3 and 4 from both lines 1 and 2	600	400	
6. Taxable amount of lobbying expenses (smaller of the two amounts on line 5)		400	

TIP *The amounts on lines 1, 2, 3, 4, and 6 of the workpapers were entered on lines 1, 2c, 3, 4, and 5 of the 2009 Schedule C (Form 990 or 990-EZ), Part III-B.*

See the instructions for Part III-B, line 5, for the treatment of the \$400.

Part IV. Supplemental Information

Use Part IV to enter narrative information required in Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A, line 1 (affiliated group list), Part II-A, line 2, and Part II-B, line 1i. Also use Part IV to enter other narrative explanations and descriptions. Identify the specific part and line number that the response supports, in the order in which they appear on Schedule C (Form 990 or 990-EZ). Part IV can be duplicated if more space is needed.



Instructions for Schedule D (Form 990)

Supplemental Financial Statements

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule D (Form 990) is used by an organization that files Form 990 to provide the required reporting for **donor advised funds, conservation easements, certain art and museum collections, escrow or custodial accounts** or arrangements, **endowment funds**, and supplemental financial information.

Who Must File

An organization that answered "Yes" to any of lines 6 through 12 on Form 990, Part IV, *Checklist of Required Schedules*, must complete the appropriate part(s) of Schedule D (Form 990) and attach the schedule to Form 990. An organization that answered "Yes" to Form 990, Part IV, line 12A can complete Parts XI, XII, and XIII of Schedule D (Form 990), but is not required to do so.

If an organization is not required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I. Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts

Complete Part I if the organization answered "Yes" to Form 990, Part IV, line 6.

Generally a **donor advised fund** is a fund or account:

1. That is separately identified by reference to **contributions** of a donor or donors;
2. That is owned and controlled by a **sponsoring organization**; and
3. For which the donor or **donor advisor** has or reasonably expects to have advisory privileges in the distribution or investment of amounts held in the donor advised fund or account because of the donor's status as a donor.

Exceptions. A donor advised fund does not include any fund or account:

1. That makes distributions only to a single identified organization or governmental entity, or
2. In which a donor or donor advisor gives advice about which individuals receive grants for travel, study, or other similar purposes, if:
 - a. The donor or donor advisor's advisory privileges are performed exclusively by such person in his or her capacity as a member of a committee in which all of the committee members are appointed by the sponsoring organization;
 - b. No combination of donors or donor advisors (and related persons as defined below) directly or indirectly control the committee; and
 - c. All grants from the fund or account are awarded on an objective and nondiscriminatory basis following a procedure approved in advance by the board of directors of the sponsoring organization. The procedure must be designed to ensure that all grants meet the requirements of section 4945(g)(1), (2), or (3); or
3. That the Secretary exempts from being treated as a donor advised fund because either such fund or account is advised by a committee not directly or indirectly controlled by the donor or donor advisor or because such fund benefits a single identified charitable purpose.

See Notice 2006-109, 2006-2 C.B. 1121.

A *related person* to a donor or donor advisor includes: any family member (as defined in section 4958(f)) of the

donor or donor advisor and any **35% controlled entity** (as defined in section 4958(f)) of the donor, donor advisor, or their family members.

Column (a). Complete for all donor advised funds held at any time during the **tax year** by the organization as a **sponsoring organization**.

Column (b). Complete for other similar funds or accounts held by the organization at any time during the tax year over which a donor, or person appointed by the donor, had advisory privileges with respect to the distribution or investment of amounts held in such funds or accounts, but which do not constitute a **donor advised fund**. Examples of other similar funds or accounts include, but are not limited to, the funds or accounts listed in *Exceptions* above, or that are otherwise prescribed by statute as excepted from the meaning of a donor advised fund.

Line 1. Report in column (a) the total number of **donor advised funds** and in column (b) the total number of other similar funds or accounts held by the organization at the end of the year.

Line 2. Report in column (a) the aggregate amount of contributions during the year to all **donor advised funds** and in column (b) the aggregate amount of **contributions** during the year to all other similar funds or accounts held by the organization.

Line 3. Report in column (a) the aggregate amount of grants made during the year from all **donor advised funds** and in column (b) the aggregate amount of grants made during the year from all other similar funds or accounts held by the organization.

Line 4. Report in column (a) the aggregate value at the end of the year of all **donor advised funds** and in column (b) the aggregate value at the end of the year of all other similar funds or accounts held by the organization.

Part II. Conservation Easements

Complete Part II if the organization answered "Yes" to Form 990, Part IV, line 7.

In addition to reporting on **conservation easements**, also report in Part II other interests in real property that under state law have attributes similar to a conservation easement and are established for the purpose of conservation and preservation (for example, certain restrictive covenants and equitable servitudes). Do not report utility easements.

A *certified historic structure* is any building or structure listed in the National Register of Historic Places as well as any building certified as being of historic significance to a registered historic district. See section 170(h)(4)(B) for special rules that apply to contributions made after August 17, 2006.

Line 1. Check the box for the purpose or purposes for which the organization held the easement(s) during the tax year. Check all that apply.

Line 2. Provide an answer for each item.

Line 2a. Enter the total number of **conservation easements** held by the organization at the end of the **tax year**. This should not be an estimate or a rounded number.

Line 2b. Enter the total acreage restricted by **conservation easements** held by the organization at the end of the **tax year**. Compute the total acreage by adding together all the acres of land subject to all the easements held as of the end of the tax year. Do not include conservation easements on certified historic structures. Acreage can be expressed in decimal points for properties subject to easements where the acreage consists of less than whole numbers. For example, two and one-half acres can be expressed as 2.5 acres.

Line 2c. Enter the number of **conservation easements** on certified historic structures held by the organization at the end of the **tax year**.

Line 2d. Enter the number of **conservation easements** included in the answer to line 2c that the organization acquired after August 17, 2006.

Line 3. In general, a grant of a **conservation easement** to a qualified organization is required to be made in perpetuity. Enter the total number of conservation easements held by the organization that were modified, transferred, released, extinguished, or terminated during the **tax year**. For example, if two easements were modified and one easement was terminated during the tax year, enter the number 3.

For each easement modified, transferred, released, extinguished, or terminated, explain the changes in Part

XIV. An easement is *modified* when its terms of easement are amended. For example, if the deed of easement is amended to increase or decrease the amount of land subject to the easement or to add or remove restrictions regarding the use of the property subject to the easement, the easement is modified. An easement is *transferred* when the organization assigns the deed of easement whether with or without consideration. An easement is *released* or *terminated* when it is condemned, extinguished by court order, transferred to the land owner, or in any way rendered void and unenforceable.

Line 4. Enter the total number of states where property is located and subject to a **conservation easement** held by the organization during the **tax year**.

Line 5. A qualified organization must have a commitment to protect the conservation purposes of the easement, and have the resources to enforce the restrictions. Report whether the organization has a written policy or policies regarding how the organization will monitor, inspect, and handle violations, and how it will enforce **conservation easements**. If “Yes,” briefly summarize such policy or policies in Part XIV. Also, indicate whether such policy or policies are reflected in the organization’s easement documents. *Monitoring* means the organization investigates the use or condition of the real property restricted by the easement to determine if the property owner is adhering to the restrictions imposed by the terms of the easement to ensure the conservation purpose of the easement is being achieved. *Inspection* means an onsite visit to observe the property to carry out a monitoring purpose. *Enforcement* of an easement means action taken by the organization after it discovers a violation to compel a property owner to adhere to the terms of the conservation easement. Such activities can include communications with the property owner explaining his or her obligations with respect to the easement, arbitration, or litigation.

Line 6. Enter the total number of hours devoted during the tax year to monitoring, inspecting, and enforcing **conservation easements**, as those terms are defined in the instruction for line 5, above. Include the hours devoted to this purpose by any of the organization’s paid or unpaid staff and by any of the organization’s agents or **independent contractors**.

Line 7. Enter the total amount of expenses incurred by the organization during the **tax year** to monitor, inspect, and enforce the **conservation easements** it held during the year as

those terms are defined in the instruction for line 5, on this page.

Line 8. Answer “Yes” if each of the organization’s façade easements acquired after August 17, 2006, satisfies the requirements of sections 170(h)(4)(B)(i) and 170(h)(4)(B)(ii).

Section 170(h)(4)(B)(i) requires each façade easement donated after August 17, 2006, to include a restriction that preserves the entire exterior of the building, including the front, sides, rear, and height of the building, and to prohibit any change in the exterior of the building that is inconsistent with the historical character of such exterior.

Section 170(h)(4)(B)(ii) requires the donor and donee to enter into a written agreement certifying, among other things, that the donee organization has the resources to manage and enforce the restriction and a commitment to do so.

Line 9. Enter on Part XIV a description of how the organization reports **conservation easements** in its revenue and expense statement and on its balance sheet. Include in Part XIV, if applicable, the text of the footnote to the organization’s **financial statements** that describes the organization’s accounting for conservation easements and the basis for its reporting position (for example, FASB EITF 02-7, Example 1).

Part III. Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets

Complete Part III if the organization answered “Yes” to Form 990, Part IV, line 8.

Organizations that receive contributions of **works of art**, **historical treasures**, and similar assets that do not maintain collections as described in **SFAS 116** are not required to complete Part III.

For lines 1 and 2, refer to SFAS 116 for meanings of the various terms.

Lines 1 and 2. Pursuant to **SFAS 116**, certain organizations can choose one of two methods to report collections of **works of art**, **historical treasures**, or other similar assets held for public exhibition, education, or research in furtherance of public service. An organization that does not recognize and capitalize its collections for financial statement purposes will report its collections on the face of its statement of activities, separately from revenues, expenses, gains, losses, and assets. An organization that recognizes

and capitalizes its collections for financial statement purposes will report its collections as assets and revenues based upon its fair value measurement. Line 1 pertains to collection items held by the organization in furtherance of public service, and line 2 pertains to collection items held by the organization for financial gain, as those terms are described in SFAS 116.

Line 1a. If an organization has elected not to capitalize its collections, then provide in Part XIV the footnote(s) to the organization's **financial statements** that describe these collection items.

Line 1b. If an organization has elected to capitalize its collections, provide on line 1(b)(i) the revenues reported as to these collection items from the total revenues reported on Form 990, Part VIII, line 1. Also, provide on line 1(b)(ii) the asset value assigned to these collection items, which value should also be reported as part of the organization's **total assets** reported on Form 990, Part X.

Line 2. If an organization has received or held collections for financial gain, provide on line 2(a) the revenues reported as to these collection items from the total revenues included on Form 990, Part VIII, line 1. Also, provide on line 2(b) the asset value assigned to these collection items, which value should also be reported as part of the organization's **total assets** reported on Form 990, Part X.

Line 3. Based upon the organization's acquisition, accession, and other records, check all boxes that best describe how the organization utilizes its collections, including the collection's most significant use.

Line 4. On Part XIV, provide a description of the organization's collections and explain how these collections further the organization's exempt purposes.

Line 5. Answer "Yes" to line 5 if during the year the organization solicited or received donations of **art, historical treasures**, or other similar assets to be sold in order to raise funds rather than to be maintained as part of the organization's collection.

Part IV. Escrow and Custodial Arrangements

Complete Part IV if the organization answered "Yes" to Form 990, Part IV, line 9, regarding **escrow or custodial accounts** or arrangements.

Lines 1a through 1f. If the organization acts as an agent, **trustee**, custodian or other intermediary for funds payable to other organizations or individuals and has not reported those

amounts on Form 990, Part X, as an asset or liability, check "Yes" and provide an explanation of the arrangement in Part XIV.

Organizations that maintain **escrow or custodial accounts** not reported on Form 990, Part X, must record increases or decreases in such accounts by completing lines 1c through 1f.

Example 1. A credit counseling organization that collects amounts from debtors to remit to creditors can hold funds in an escrow or custodial account. If the organization acts as a go-between and does not report these funds as its assets or liabilities on Form 990, Part X, it must report the fund balances on lines 1c through 1f.

Example 2. An organization providing down-payment assistance that collects amounts from donors to be used toward the purchase of qualifying housing can hold funds in an escrow or custodial account. If the organization acts as a go-between and does not report these funds as its assets or liabilities on Form 990, Part X, it must report the fund balances on lines 1c through 1f.

Line 2. If the organization answered "Yes" to line 2a, explain in Part XIV the arrangements under which the amounts reported on Form 990, Part X, line 21, are held, including any obligations the organization has to other persons under such arrangements.

Part V. Endowment Funds

Complete Part V if the organization answered "Yes" to Form 990, Part IV, line 10. For Part V, the definitions of **endowments** and types of endowments are governed by **SFAS 117**, paragraphs 14 through 17. Information reported in Part V should pertain to the aggregate of the endowment assets held by the organization, organizations formed and maintained exclusively to further one or more exempt purposes of the organization, and organizations that hold endowment funds for the benefit of the organization.

Term endowments are endowment funds that are established by donor-restricted gifts and are maintained to provide a source of income for either a specified period of time or until a specific event occurs.

Permanent (true) endowments are endowment funds that are established by donor-restricted gifts and are maintained to provide a permanent source of income, with the stipulation that principal must be invested and kept intact in perpetuity, while only the

income generated can be used by the organization.

Board-designated endowments, or quasi-endowments, are endowments established by the organization itself, either from unrestricted donor or organizational funds, over which the organization itself imposes restrictions on their use, and which restrictions can be temporary or permanent in nature. See **SFAS 117**.

Line 1. For 2009, columns (c) through (e) can be left blank.

Line 1a. Enter the beginning-of-year balances of the organization's **endowment** funds for the current year and prior year. The amounts entered should agree with the organization's total **permanent (true) endowment, term endowment, and quasi-endowment** funds at the beginning of the current year and prior year.

Line 1b. Enter the amounts of current year and prior year **contributions** to the organization's **endowment** funds. These amounts include all donor gifts, grants, and contributions received, as well as additional funds established by the organization's **governing board** to function like an endowment, but that can be expended at any time at the discretion of the board.

Line 1c. Enter the current year and prior year net amounts of investment earnings, gains, and losses, including both realized or unrealized amounts. For earnings reported net of transaction costs, enter the net amount on line 1c. For earnings reported on a gross basis, enter the transaction costs on line 1f.

Line 1d. Enter the current year and prior year amounts distributed for grants or scholarships.

TIP Because scholarships represent direct aid to individuals, they are distinguished from general programmatic aid referenced in line 1e.

Line 1e. Enter the current year and prior year amounts distributed for facilities and programs. Amounts on this line should include withdrawn amounts, and amounts disinvested from an organization's **quasi-endowments** to reduce or eliminate capital investment.

Line 1f. Enter the current year and prior year administrative expenses charged to the **endowment** funds. These expenses can arise from either internal or third party sources.

Line 1g. Enter the year-end balances of the organization's **endowment** funds for the current year and prior year. To determine the year-end balances, add lines 1a, 1b, and investment earnings on line 1c,

and subtract line 1c investment losses and the amounts on lines 1d through 1f.

Line 2. On lines 2a through 2c, enter the estimated percentage of the organization's total **endowment** funds at year end held in (a) board designated or **quasi-endowment** funds, (b) **permanent endowment** funds, or (c) **term endowment** funds. The total of these three percentages should equal 100%.



Effective for reporting years ending after December 15, 2008, FSP FAS 117-1

addresses reporting of endowments as permanently restricted or temporarily restricted funds. Further, a number of states have enacted or are considering enacting the Uniform Prudent Management of Institutional Funds Act (UPMIFA). If the organization is subject to UPMIFA or FSP FAS 117-1, it may affect the amounts reported on lines 2a through 2c.

Line 3. Report information on **endowment** funds not in possession of the organization.

Line 3a(i). Enter "Yes" if any of the organization's **endowment** funds are in the possession of and administered by **unrelated organizations**.

Line 3a(ii). Enter "Yes" if any of the organization's **endowment** funds are in the possession of and administered by **related organizations**.

Line 3b. All **related organizations** are required to be reported on Schedule R. Enter "Yes" on line 3b if the organization answered "Yes" to line 3a(ii) and the organization listed all related organizations referred to on line 3a(ii) in Schedule R (Form 990).

Line 4. Describe in Part XIV the intended uses of the organization's **endowment** funds.

Part VI. Investments—Land, Buildings, and Equipment

Complete Part VI if the organization answered "Yes" on Form 990, Part IV, line 11, and reported an amount on Form 990, Part X, line 10a or 10b, or column (B), line 10c. Reporting is required if any amount other than zero is reported on those lines.

Column (a). Enter the cost or other basis of all land, buildings, leasehold improvements, equipment, and other fixed assets held for investment purposes, such as rental properties.

Column (b). Enter the cost or other basis of all other land, buildings, leasehold improvements, equipment, and other fixed assets held for other

than investment purposes, including any land, buildings, and equipment owned and used by the organization in conducting its exempt activities. The total amounts reported in columns (a) and (b) must equal the amount reported on Form 990, Part X, line 10a.

Column (c). Enter the accumulated depreciation recorded with respect to the assets listed in columns (a) and (b). Do not enter an amount in column (c) for line 1a, Land. The total of column (c) must equal the amount reported on Form 990, Part X, line 10b.

Column (d). Enter the sum of column (a) and column (b) minus column (c). The total of column (d) must equal the amount reported on Form 990, Part X, column (B), line 10c.

Part VII. Investments—Other Securities

Complete Part VII if the organization answered "Yes" on Form 990, Part IV, line 11, and reported an amount in Form 990, Part X, column (B), line 12, that is 5% or more of the total assets reported on Form 990, Part X, column (B), line 16.

This includes **closely held stock**. Other **securities** also include (1) publicly-traded stock for which the organization holds 5% or more of the outstanding shares of the same class, and (2) publicly-traded stock in a corporation that comprised more than 5% of the organization's **total assets** at the end of the **tax year**. List each separate class of publicly traded stock held by the organization that meets either of these 5% ownership tests. Do not include program-related investments.

Column (a). Describe the type of investment. Each class of publicly-traded stock for which the organization holds 5% or more of the outstanding shares must be listed by name and class, including the number of shares held. Also report all publicly-traded stock in a corporation that comprised more than 5% of the organization's **total assets** at the end of the **tax year**.

Column (b). Enter the book value of each investment. The total of column (b) must equal the amount reported on Form 990, Part X, column (B), line 12.

Column (c). Indicate whether the investment is listed at cost or end-of-year market value. When reporting **securities at fair market value**, use commonly accepted valuation methods.

Part VIII. Investments—Program Related

Complete Part VIII if the organization answered "Yes" on Form 990, Part IV, line 11, and reported an amount on Form 990, Part X, column (B), line 13, that is 5% or more of the total assets reported on Form 990, Part X, column (B), line 16.

Program-related investments are investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the filing organization's exempt function.

Column (a). List each type of program-related investment.

Column (b). Enter the book value of each program-related investment. The total of column (b) must equal the amount reported on Form 990, Part X, column (B), line 13.

Column (c). Indicate whether the investment is listed at cost or end-of-year market value.

Part IX. Other Assets

Complete Part IX if the organization answered "Yes" on Form 990, Part IV, line 11, and reported an amount on Form 990, Part X, column (B), line 15, that is 5% or more of the total assets reported on Form 990, Part X, column (B), line 16.

Column (a). Enter a description of assets reported on Form 990, Part X, column (B), line 15. The organization can use any reasonable basis to classify these assets.

Column (b). Enter the book value of each asset. The total of column (b) must equal the amount reported on Form 990, Part X, column (B), line 15.

Part X. Other Liabilities

Complete Part X if the organization answered "Yes" on Form 990, Part IV, line 11, and either reported an amount on Form 990, Part X, column (B), line 25, or had **financial statements** for the **tax year** that include a footnote addressing the organization's liability for uncertain tax positions under **FIN 48**. Organizations are required to separately report all liabilities for federal income taxes and amounts owed to related organizations on Part X of this schedule.

Line 1. Other liabilities. In column (a), list each type of liability not reported on lines 17 through 24 of Form 990, Part X. The organization can use

any reasonable basis to classify these liabilities.

In column (b), enter the book value of each liability. The total of column (b) must equal the amount reported on Form 990, Part X, column (B), line 25.

Line 2. FIN 48 footnote. Every organization required to complete Part X must provide the text of the footnote to its **financial statements**, if applicable, regarding the organization's liability for uncertain tax positions under **FIN 48**. This includes, for example, the description of a liability for **unrelated business income tax**, or tax that may be assessed as a result of the revocation of exempt status. Any portion of the FIN 48 footnote that addresses only the filing organization's liability must be provided verbatim. The filing organization can summarize that portion, if any, of the footnote that applies to the liability of multiple organizations including the organization (for example, as a member of a group with consolidated financial statements), to describe the filing organization's share of the liability.

Parts XI Through XIII. Reconciliation of Change in Net Assets, Revenue, and Expenses From Form 990 to Audited Financial Statements

Complete Parts XI, XII, and XIII if the organization answered "Yes" on Form

990, Part IV, line 12. If the organization answered "Yes" on Form 990, Part IV, line 12A, completing Parts XI, XII, and XIII is optional.

If the organization did not receive an audited **financial statement** for the reporting year for which it is completing this Form 990, it is not required to complete Parts XI, XII, or XIII, even if it prepared Form 990 in accordance with **SFAS 117**.

Use the reconciliation statements of Parts XII and XIII to reconcile the differences between the revenue and expenses reported on the organization's audited financial statement prepared in accordance with SFAS 117 and the revenue and expenses reported on the organization's Form 990.

On line 4a of Parts XII and XIII, include only those investment expenses netted against investment income in the revenue portion of the organization's audited financial statement. Do not include **program-related investment** expenses or other expenses reported as program service expenses in the audited statement of activities.

Parts XI, XII, and XIII do not have to be completed for group returns.

Part XIV. Supplemental Information

Complete Part XIV to provide narrative information required in the following.

- Part II, lines 3, 5, and 9 (**conservation easements**).
- Part III, lines 1a and 4 (**collections of art, historical treasures, or other similar assets**).
- Part IV, lines 1b and 2b (escrow and custodial arrangements).
- Part V, line 4 (**endowment** funds).
- Part X, line 2 (**FIN 48** footnote text).
- Part XI, line 8 (reconciliation of change in net assets).
- Part XII, lines 2d and 4b (reconciliation of revenue).
- Part XIII, lines 2d and 4b (reconciliation of expenses).

Also use Part XIV to provide additional narrative explanations and descriptions, as needed. Identify the specific part and line number that the response supports in the order that it appears on Schedule D (Form 990). Part XIV can be duplicated if more space is needed.

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		(event type)	(event type)	(total number)	(add col. (a) through col. (c))
Revenue	1 Gross receipts				
	2 Less: Charitable contributions				
	3 Gross income (line 1 minus line 2)				
Direct Expenses	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs				
	7 Food and beverages				
	8 Entertainment				
	9 Other direct expenses				
	10 Direct expense summary. Add lines 4 through 9 in column (d) ▶				()
11 Net income summary. Combine line 3, column (d), and line 10 ▶					

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Noncash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	<input type="checkbox"/> Yes _____% <input type="checkbox"/> No	<input type="checkbox"/> Yes _____% <input type="checkbox"/> No	<input type="checkbox"/> Yes _____% <input type="checkbox"/> No	
7 Direct expense summary. Add lines 2 through 5 in column (d) ▶				()	
8 Net gaming income summary. Combine line 1, column d, and line 7 ▶					

	Yes	No
9 Enter the state(s) in which the organization operates gaming activities: _____		
a Is the organization licensed to operate gaming activities in each of these states?	9a	
b If "No," explain: _____ _____		
10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year?	10a	
b If "Yes," explain: _____ _____		
11 Does the organization operate gaming activities with nonmembers?	11	
12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?	12	

			Yes	No
13	Indicate the percentage of gaming activity operated in:			
a	The organization's facility	13a	%	
b	An outside facility	13b	%	
14	Enter the name and address of the person who prepares the organization's gaming/special events books and records:			
	Name ▶			
	Address ▶			
15a	Does the organization have a contract with a third party from whom the organization receives gaming revenue?	15a		
b	If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ and the amount of gaming revenue retained by the third party ▶ \$			
c	If "Yes," enter name and address of the third party:			
	Name ▶			
	Address ▶			
16	Gaming manager information:			
	Name ▶			
	Gaming manager compensation ▶ \$			
	Description of services provided ▶			
	<input type="checkbox"/> Director/officer <input type="checkbox"/> Employee <input type="checkbox"/> Independent contractor			
17	Mandatory distributions:			
a	Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?	17a		
b	Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$			



Instructions for Schedule H (Form 990)

Hospitals

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule H (Form 990) must be completed by an organization that operates at least one facility that is, or is required to be, licensed, registered, or similarly recognized by a state as a **hospital**.

The organization must file a single Schedule H (Form 990) that aggregates information from the following.

1. Hospitals directly operated by the organization.
2. Hospitals operated by **disregarded entities** of which the organization is the sole member.
3. Other facilities or programs of the organization or any of the entities described in 1 or 2, even if provided by a facility that is not a hospital or if provided separately from the hospital's license.
4. Hospitals operated by any **joint venture** treated as a partnership, to the extent of the organization's proportionate share of the joint venture. Proportionate share is defined as the ending capital account percentage listed on the Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., Part II, line J, for the partnership tax year ending in the organization's tax year being reported on the organization's Form 990. If Schedule K-1 (Form 1065) is not available, the organization can use other business records to make a reasonable estimate, including the most recently available Schedule K-1 (Form 1065), adjusted as appropriate to reflect facts known to the organization, or information used for purposes of determining its proportionate share of the venture for the organization's financial statements.
5. In the case of a **group return** filed by the organization, hospitals operated directly by members of the group exemption included in the group return, hospitals operated by a disregarded entity of which a member included in the group return is the sole member, hospitals operated by a joint venture treated as a partnership to the extent of the group member's proportionate share (determined in the manner described in 4,

earlier), and other facilities or programs of a member included in the group return even if such facilities are not hospitals or if such programs are provided separately from the hospital's license.

Example. The organization is the sole member of a disregarded entity. The disregarded entity owns 50% of a joint venture treated as a partnership. The partnership in turn owns 50% of another joint venture treated as a partnership that operates a hospital and a freestanding outpatient clinic that is not part of the hospital's license. (Assume the respective proportionate shares of the partnerships based on capital account percentages listed on the partnerships' Schedule K-1 (Form 1065), Part II, line J, are also 50%.) The organization would report 25% (50% of 50%) of the hospital's and outpatient clinic's aggregate information on Schedule H (Form 990).

Note that while information from all of the above sources is aggregated for purposes of Schedule H (Form 990), the organization is required to report in Part V each of its facilities required to be licensed, registered, or similarly recognized as a health care facility under state law, whether operated directly by the organization or indirectly through a disregarded entity or joint venture taxed as a partnership. In addition, the organization must report in Part VI, *Supplemental Information*, summary information describing the number of other types of facilities for which it reports information on Schedule H (Form 990) (for example, two rehabilitation clinics, four diagnostic centers).

Organizations are not to report information from hospitals located outside the **United States** in Parts I, II, III, or V. Information from foreign joint ventures and partnerships *must* be reported in Part IV, *Management Companies and Joint Ventures*. Information concerning foreign hospitals and facilities *can* be described in Part VI.

Except as provided in Part IV, do not report on Schedule H (Form 990) information from an entity organized as a separate legal entity from the organization and treated as a corporation for federal income tax purposes (except for members of a group exemption included in a group return filed by the organization), even if such entity is

affiliated with or otherwise related to the organization (for example, part of an affiliated health care system).

Who Must File

An organization that answered "Yes" on Form 990, Part IV, *Checklist of Required Schedules*, line 20, must complete and attach Schedule H to Form 990.

For purposes of Schedule H (Form 990), a **hospital** is a facility that is, or is required to be, licensed, registered, or similarly recognized by a state as a hospital. This includes a hospital operated through a disregarded entity or a **joint venture** treated as a partnership. It does not include hospitals that are located outside the **United States**. It also does not include hospitals operated by entities organized as separate legal entities from the organization that are treated as a corporation for federal tax purposes (except for members of a group exemption included in a group return filed by the organization). If the organization operates multiple hospitals, or if it files a group return for a group that operates one or more hospitals, complete one Schedule H (Form 990) for all of the hospitals operated by the filing organization or the group, and report aggregate information from all such hospitals as described in *Purpose of Schedule, General Instructions*.

If an organization is not required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

An organization that does not operate one or more facilities that satisfy the definition of a hospital, above, should not file Schedule H (Form 990).

TIP *The definition of hospital for Schedule A (Form 990), Public Charity Status and Public Support, Part I, line 3, and the definition of hospital for Schedule H (Form 990) are not the same. Accordingly, an organization that checks box 3 in Part I of Schedule A (Form 990) to report that it is a hospital or cooperative hospital service organization, must complete and attach Schedule H to Form 990 only if it meets the definition of hospital for purposes of Schedule H (Form 990), as explained above.*

Specific Instructions

Part I. Charity Care and Certain Other Community Benefits at Cost

Part I requires reporting of charity care policies, the availability of community benefit reports, and the cost of certain charity care and other community benefit programs. Worksheets and accompanying instructions are provided at the end of the instructions to this schedule to assist in completing the table in Part I, line 7.

Line 1. A “charity care policy” is a policy describing how the organization will provide “charity care” at its hospital(s) and other facilities, if any. “Charity care” means free or discounted health services provided to persons who meet the organization’s criteria for financial assistance and are thereby deemed unable to pay for all or a portion of the services. “Charity care” does not include: bad debt or uncollectible charges that the organization recorded as revenue but wrote off due to failure to pay by patients, or the cost of providing such care to such patients; the difference between the cost of care provided under Medicaid or other means-tested government programs or under Medicare and the revenue derived therefrom; or contractual adjustments with any third-party payors.

Line 2. Check only one of the three boxes. “Applied uniformly to all hospitals” means that all of the organization’s hospitals and other facilities use the same charity care policy. “Applied uniformly to most hospitals” means that the majority of the organization’s hospitals and other facilities use the same charity care policy. “Generally tailored to individual hospitals” means that the majority of the organization’s hospitals and other facilities use different charity care policies. If the organization operates only one hospital or other facility, check “Applied uniformly to all hospitals.”

Line 3. Answer lines 3a, 3b, and 3c based on the charity care eligibility criteria that apply to (1) the largest number of the organization’s patients based on patient contacts or encounters or (2) if the organization does not operate its own hospital or other facility, the largest number of patients of a hospital or facility operated by a **joint venture** in which the organization has an ownership interest. For example, if the organization has two hospitals or other facilities, use the charity care eligibility criteria used by the hospital or other facility which has the most patient contacts or encounters during the **tax year**.

Line 3a. “Federal Poverty Guidelines” (FPG) are the Federal Poverty Guidelines established by the U.S. Department of Health and Human Services. If the facility has established a family or household income threshold that a patient must meet

or fall below to qualify for free medical care, check the box in the “Yes” column and indicate the specific threshold by checking the appropriate box. For instance, if a patient’s family or household income must be less than or equal to 250% of FPG for the patient to qualify for free care, then check the box marked “Other” and enter “250%.”

Line 3b. If the facility has established a family or household income threshold that a patient must meet or fall below to qualify for discounted medical care, check the box in the “Yes” column and indicate the specific threshold by checking the appropriate box.

Line 3c. If applicable, describe the other income-based criteria, asset test, or other means test or threshold for free or discounted care in Part VI, line 1 of this schedule. An “asset test” includes (i) a limit on the amount of total or liquid assets that a patient or the patient’s family or household can own for the patient to qualify for free or discounted care, and/or (ii) a criterion for determining the level of discounted medical care patients can receive, depending on the amount of assets that they and/or their families or households own.

Line 4. “Medically indigent” means persons whom the organization has determined are unable to pay some or all of their medical bills because their medical bills exceed a certain percentage of their family or household income or assets (for example, due to catastrophic costs or conditions), even though they have income or assets that otherwise exceed the generally applicable eligibility requirements for free or discounted care under the organization’s charity care policy.

Line 5. Answer lines 5a, 5b, and 5c based on the organization’s budgeted amounts under its charity care policy.

Line 5a. Answer “Yes” if the organization established or had in place at any time during the tax year an annual or periodic budgeted amount of free or discounted care to be provided under its charity care policy. If “No,” skip to line 6a.

Line 5b. Answer “Yes” if the free or discounted care the organization provided in the applicable period exceeded the budgeted amount of costs or charges for that period. If “No,” skip to line 6a.

Line 5c. Answer “Yes” if the organization denied financial assistance to any patient eligible for free or discounted care under its charity care policy solely because the organization’s charity care budget was exceeded.

Line 6. Answer lines 6a and 6b based on the organization’s annual community benefit report.

Line 6a. Answer “Yes” if the organization prepared an annual written report that describes the organization’s programs and services that promote the health of the community or communities served by the organization. If the organization’s community benefit report is

contained in a report prepared by a **related organization**, answer “Yes” and identify the related organization in Part VI, line 1. If “No,” skip to line 7.

Line 6b. Answer “Yes” if the organization makes its annual community benefit report available to the public.

TIP *Some of the ways in which an organization can make its community benefit report available to the public are to post the report on the organization’s website, to publish and distribute the report to the public by mail or at its facilities, or to submit the report to a state agency or other organization that makes the report available to the public.*

Lines 7a through 7k. Report on the table (lines 7a through 7k), at cost, the organization’s charity care and certain other community benefits. Report on line 7i contributions to community groups that the organization restricts to one or more of the community benefit activities listed in lines 7a through 7h. Do not report such contributions on lines 7a through 7h. To calculate the amounts to be reported on the table, use the worksheets or other equivalent documentation that substantiates the information reported consistent with the methodology used on the worksheets. See the instructions to the worksheets for definitions of the various types of community benefit (for example, community health improvement services, health professions education, subsidized health services, research, etc.) to be reported on lines 7a through 7k.

TIP *If the organization completed worksheets other than on an aggregate basis (for example, facility by facility, joint venture by joint venture), the organization should aggregate all information from these worksheets for purposes of reporting amounts on the table. Only the portion of each joint venture or partnership that represents the organization’s proportionate share, based on capital interest, can be reported on lines 7a through 7k (see Purpose of Schedule for instructions on aggregation).*

Use the organization’s most accurate costing methodology (cost accounting system, cost-to-charge ratio, or other) to calculate the amounts reported on the table. If the organization uses a cost-to-charge ratio, it can use Worksheet 2. Ratio of Patient Care Cost to Charges, for this purpose. See the instructions for Part VI, line 1, regarding an explanation of the costing methodology used to calculate the amounts reported on the table.

If the organization included any costs attributable to a physician clinic as subsidized health services on Part I, line 7g, report these costs on Part VI, line 1.

If the organization included any bad debt expense on Form 990, Part IX, line 25 but subtracted this bad debt for purposes of calculating the amount

reported on line 7f, report this bad debt expense on Part VI, line 1.

Do not report bad debt expense on lines 7a through 7k.

The following are descriptions of the type of information reported in each column of the table.

Column (a). “Number of activities or programs” means the number of the organization’s activities or programs conducted during the year that involve the community benefit reported on the line. Report each activity and program on only one line so that it is not counted more than once. Reporting in this column is optional.

Column (b). “Persons served” means the number of patient contacts or encounters in accordance with the filing organization’s records. Persons served can be reported in multiple rows, as services across different categories may be provided to the same patient. Reporting in this column is optional.

Column (c). “Total community benefit expense” means the total gross expense of the activity incurred during the year, calculated by using the pertinent worksheets for each line item. “Total community benefit expense” includes both “direct costs” and “indirect costs.” “Direct costs” means salaries and benefits, supplies, and other expenses directly related to the actual conduct of each activity or program. “Indirect costs” means costs that are shared by multiple activities or programs, such as facilities and administration costs related to the organization’s infrastructure (for example, space, utilities, custodial services, security, information systems, administration, materials management, and others).

Column (d). “Direct offsetting revenue” means revenue from the activity during the year that offsets the total community benefit expense of that activity, as calculated on the worksheets for each line item. “Direct offsetting revenue” includes any revenue generated by the activity or program, such as payment or reimbursement for services provided to program patients. Direct offsetting revenue does not include restricted or unrestricted grants or contributions that the organization uses to provide a community benefit.

Example. The organization receives a restricted grant from an unrelated organization that must be used by the organization to provide charity care. The amount of the restricted grant is not reportable as direct offsetting revenue on line 7a, column (d).

Column (e). “Net community benefit expense” is “Total community benefit expense” (column (c)) minus “Direct offsetting revenue” (column (d)). If the calculated amount is less than zero, report such amount as a negative number.

Column (f). “Percent of total expense” is the “net community benefit

expense” in column (e) divided by the sum of the amount on Form 990, Part IX, line 25, column (A) and the organization’s proportionate share of total expenses of all **joint ventures** for which it reports expenses on the table in Part I, to the extent that such expenses are not already reported in Form 990, Part IX, line 25, column (A). Report the percentage to two decimal places (x.xx%). Any bad debt expense included in the denominator should be removed prior to calculation, and the amount of bad debt expense that was included on Form 990, Part IX, line 25, column (A) but removed from this figure should be reported in Part VI, line 1.



Column (f) “percent of total expense” is based on column (e) “net community benefit expense,” rather than column (c) “total community benefit expense.” Organizations that report amounts of direct offsetting revenue also might wish to report total community benefit expense (Part I, line 7, column (c)) as a percentage of total expenses. Although this percentage cannot be reported in Part I, line 7, column (f), it can be reported on Schedule H (Form 990), Part VI, line 1.

Optional Worksheets for Part I, Line 7 (Charity Care and Certain Other Community Benefits At Cost)

Worksheets 1 through 8 are intended to assist the organization in completing Schedule H (Form 990), Part I, lines 7a through 7k. Use of the worksheets is not required and they should not be filed with Form 990. The organization can use alternative equivalent documentation, provided that the methodology described in these instructions (including the instructions to the worksheets) is followed. Regardless of whether the worksheets or alternative equivalent documentation is used to compile and report the required information, such documentation must be retained by the organization to substantiate the information reported on Schedule H (Form 990). The worksheets or alternative equivalent documentation are to be completed using the organization’s most accurate costing methodology, which can include a cost accounting system, cost-to-charge ratios, a combination thereof, or some other method.

If the organization is filing a group return or has a disregarded entity or an ownership interest in one or more **joint ventures**, the organization may find it helpful to complete the worksheets separately for the organization and for each disregarded entity, joint venture in which the organization had an ownership interest during the tax year, and group affiliate. In such case, the organization should aggregate all information from

these worksheets for purposes of completing line 7. Complete the table by aggregating amounts from the organization’s worksheets, amounts from disregarded entities or group affiliates, and amounts from joint ventures that are attributable to the organization’s proportionate share of each joint venture, pursuant to the aggregation instruction in *Purpose of Schedule*.

See Worksheets 1 through 8 and specific instructions for the worksheets that begin on page 7.

Part II. Community Building Activities

Report in this part the costs of the organization’s activities that it engaged in during the tax year to protect or improve the community’s health or safety, and that are not reportable in Part I or III of this schedule. An organization that reports information in this part must describe, in Part VI, line 5, how its community building activities promote the health of the communities it serves. Do not include activities in this part that are reported on Part I, line 7.

If the filing organization makes a grant to an organization to be used to accomplish one of the community building activities listed in this part, then the organization should include the amount of the grant on the appropriate line in Part II. If the organization makes a grant to a **joint venture** in which it has an ownership interest to be used to accomplish one of the community building activities listed in this part, report the grant on the appropriate line in Part II, but do not include in Part II the organization’s proportionate share of the amount spent by the joint venture on such activities, to avoid double counting. Do not include any contribution made by the organization that was funded in whole or in part by a restricted grant, to the extent that such grant was funded by a **related organization**.

Line 1. “Physical improvements and housing” can include, but are not limited to, the provision or rehabilitation of housing for vulnerable populations, such as removing building materials that harm the health of the residents, neighborhood improvement or revitalization projects, provision of housing for vulnerable patients upon discharge from an inpatient facility, housing for low-income seniors, and the development or maintenance of parks and playgrounds to promote physical activity.

Line 2. “Economic development” can include, but is not limited to, assisting small business development in neighborhoods with vulnerable populations and creating new employment opportunities in areas with high rates of joblessness.

Line 3. “Community support” can include, but is not limited to, child care and mentoring programs for vulnerable populations or neighborhoods,

neighborhood support groups, violence prevention programs, and disaster readiness and public health emergency activities, such as community disease surveillance or readiness training beyond what is required by accrediting bodies or government entities.

Line 4. “Environmental improvements” can include, but are not limited to, activities to address environmental hazards that affect community health, such as alleviation of water or air pollution, safe removal or treatment of garbage or other waste products, and other activities to protect the community from environmental hazards. The organization cannot include on this line or in this part expenditures made to comply with environmental laws and regulations that apply to activities of itself, its disregarded entity or entities, a joint venture in which it has an ownership interest, or a member of a group exemption included in a group return of which the organization is also a member. Similarly, the organization cannot include on this line or in this part expenditures made to reduce the environmental hazards caused by, or the environmental impact of, its own activities, or those of its disregarded entities, joint ventures, or group exemption members.

Line 5. “Leadership development and training for community members” can include, but is not limited to, training in conflict resolution; civic, cultural, or language skills; and medical interpreter skills for community residents.

Line 6. “Coalition building” can include, but is not limited to, participation in community coalitions and other collaborative efforts with the community to address health and safety issues.

Line 7. “Community health improvement advocacy” can include, but is not limited to, efforts to support policies and programs to safeguard or improve public health, access to health care services, housing, the environment, and transportation.

Line 8. “Workforce development” can include, but is not limited to, recruitment of physicians and other health professionals to medical shortage areas or other areas designated as underserved, and collaboration with educational institutions to train and recruit health professionals needed in the community (other than the health professions education activities reported in Part I, line 7f).

Line 9. “Other” refers to community building activities that protect or improve the community’s health or safety that are not described in the categories listed in lines 1 through 8 above.

Refer to the instructions to Part I, line 7, columns (a) through (f), for descriptions of the types of information that should be reported in each column of Part II.

If the organization is filing a group return or has a disregarded entity or an ownership interest in one or more **joint**

ventures, the organization may find it helpful to complete Part II separately for itself and for each disregarded entity, joint venture in which the organization had an ownership interest during the tax year, and group affiliate. The organization should aggregate the amounts from all such tables, according to the aggregation instructions in *Purpose of Schedule*, and include the aggregated information in Part II.

Part III. Bad Debt, Medicare, & Collection Practices

Section A. In this section (a) report aggregate bad debt expense, at cost; (b) provide an estimate of how much bad debt expense, if any, reasonably could be attributable to persons who likely would qualify for financial assistance under its charity care policy; and (c) provide a rationale for what portion of bad debt, if any, the organization believes should constitute community benefit. In addition, the organization must report whether it has adopted Healthcare Financial Management Association Statement No. 15, Valuation and Financial Statement Presentation of Charity Care and Bad Debts by Institutional Healthcare Providers (“Statement 15”) and provide the text of its footnote, if applicable, to its audited financial statements that describes the bad debt expense.

Line 1. Indicate whether the organization reports bad debt expense in accordance with Statement 15. Statement 15 has not been adopted by the AICPA. The IRS does not require organizations to adopt Statement 15 or use it to determine bad debt expense or charity care costs. Some organizations may rely on Statement 15 in reporting bad debt expense and charity care in their audited financial statements. Statement 15 provides instructions for recordkeeping, valuation, and disclosure for bad debts.

Line 2. Use the most accurate system and methodology available to the organization to report bad debt expense at cost. If using a cost accounting system or other costing methodology, enter the estimated cost of patient care services attributable to charges written off to bad debt. If using a cost-to-charge ratio methodology, the organization can use Worksheet A (optional). If only a portion of a patient’s bill for services is written off as a bad debt, include only the proportionate amount of the cost of providing those services that is attributable to the bad debt. Include the organization’s proportionate share of the bad debt expense of **joint ventures** in which it had an ownership interest during the tax year.

Worksheet A (Optional) Estimated Bad Debt Expense (at Cost)

This worksheet is used to estimate the bad debt expense reported in Part III, line 2, using one of the cost accounting methods identified in the organization’s response to Part III, line 4.

1. Bad debt attributable to patient accounts \$ _____
2. Ratio of Patient Care cost to charges (from Worksheet 2, line 11) _____%
3. Estimated cost of bad debt attributable to patient accounts (line 1 multiplied by line 2). \$ _____
Enter in Part III, line 2.

Line 3. Provide an estimate of the amount of cost reported on line 2 that reasonably could be attributable to patients who likely would qualify for financial assistance under the hospital’s charity care policy as reported in Part I, lines 1 through 4, but for whom sufficient information was not obtained to make a determination of their eligibility. **Do not include this amount in Part I, line 7.** Organizations can use any reasonable methodology to estimate this amount, such as record reviews, an assessment of charity care applications that were denied due to incomplete documentation, analysis of demographics, or other analytical methods.

Line 4. In Part VI, line 1, provide the rationale and the costing methodology used to determine the amounts reported on lines 2 and 3. Describe how the organization accounts for discounts and payments on patient accounts in determining bad debt expense. Also, describe the method the organization used on line 3 to determine the amount that reasonably could be attributable to patients who likely would qualify for financial assistance under the organization’s charity care policy if sufficient information had been available to make a determination of their eligibility.

Also, provide the footnote from the organization’s financial statements on bad debt expense, if applicable, or the footnotes related to “accounts receivable,” “allowance for doubtful accounts,” or similar designations. If the footnote or footnotes address only the filing organization’s bad debt expense or “accounts receivable,” “allowance for doubtful accounts,” or similar designations, provide the footnote or footnotes *verbatim*. If the organization’s financial statements include a footnote on these issues that also includes other information, report in Part VI, line 1 only the relevant portions of the footnote. If the organization is a member of a group with consolidated financial statements, the organization can summarize that portion, if any, of the footnote or footnotes that apply. If the organization’s financial statements do not include a footnote that

discusses bad debt expense, "accounts receivable," "allowance for doubtful accounts," or similar designations, include a statement in Part VI, line 1 that the organization's audited financial statements do not include a footnote discussing these issues and explain how the organization's financial statements account for bad debt, if at all.

Section B. In this section report (a) aggregate allowable costs to provide services reimbursed by Medicare, (b) aggregate Medicare reimbursements attributable to such costs, and (c) aggregate Medicare surplus or shortfall. Include in Section B only those allowable costs and Medicare reimbursements that are reported in the organization's Medicare Cost Report(s) for the year, including its share of any such allowable costs and reimbursement from disregarded entities and **joint ventures** in which it has an ownership interest. The organization should in Part VI, line 1, describe what portion of its Medicare shortfall, if any, it believes should constitute community benefit, and explain its rationale for its position. As described on this page, the organization also can enter in Part VI, line 1 the amount of any Medicare revenues and costs not included in its Medicare Cost Report(s) for the year, and can enter a reconciliation of the amounts reported in Section B (including the surplus or shortfall reported on line 7) and the total revenues and costs attributable to all of the organization's Medicare programs.

Line 5. Enter all net patient service revenue (for Medicare fee for service (FFS) patients) associated with allowable costs the organization reports in its Medicare Cost Report(s) for the year, including payments for indirect medical education (IME) (except for Medicare Advantage IME), Medicare disproportionate share hospital (DSH), revenue, coinsurance, patient deductibles, outliers, capital, bad debt, and any other amounts paid to the organization on the basis of its Medicare Cost Report. Do not include revenue related to subsidized health services as reported in Part I, line 7g (see Worksheet 6), or direct graduate medical education (GME) as reported in Part I, line 7f (see Worksheet 5). If the organization has more than one Medicare provider number, aggregate the revenue attributable to costs reported on the Medicare Cost Reports submitted under each provider number, and report the aggregate revenues on line 5.

Line 6. Enter all Medicare allowable costs reported in the organization's Medicare Cost Report(s), except those already reported in Part I, line 7g (subsidized health services) and costs associated with direct GME already reported in Part I, line 7f (health professions education). This can be determined using Worksheet B. If Worksheet B is not used, the organization

still must subtract the costs attributable to subsidized health services and direct GME from the Medicare allowable costs it enters on line 6. If the organization has more than one Medicare provider number, it should aggregate the costs reported in the Medicare Cost Reports submitted under each provider number and report the aggregate costs on line 6.

Worksheet B (optional)

Complete Worksheets 5 and 6 before completing Worksheet B.

1. Total Medicare allowable costs (from Medicare Cost Report) \$ _____
2. Total Medicare allowable costs (from line 1) included in Worksheet 6, line 3, col. (A) \$ _____
3. Total Medicare allowable costs (from line 1) included in Worksheet 5, line 8 (direct GME) \$ _____
4. Total adjustments to Medicare allowable costs (add lines 2 and 3) \$ _____
5. Total Medicare allowable costs (line 1 minus line 4) . Enter this value in Part III, line 6. \$ _____

Line 7. Subtract line 6 from the amount on line 5. If line 6 exceeds line 5, report the excess (the shortfall) as a negative number.

Line 8. Check the box that best describes the costing methodology used to determine the Medicare allowable costs reported in the organization's Medicare Cost Report(s), as reflected on line 6. Describe this methodology in Part VI, line 1.

The organization must also describe in Part VI, line 1 its rationale for treating the amount reported in Part III, line 7, or any portion of it, as a community benefit. An organization's rationale must have a reasonable basis. **Do not include this amount in Part I, line 7.** Do not include any Medicare-related expenses or revenue properly reported in Part I, line 7g or any Medicare-related expenses or revenue reported in Part I, line 7f in Part III, Section B.

TIP *Lines 5, 6, and 7 do not include certain Medicare program revenues and costs, and thus cannot reflect all of the organization's revenues and costs associated with its participation in Medicare programs. The organization can describe in Part VI, line 1 the amounts of any Medicare revenues and costs not included in its Medicare Cost Report(s) for the year (for example, revenues and costs for freestanding ambulatory surgery centers, physician services billed by the organization, clinical laboratory services, and revenues and costs of Medicare Part C and Part D programs). The organization can enter in Part VI, line 1 a reconciliation of amounts reportable in Section B (including the surplus or shortfall reported on line 7) and all of the organization's total revenues*

and total expenses attributable to Medicare programs.

If the organization received any prior year settlements for Medicare-related services in the current tax year, it can provide an explanation in Part VI, line 1.

Section C. In this section report the organization's written debt collection policy.

Line 9a. Answer "Yes" if the organization has a written debt collection policy on the collection of amounts owed by patients.

Line 9b. Answer "Yes" if the organization's written debt collection policy contains provisions for collecting amounts due from those patients who the organization knows qualify for charity care or financial assistance. If the organization answers "Yes," describe in Part VI, line 1 the collection practices that it follows with respect to such patients, whether or not such practices apply specifically to such patients or more broadly to also cover other types of patients.

Part IV. Management Companies and Joint Ventures

List any **management company, joint venture, or other separate entity** (whether treated as a partnership or a corporation), including joint ventures outside of the **United States**, of which the organization is a partner or shareholder,

1. In which persons described in 1a and/or 1b below owned, in the aggregate, more than 10% of the share of profits of such partnership or LLC interest, or stock of such corporation:

a. Persons who were **officers, directors, trustees, or key employees** of the organization at any time during the organization's **tax year**, and

b. Physicians who were employed as physicians by, or had staff privileges with, one or more of the organization's hospitals; and

2. That either:

a. Provided management services used by the organization in its provision of medical care, or

b. Provided medical care, or owned or provided real property, tangible personal property, or intangible property used by the organization or by others to provide medical care.

Examples of such joint ventures and management companies include:

- An ancillary joint venture formed by the organization and its officers or physicians to conduct an exempt or unrelated business activity,
- A company owned by the organization's officers or physicians that owns and leases to the organization a hospital or other medical care facility, and
- A company that owns and leases to entities other than the organization diagnostic equipment or intellectual property used to provide medical care.

For purposes of Part IV, ownership interests can be direct or indirect. For example, if a joint venture reported in Part IV is owned, in part, by a physician group practice owned by staff physicians of the organization's hospital, report the physicians' indirect ownership interest in the joint venture in proportion to their ownership share of the physician group practice.

Note. Do not include publicly traded entities or entities whose sole income is passive investment income from interest or dividends.

For purposes of Part IV, the aggregate percentage share of profits or stock ownership percentage of officers, directors, trustees, key employees, and physicians who are employed as physicians by, or have staff privileges with, one or more of the organization's hospitals is measured as of the earlier of the close of the tax year of the organization or the last day the organization was a member of the joint venture. All stock, whether common or preferred, is considered stock for purposes of determining the stock ownership percentage. Provide all the information requested below for each such entity.

Column (a). Enter the full legal name of the entity.

Column (b). Describe the primary business activity or activities conducted by the **management company, joint venture**, or separate entity.

Column (c). Enter the organization's percentage share of profits in the partnership or LLC, or stock in the entity that is owned by the organization.

Column (d). Enter the percentage share of profits or stock in the entity owned by all of the organization's current officers, directors, trustees, or key employees.

Column (e). Enter the percentage share of profits or stock in the entity owned by all physicians who are employees practicing as physicians or who have staff privileges with one or more of the organization's hospitals.

If a physician described above is also a current officer, director, trustee, or key employee of the organization, include his or her profits or stock percentage in column (d). Do not include this in column (e).

Part V. Facility Information

Complete Part V by providing in column (a) the name and address of each of the organization's facilities that, at any time during the **tax year**, was required to be licensed, registered, or similarly recognized as a health care facility under state law, whether such facility is operated directly by the organization or indirectly through a **disregarded entity** or **joint venture** treated as a partnership. For each facility in column (a), check the columns applicable to that facility.

List in Part VI, line 1, the number of each type of health care facility other than those required to be licensed, registered, or similarly recognized as a health care facility under state law (for example, two rehabilitation clinics, four diagnostic centers, three skilled nursing facilities, etc.).

"Licensed hospital" is a facility licensed, registered, or similarly recognized by a state as a hospital.

"General medical and surgical" refers to a hospital primarily engaged in providing diagnostic and medical treatment (both surgical and nonsurgical) to inpatients with a wide variety of medical conditions, and that may provide outpatient services, anatomical pathology services, diagnostic X-ray services, clinical laboratory services, operating room services, and pharmacy services.

"Children's hospital" is a center for provision of health care to children, and includes independent acute care children's hospitals, children's hospitals within larger medical centers, and independent children's specialty and rehabilitation hospitals.

"Teaching hospital" is a hospital that provides training to medical students, interns, residents, fellows, nurses, or other health professionals and providers, provided that such educational programs are accredited by the appropriate national accrediting body.

"Critical access hospital" (CAH) is a hospital designated as a CAH by a state that has established a State Medicare Rural Hospital Flexibility Program in accordance with Medicare rules.

"Research facility" is a facility that conducts research.

"ER—24 hours" refers to a facility that operates an emergency room 24 hours a day, 365 days a year.

"ER—other" refers to a facility that operates an emergency room for periods less than 24 hours a day, 365 days a year.

Complete the "Other (Describe)" column for each type of health care facility (for example, outpatient physician clinic, long-term acute care facility, diagnostic center, rehabilitation clinic, skilled nursing facility, etc.) that the organization owns or operates that is not described in the other columns of Part V.

Part VI. Supplemental Information

Line 1. Provide the following supplemental information. Part VI can be duplicated if more space is needed.

Part I, line 3c. If applicable, describe the income-based criteria for determining eligibility for free or discounted care under the organization's charity care policy. Also describe whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.

Part I, line 6a. If the organization's community benefit report is contained in a report prepared by a **related organization**, rather than in a separate report prepared by the organization, identify the related organization.

Part I, line 7g. If applicable, describe whether the organization included as subsidized health services any costs attributable to a physician clinic, and report such costs the organization included.

Part I, line 7, column (f). If applicable, enter the bad debt expense included on Form 990, Part IX, line 25, column (A), but subtracted for purposes of calculating the percentage in this column.

Part I, line 7. Provide an explanation of the costing methodology used to calculate the amounts reported in the table. If a cost accounting system was used, indicate whether the cost accounting system addresses all patient segments (for example, inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured, or self pay). Also, indicate whether a cost-to-charge ratio was used for any of the figures reported in the table. Describe whether this cost-to-charge ratio was derived from Worksheet 2, *Ratio of Patient Care Cost-to-Charges*, and, if not, what kind of cost-to-charge ratio was used and how it was derived. If some other costing methodology was used besides a cost accounting system, cost-to-charge ratio, or a combination of the two, describe the method used.

Part III, line 4. Provide the rationale and the costing methodology used to determine the amount reported in Part III, lines 2 and 3. Describe how the organization accounts for discounts and payments on patient accounts in determining bad debt expense. Also describe the method the organization uses to determine the amount that reasonably could be attributable to patients who likely would qualify for financial assistance under the hospital's charity care policy, if sufficient information had been available to make a determination of their eligibility.

Also provide, if applicable, the text of the footnote to the organization's financial statements that describes bad debt expense. If the organization's financial statements include a footnote on these issues that also includes other information, report only the relevant portions of the footnote. If the organization's financial statements do not contain such a footnote, enter that the organization's financial statements do not include such a footnote, and explain how the financial statements account for bad debt, if at all.

Part III, line 8. Describe the costing methodology used to determine the Medicare allowable costs reported in the organization's Medicare Cost Report, as reflected in the amount reported in Part

III, line 6. Describe, if applicable, the extent to which any shortfall reported in Part III, line 7, should be treated as a community benefit, and the rationale for the organization's position.

Part III, line 9b. If the organization has a written debt collection policy and answered "Yes," to Part III, line 9b, describe the collection practices set forth in the policy that apply to patients who it knows qualify for charity care or financial assistance, whether or not such practices apply specifically to such patients or more broadly to also cover other types of patients.

Part V. List the number of each type of health care facility, other than those required to be licensed, registered, or similarly recognized as a health care facility under state law (for example, two rehabilitation clinics, four diagnostic centers, three skilled nursing facilities, etc.).

Line 2. Describe whether, and, if so, how, the organization assesses the health care needs of the community or communities it serves.

Line 3. Describe how the organization informs and educates patients and persons who are billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy. For example, enter whether the organization posts its charity care policy, or a summary thereof, and financial assistance contact information in admissions areas, emergency rooms, and other areas of the organization's facilities where eligible patients are likely to be present; provides a copy of the policy, or a summary thereof, and financial assistance contact information to patients as part of the intake process; provides a copy of the policy, or a summary thereof, and financial assistance contact information to patients with discharge materials; includes the policy, or a summary thereof, along with financial assistance contact information, in patient bills; or discusses with the patient the availability of various government benefits, such as Medicaid or state programs, and assists the patient with qualification for such programs, where applicable.

Line 4. Describe the community or communities the organization serves, taking into account the geographic service area(s) (for example, urban, suburban, rural, etc.), the demographics of the community or communities (for example, population, average income, percentages of community residents with

incomes below the federal poverty guideline, percentage of the hospital's and community's patients who are uninsured or Medicaid recipients, etc.), the number of other hospitals serving the community or communities, and whether one or more federally-designated medically underserved areas or populations are present in the community.

Line 5. Describe how the organization's community building activities, as reported in Part II, promote the health of the community or communities the organization serves.

Line 6. Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community or communities, including but not limited to whether:

- A majority of the organization's governing body is comprised of persons who reside in the organization's primary service area who are neither employees nor contractors of the organization, nor family members thereof;
- The organization extends medical staff privileges to all qualified physicians in its community for some or all of its departments; and
- How the organization applies surplus funds to improvements in patient care, medical education, and research.

Line 7. If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served by the system. For purposes of this question, an "affiliated health care system" is a system that includes affiliates under common governance or control, or that cooperate in providing health care services to their community or communities.

Line 8. Identify all states with which the organization files (or a **related organization** files on its behalf) a community benefit report. Report only those states in which the organization's own community benefit report is filed, either by the organization itself or by a **related organization** on the organization's behalf.

Worksheet 1. Charity Care at Cost (Part I, Line 7a)

Worksheet 1 can be used to calculate the organization's charity care at cost reported on Part I, line 7a. Refer to instructions for Part I for the definition of charity care.

Line 1. Enter the gross patient charges written off to charity care pursuant to the organization's charity care policies.

"Gross patient charges" means the total charges at the organization's full established rates for the provision of patient care services before deductions from revenue are applied.

Line 3. Multiply line 1 by line 2, or enter estimated cost based on the organization's cost accounting methodology. Organizations with a cost accounting system or a cost accounting method more accurate than the ratio of patient care cost to charges from Worksheet 2 can rely on that system or method to estimate charity care cost.

Line 4. Enter the Medicaid/provider taxes paid by the organization, if payments received from an uncompensated care pool or DSH program in the organization's home state are intended primarily to offset the cost of charity care. If such payments are primarily intended to offset the cost of Medicaid services, then report this amount on Worksheet 3, line 4, column (A). If the primary purpose of such taxes or payments has not been made clear by state regulation or law, then the organization can allocate portions of such taxes or payments proportionately between Worksheet 1, line 4, and Worksheet 3, line 4, column (A) based on a reasonable estimate of which portions are intended for charity care and Medicaid, respectively. "Medicaid provider taxes" means amounts paid or transferred by the organization to one or more states as a mechanism to generate federal Medicaid DSH funds (the cost of the tax generally is promised back to organizations either through an increase in the Medicaid reimbursement rate or through direct appropriation).

Line 6. "Revenue from uncompensated care pools or programs" means payments received from a state, including Medicaid DSH funds, as direct offsetting revenue for charity care or to enhance Medicaid reimbursement rates for DSH providers. If such payments are primarily intended to offset the cost of Medicaid services, then report this amount on Worksheet 3, line 7, column (A). If the primary purpose of such payments has not been made clear by state regulation or law, then the organization can allocate portions of such payments proportionately between Worksheet 1, line 6, and Worksheet 3, line 7, column (A) based on a reasonable estimate of which portions are intended for charity care and Medicaid, respectively.



Gross patient charges	
1. Amount of gross patient charges written off pursuant to charity care policies	1. _____
Total community benefit expense	
2. Ratio of patient care cost to charges (from Worksheet 2, if used)	2. _____
3. Estimated cost (multiply line 1 by line 2, or obtain from cost accounting)	3. _____
4. Medicaid provider taxes	4. _____
5. Total community benefit expense (add lines 3 and 4; enter on Part I, line 7a, column (c))	5. _____
Direct offsetting revenue	
6. Revenues from uncompensated care pools or programs (enter on Part I, line 7a, column (d))	6. _____
7. Net community benefit expense (subtract line 6 from line 5; enter on Part I, line 7a, column (e))	7. _____
8. Total expense (enter amount from Form 990, Part IX, Line 25, column (A), and include the organization's share of joint venture expenses.)	8. _____
9. Percent of total expense (divide line 7 by line 8; enter on Part I, line 7a, column (f))	9. _____ %

Worksheet 2. Ratio of Patient Care Cost to Charges

Worksheet 2 can be used to calculate the organization's ratio of patient care cost to charges.

Line 1. Enter the organization's total operating expenses (excluding bad debt expense) from its most recent audited financial statements.

Line 2. Enter the cost of nonpatient care activities. "Nonpatient care activities" include health care operations that generate "other operating revenue" such as nonpatient food sales, supplies sold to nonpatients, and medical records abstracting. The cost of nonpatient care activities does not include any total community benefit expense reported on Worksheets 1 through 8.

If the organization is unable to establish the cost associated with nonpatient care activities, use other operating revenue from its most recent audited financial statement as a proxy for these costs. This proxy assumes no markup exists for other operating revenue compared to the cost of nonpatient care activities. Alternatively, if other operating revenue provides a markup compared to the cost of nonpatient care activities, the organization can assume such a markup exists when completing line 2.

Line 3. Enter the Medicaid provider taxes paid by the organization included on line 1, so this expenditure is not double-counted when the ratio of patient care cost to charges is applied.

Line 4. Enter the sum of the total community benefit expenses reported on Part I, lines 7e, 7f, 7h, and 7i, column (c),

so these expenses are not double-counted when the ratio of patient care cost to charges is applied.

Also include in line 4 the total community benefit expense reported on Part I, lines 7a, 7b, 7c, and 7g, column

(c), if the organization has not relied on the ratio of patient care cost to charges from this worksheet to determine these expenses, but rather has relied on a cost accounting system or other cost accounting method to estimate costs of charity care, Medicaid or other

Worksheet 2. Ratio of Patient Care Cost to Charges (can be used for other worksheets)



Patient care cost	
1. Total operating expense	1. _____
Less adjustments	
2. Nonpatient care activities	2. _____
3. Medicaid provider taxes	3. _____
4. Total community benefit expense	4. _____
5. Total community building expense	5. _____
6. Total adjustments (add lines 2 through 5)	6. _____
7. Adjusted patient care cost (subtract line 6 from line 1)	7. _____
Patient care charges	
8. Gross patient charges	8. _____
Less: adjustments	
9. Gross charges for community benefit programs	9. _____
10. Adjusted patient care charges (subtract line 9 from line 8)	10. _____
Calculation of ratio of patient care costs to charges	
11. Ratio of patient care cost to charges (divide line 7 by line 10; report on the applicable lines of Worksheets 1, 3, or 6)	11. _____ %

means-tested government programs, or subsidized health services.

Line 5. Enter the gross expense of community building activities reported in Part II of Schedule H (Form 990).

Line 9. Enter the gross patient charges for any community benefit activities or programs for which the organization has not relied on the ratio of patient care cost to charges from this worksheet to determine the expenses of such activities or programs. For example, if the organization uses a cost accounting system or another cost accounting method to estimate total community benefit expense for Medicaid or any other means-tested government programs, enter gross charges for those programs in line 9.

Worksheet 3. Unreimbursed Medicaid and Other Means-Tested Government Programs (Part I, lines 7b and 7c)

Worksheet 3 can be used to report the net cost of Medicaid and other means-tested government programs. A "means-tested government program" is a government program for which eligibility depends on the recipient's income or asset level.

"Medicaid" means the **United States** health program for individuals and families with low incomes and resources. "Other means-tested government programs" means government-sponsored health programs where eligibility for benefits or coverage is determined by income or assets. Examples include:

- The State Children's Health Insurance Program (SCHIP), a **United States** federal government program that gives

funds to states in order to provide health insurance to families with children; and

- Other federal, state, or local health care programs.

Line 1, column (A). Enter the gross patient charges for Medicaid services. Include gross patient charges for all Medicaid recipients, including those enrolled in managed care plans. In certain states, SCHIP functions as an expansion of the Medicaid program, and reimbursements from SCHIP are not distinguishable from regular Medicaid reimbursements. Hospitals that cannot distinguish their SCHIP reimbursements from their Medicaid reimbursements can report SCHIP charges, costs, and offsetting revenue under column (A).

Line 1, column (B). Enter the amount of gross patient charges for other means-tested government programs.

Line 3, column (A). Enter the estimated cost for Medicaid services. Multiply line 1, column (A) by line 2, column (A), or enter estimated cost based on the organization's cost accounting system or method. Organizations with a cost

Worksheet 3. Unreimbursed Medicaid and Other Means-Tested Government Programs (Part I, lines 7b and 7c)

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	(A) Medicaid	(B) Other means-tested government programs
1. Gross patient charges from the programs	1.	
Total community benefit expense		
2. Ratio of patient cost to charges (from Worksheet 2, if used)	2.	% %
3. Cost (multiply line 1 by line 2, or obtain from cost accounting)	3.	
4. Medicaid provider taxes	4.	
5. Total community benefit expense (add lines 3 and 4; enter amount from column (A) on Part I, line 7b, column (c); and enter amount from column (B) on Part I, line 7c, column (c))	5.	
Direct offsetting revenue		
6. Net patient service revenue	6.	
7. Payments from uncompensated care pools or programs	7.	
8. Other revenue	8.	
9. Total direct offsetting revenue (add lines 6 through 8; enter amount from column (A) on Part I, line 7b, column (d) and enter amount from column (B) on Part I, line 7c, column (d))	9.	
10. Net community benefit expense (subtract line 9 from line 5; enter amount from column (A) on Part I, line 7b, column (e); enter amount from column (B) on Part I, line 7c, column (e))	10.	
11. Total expense (enter amount from Form 990, Part IX, line 25, Column (A), and include the organization's share of all joint ventures, in both columns (A) and (B))	11.	
12. Percent of total expense (line 10 divided by 11; enter amount from column (A) on Part I, line 7b, column (f); enter amount from column (B) on Part I, line 7c, column (f))	12.	% %

accounting system or a cost accounting method more accurate than the ratio of patient care cost to charges from Worksheet 2 can rely on that system or method to estimate the cost of Medicaid services. Organizations relying on a cost accounting system or method other than the ratio of patient care cost to charges from Worksheet 2 should use care not to double-count community benefit expenses fully accounted for elsewhere on Schedule H (Form 990) Part I, line 7, such as the cost of health professions education, community health improvement services, community benefit operations, subsidized health services, and research.

Line 3, column (B). Enter the estimated cost for services provided to patients who receive health benefits from other means-tested government programs.

Line 4, column (A). Enter the Medicaid provider taxes paid by the organization if payments received from an uncompensated care pool or Medicaid DSH program in the organization's home state are intended primarily to offset the cost of Medicaid services. If such payments are primarily intended to offset the cost of charity care, then report this amount on Worksheet 1, line 4. If the primary purpose of such taxes or payments has not been made clear by state regulation or law, then the organization can allocate portions of such taxes or payments proportionately between Worksheet 1, line 4, and Worksheet 3, line 4, column (A), based on a reasonable estimate of which portions are intended for charity care and Medicaid, respectively.

Line 6, column (A). Enter the net patient service revenue for Medicaid services, including revenue associated with Medicaid recipients enrolled in managed care plans. Do not include Medicaid reimbursement for direct graduate medical education (GME) costs, which should be reported on Worksheet 5, line 9. Include Medicaid reimbursement for indirect GME costs, including the indirect IME portion of children's health GME. The direct portion of children's health GME should be reported on Worksheet 5, line 10. Also include Medicaid disproportionate share hospital (DSH) revenue. "Net patient service revenue" means payments expected to be received from patients or third-party payers for patient services performed during the year. "Net patient service revenue" also includes revenue recorded in the organization's audited financial statements for services performed during prior years. Organizations can enter in Part VI, line 1 the amount of prior year Medicaid revenue included in Part I, line 7b.

Amounts received from the Medicaid program as "reimbursement for direct

GME" or IME should be treated consistently with the way the Medicaid program in the hospital's home state classifies the funds.

Line 7, column (A). Enter revenue received from uncompensated care pools or programs if payments received from an uncompensated care pool or Medicaid DSH program in the organization's home state are intended primarily to offset the cost of Medicaid services. If such payments are primarily intended to offset the cost of charity care, then report this amount on Worksheet 1, line 6. If the primary purpose of such payments has not been made clear by state regulation or law, then the organization can allocate portions of such payments proportionately between Worksheet 1, line 6, and Worksheet 3, line 7, column (A), based on a reasonable estimate of which portions are intended for charity care and Medicaid, respectively.

Worksheet 4. Community Health Improvement Services and Community Benefit Operations (Part I, Line 7e)

Worksheet 4 can be used to report the net cost of community health improvement services and community benefit operations.

"Community health improvement services" means activities or programs carried out or supported for the express purpose of improving community health that are subsidized by the health care organization. Such services do not generate inpatient or outpatient bills, although there may be a nominal patient fee or sliding scale fee for these services.

"Community benefit operations" means activities associated with community health needs assessments as well as community benefit planning and administration. Community benefit operations also include the organization's activities associated with fundraising or grant-writing for community benefit programs.

Activities or programs cannot be reported if they are provided primarily for marketing purposes and the program is more beneficial to the organization than to the community; for instance, if the activity or program is designed primarily to increase referrals of patients with third-party coverage, required for licensure or accreditation, or restricted to individuals affiliated with the organization.

To be reported, community need for the activity or program must be established. Community need can be demonstrated through the following.

- A community needs assessment developed or accessed by the organization.
- Documentation that demonstrated community need or a request from a public agency or community group was the basis for initiating or continuing the activity or program.
- The involvement of unrelated, collaborative tax-exempt or government organizations as partners in the activity or program.

Community benefit activities or programs also seek to achieve objectives, including improving access to health services, enhancing public health, advancing generalizable knowledge, and relief of government burden. This includes activities or programs that do the following.

- Are available broadly to the public and serve low-income consumers.
- Reduce geographic, financial, or cultural barriers to accessing health services, and if ceased to exist would result in access problems (for example, longer wait times or increased travel distances).
- Address federal, state, or local public health priorities such as eliminating disparities in health care among different populations.
- Leverage or enhance public health department activities such as childhood immunization efforts.
- Otherwise would become the responsibility of government or another tax-exempt organization.
- Advance generalizable knowledge through education or research that benefits the public.

Lines 1a through 1j, column (A). Enter the name of each reported community health improvement activity or program and total community benefit expense for each. Include both direct costs and indirect costs in total community benefit expense. Use additional worksheets if the organization reports more than 10 community health improvement activities or programs.

Lines 3a through 3d, column (A). Enter the name of each reported community benefit operations activity or program and total community benefit expense for each. Include both direct costs and indirect costs in total community benefit expense. Use additional worksheets if the organization reports more than four community benefit operations activities or programs.

Report total community benefit expense, direct offsetting revenue, and net community benefit expense for each line item.

		(A) Total community benefit expense	(B) Direct offsetting revenue	(C) Net community benefit expense (subtract col. (B) from col. (A) for lines 1–5)
1. Community health improvement services				
a.	_____			
b.	_____			
c.	_____			
d.	_____			
e.	_____			
f.	_____			
g.	_____			
h.	_____			
i.	_____			
j.	_____			
2. Worksheet subtotal	(add lines 1a through 1j)	2.		
3. Community benefit operations				
a.	_____	3a.		
b.	_____	3b.		
c.	_____	3c.		
d.	_____	3d.		
4. Worksheet subtotal	(add lines 3a through 3d)	4.		
5. Worksheet total	(add lines 2 and 4; enter amounts from columns (A), (B), and (C) on Part I, line 7e, columns (c), (d), and (e), respectively)	5.		
6. Total expense	(enter amount from Form 990, Part IX, Line 25, column (A) and include the organization's share of joint venture expenses)	6.		
7. Percent of total expense	(line 5, column (C) divided by line 6; enter amount on Part I, line 7e, column (f)	7.		%

Worksheet 5. Health Professions Education (Part I, Line 7f)

Worksheet 5 can be used to report the net cost of health professions education.

“Health professions education” means educational programs that result in a degree, certificate, or training necessary to be licensed to practice as a health

professional, as required by state law, or continuing education necessary to retain state license or certification by a board in the individual’s health profession specialty. It does not include education or training programs available exclusively to the organization’s employees and medical staff or scholarships provided to those individuals. However, it does include education programs if the primary purpose of such programs is to educate

health professionals in the broader community. Costs for medical residents and interns can be included, even if they are considered “employees” for purposes of Form W-2, Wage and Tax Statement.

Examples of health professions education activities or programs that should and should not be reported are as follows.

Activity or Program	Report	Example Rationale
Scholarships for community members	Yes	More benefit to community than organization
Scholarships for staff members	No	More benefit to organization than community
Continuing medical education for community physicians	Yes	Accessible to all qualified physicians
Continuing medical education for own medical staff	No	Restricted to own medical staff members
Nurse education if graduates are free to seek employment at any organization	Yes	More benefit to community than organization
Nurse education if graduates are required to become the organization's employees	No	Program designed primarily to benefit the organization

Lines 1 through 6. Include both direct and indirect costs. Direct costs of health professions education do not include costs related to Ph.D. students and post-doctoral students, which are to be reported on Worksheet 7, Research. Refer to the instructions for Part I, line 7, column (c) for the definition of "indirect costs." "Indirect costs" do not include the estimated cost of "indirect medical education."

Direct costs of health professions education include the following.

- Stipends, fringe benefits of interns, residents, and fellows in accredited graduate medical education programs.
- Salaries and fringe benefits of faculty directly related to intern and resident education.
- Salaries and fringe benefits of faculty directly related to teaching of medical students.
- Salaries and fringe benefits of faculty directly related to teaching of students enrolled in nursing programs that are licensed by state law or, if licensing is not required, accredited by the recognized national professional organization for the particular activity.
- Salaries and fringe benefits of faculty directly related to teaching of students enrolled in allied health professions education programs, licensed by state law or, if licensing is not required, accredited by the recognized national professional organization for the particular activity,

Worksheet 5. Health Professions Education (Part I, line 7f)

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		Totals
Total community benefit expense		
1. Medical students		1. _____
2. Interns, residents, and fellows		2. _____
3. Nursing		3. _____
4. Other allied health professions		4. _____
5. Continuing health professions education		5. _____
6. Other students		6. _____
7. Total community benefit expense (add lines 1 through 6; enter on Part I, line 7f, column (c))		7. _____
Direct offsetting revenue		
8. Medicare reimbursement for direct GME		8. _____
9. Medicaid reimbursement for direct GME		9. _____
10. Continuing health professions education reimbursement/ tuition		10. _____
11. Other revenue		11. _____
12. Total direct offsetting revenue (add lines 8 through 11; enter on Part I, line 7f, column (d))		12. _____
13. Net community benefit expense (line 7 minus line 12; enter on Part I, line 7f, column (e))		13. _____
14. Total expense (enter amount from Form 990, Part IX, line 25, column (A), and include the organization's share of joint venture expenses)		14. _____
15. Percent of total expense (line 13 divided by line 14; enter amount on Part I, line 7f, column (f))		15. _____ %

including, but not limited to, programs in pharmacy, occupational therapy, dietetics, and pastoral care.

- Salaries and fringe benefits of faculty for teaching continuing health professions education open to all qualified individuals in the community, including payment for development of online or other computer-based training accepted as continuing health professions education by the relevant professional organization.
- Scholarships provided by the organization to community members.

Line 8. Enter Medicare reimbursement for direct GME, reimbursement for approved nursing and allied health education activities, and direct GME reimbursement received for services provided to Medicare Advantage patients. For a children's hospital that receives children's GME payments from Health Resources and Services Administration (HRSA), count that portion of the payment equivalent to Medicare direct GME. Do not include indirect GME reimbursement provided by Medicare.

Line 9. Enter Medicaid reimbursement for direct GME, including only that portion of Medicaid GME payment equivalent to

Medicare GME and that can be explicitly segregated by the organization from other Medicaid net patient revenue. Do not include indirect GME reimbursement provided by Medicaid, which is to be reported on Worksheet 3, Unreimbursed Medicaid and Other Means-Tested Government Programs. Include Medicaid reimbursement for nursing and allied health education. If your state pays Medicaid GME reimbursement as a lump sum that includes both direct and indirect payments, use reasonable methods to estimate the portion of the lump sum that is direct (for example, the percent of total Medicare GME payments that is direct).

Line 10. Enter revenue received for continuing health professions education reimbursement or tuition.

Line 11. Enter other revenue received for continuing health professions education activities.

Worksheet 6. Subsidized Health Services (Part I, Line 7g)

Worksheet 6 can be used to calculate the net cost of subsidized health services.

Complete Worksheet 6 for each subsidized health service and report in Part I the total for all subsidized health services combined.

“Subsidized health services” means clinical services provided despite a financial loss to the organization. The financial loss is measured after removing losses, measured by cost, associated with bad debt, charity care, Medicaid and other means-tested government programs. Losses attributable to these items are not included when determining which clinical services are subsidized health services because they are reported as community benefit elsewhere in Part I or as bad debt in Part III. Losses attributable to these items are also excluded when measuring the losses generated by the subsidized health services. In addition, in order to qualify as a subsidized health service, the organization must provide the service because it meets an identified community need. A service meets an identified community need if it is reasonable to conclude that if the organization no longer offered the service, the service would be unavailable in the community, the community’s capacity to provide the service would be below the community’s

need, or the service would become the responsibility of government or another tax-exempt organization.

Subsidized health services generally include qualifying inpatient programs such as neonatal intensive care, addiction recovery, and inpatient psychiatric units, and ambulatory programs such as emergency and trauma services, satellite clinics designed to serve low-income communities, and home health programs. Subsidized health services generally exclude ancillary services that support inpatient and ambulatory programs such as anesthesiology, radiology, and laboratory departments. Subsidized health services include services or care provided by physician clinics and skilled nursing facilities if such clinics or facilities satisfy the general criteria for subsidized health services. An organization that includes any costs associated with physician clinics as subsidized health services in Part I, line 7g, must describe that it has done so and report in Part VI such costs included in Part I, line 7g.

Line 3, columns (A) through (D). Enter the estimated cost for each subsidized health service. For column (B), enter bad debt amounts attributable to the

subsidized health service measured by cost. For column (C), enter amounts attributable to the subsidized health service for patients who are recipients of Medicaid and other means-tested government programs measured by cost. For column (D), enter charity care amounts attributable to the subsidized health service measured by cost. Multiply line 1 by line 2 or enter estimated cost based on the organization’s cost accounting. Organizations with a cost accounting system or a cost accounting method more accurate than the ratio of patient care cost to charges from Worksheet 2 can rely on that system or method to estimate the cost of each subsidized health service.

Worksheet 7. Research (Part I, Line 7h)

Worksheet 7 can be used to report the net cost of research conducted by the organization.

Research means any study or investigation the goal of which is to generate generalizable knowledge made available to the public such as knowledge about underlying biological mechanisms of health and disease, natural processes,



Worksheet 6. Subsidized Health Services (Part I, line 7g)

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Program name: _____		(A) Total subsidized health service program	(B) Bad debt	(C) Medicaid and other means-tested government programs	(D) Charity care	(E) Totals (subtract columns (B), (C), and (D) from column (A))
1. Gross patient charges from program(s)	1.					
Total community benefit expense						
2. Ratio of patient cost to charges (from Worksheet 2, if used)	2.	%	%	%	%	%
3. Cost (multiply line 1 by line 2, or obtain from cost accounting; enter column (E) on Part I, line 7g, column (c))	3.					
Direct offsetting revenue						
4. Net patient service revenue	4.					
5. Other revenue	5.					
6. Total direct offsetting revenue (add lines 4 and 5; enter column (E) on Part I, line 7g, column (d)).	6.					
7. Net community benefit expense (subtract line 6 from line 3; enter column (E) on Part I, line 7g, column (e))	7.					
8. Total expense (enter amount from Form 990, Part IX, line 25, column (A), and include the organization’s share of joint venture expenses)	8.					\$
9. Percent of total expense (line 7, column (E) divided by line 8; enter on Part I, line 7g, column (f))	9.					%



Total community benefit expense	
1. Direct costs	1. _____
2. Indirect costs	2. _____
3. Total community benefit expense (add lines 1 and 2; enter on Part I, line 7h, column (c))	3. _____
4. Direct offsetting revenue (enter on Part I, line 7h, column (d))	4. _____
5. Net community benefit expense (subtract line 4 from line 3; enter on Part I, line 7h, column (e))	5. _____
6. Total expense (enter amount from Form 990, Part IX, line 25, column (A), and include the organization's share of joint venture expenses.)	6. _____
7. Percent of total expense (divide line 5 by line 6; enter on Part I, line 7h, column (f))	7. _____ %

or principles affecting health or illness; evaluation of safety and efficacy of interventions for disease such as clinical trials and studies of therapeutic protocols; laboratory-based studies; epidemiology, health outcomes, and effectiveness; behavioral or sociological studies related to health, delivery of care, or prevention; studies related to changes in the health care delivery system; and communication of findings and observations, including publication in a medical journal. The organization can include the cost of internally funded research it conducts, as well as the cost of research it conducts funded by a tax-exempt or government entity.

The organization cannot include in Part I, line 7h, the direct or indirect costs of research funded by an individual or an organization that is not a tax-exempt or government entity. However, the organization can describe in Part VI any research it conducts that is not funded by tax-exempt or government entities, including the cost of such research, the identity of the funder, how the results of such research are made available to the public, if at all, and whether the results are made available to the public at no cost or nominal cost.

Examples of costs of research include, but are not limited to, salaries and benefits of researchers and staff, including stipends for research trainees (Ph.D. candidates or fellows); facilities for collection and storage of research, data, and samples; animal facilities; equipment; supplies; tests conducted for research rather than patient care; statistical and computer support; compliance (for example, accreditation for human subjects protection, biosafety, HIPAA, etc.); and dissemination of research results.

Line 1. Define direct costs pursuant to guidelines and definitions published by the National Institutes of Health.

Line 2. Define indirect costs pursuant to guidelines and definitions published by the National Institutes of Health.

Worksheet 8. Cash and In-Kind Contributions to Community Groups (Part I, Line 7i)

Worksheet 8 can be used to report cash contributions or grants and the cost of in-kind contributions that support charity care, health professions education, and other community benefit activities reportable in Part I, lines 7a through 7h. Report such contributions on line 7i, rather than on lines 7a through 7h. Do not include any contributions funded in whole or in part by a restricted grant, to the extent that such grant was from a **related**

organization, as illustrated in the examples on page 15.

“Cash and in-kind contributions” means contributions made by the organization to health care organizations and other community groups restricted to one or more of the community benefit activities described in the table in Part I, line 7 (and the related worksheets and instructions). “In-kind contributions” include the cost of staff hours donated by the organization to the community while on the organization’s payroll, indirect cost of space donated to tax-exempt community groups (such as for meetings), and the financial value (generally measured at cost) of donated food, equipment, and supplies.

Worksheet 8. Cash and In-Kind Donations to Community Groups (Part I, line 7i)



	(A) Cash contrib- utions	(B) In-kind contrib- utions	(C) Total
1. Total community benefit expense (enter amount from column (C) on Part I, line 7i, column (c))			
2. Direct offsetting revenue (enter amount from column (C) on Part I, line 7i, column (d))			
3. Net community benefit expense (subtract line 2 from line 1; enter on Part I, line 7i, column (e))			
4. Total expense (enter amount from Form 990, Part IX, line 25, column (A), and include the organization's share of joint venture expenses)			
5. Percent of total expense (divide line 3 by line 4; enter on Part I, line 7i, column (f))			%

Report cash contributions and grants made by the organization to entities and community groups that share the organization's goals and mission. Do not report cash or in-kind contributions contributed by employees, or emergency funds provided by the organization to the organization's employees; loans, advances, or contributions to the capital of another organization; or unrestricted grants or gifts to another organization that can, at the discretion of the grantee organization, be used other than to provide the type of community benefit described in the table in Part I, line 7.

Special rule for grants to joint

ventures. If the organization makes a grant to a **joint venture** in which it has an ownership interest to be used to accomplish one of the community benefit activities reportable in the table, in Part I, line 7, report the grant on line 7i, but do not include the organization's proportionate share of the amount spent by the **joint venture** on such activities in any other part of the Table, to avoid double-counting.

Example 1. The filing organization (A) and foundation (B) are related organizations. B makes a grant to A that must be used by A to conduct a community needs assessment in a community served by A. A can report the cost of conducting the community needs assessment in Part I, line 7e, column (c) in the year it conducts the needs assessment, but A need not report the restricted grant from B in Part I, line 7e, column (d). The same result is obtained if B is unrelated to A, or if the grant is unrestricted rather than required to be used by A to provide community benefit.

Example 2. Use the same facts as in Example 1, except A may also use the grant from B to make a grant to another organization (C), which must be used by C to provide community benefit. A makes such a grant to C. A cannot report the grant to C in Part I, line 7i, because it is funded by a related organization, but A need not report the grant from B in Part I, line 7, column (d) for any line 7 item. This is the result regardless of whether B and C are related organizations.

Example 3. A is a related organization with respect to each of B, C, and D. Each of the organizations files a Form 990 and a Schedule H (Form 990). A makes a restricted grant to B that is restricted to one or more of the community benefit activities described in the table in Part I, line 7 (and the related worksheets and instructions). A's grant is not funded by a related organization. B makes a restricted grant to C that is funded by A's restricted grant. C makes an unrestricted grant to D that is funded by B's restricted grant. Under these circumstances, A can report the grant to B on A's Schedule H (Form 990), Part I, line 7i, but neither B nor C can report their respective grants to C and D on Part I, line 7i of their own Schedule H (Form 990). If D uses the grant funds to make a grant restricted to one or more of the community benefit activities described in the Table in Part I, D can report the grant on line 7i.



Instructions for Schedule J (Form 990)

Compensation Information

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule J (Form 990) is used by an organization that files Form 990 to report **compensation** information for certain **officers, directors, trustees, key employees, and highest compensated employees**, and information on certain compensation practices of the organization.

Use Schedule J-1 (Form 990), Continuation Sheet for Schedule J (Form 990), to report additional information for Part II of Schedule J. Use as many Schedules J-1 as needed.

Use Schedule J-2 (Form 990) as a continuation sheet to list persons and report compensation that did not fit in the space provided on Form 990, Part VII, Section A. Do not use Schedule J-2 as a continuation sheet for Schedule J.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, line 23, must complete Schedule J. Do not file Schedule J for institutional trustees.

If an organization is not required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I asks questions regarding certain **compensation** practices of the organization. Part I generally pertains to all **officers, directors, trustees and employees** of the organization listed on Form 990, Part VII, Section A, regardless of whether the organization answered "Yes" to line 23 of Part IV for all such individuals. However, only the organizations that are described in *Who Must File* must complete Part I. Part I,

lines 1, 2, 7, and 8 require reporting on the compensation practices of the filing organization, but not of **related organizations**. Lines 3 through 6 require information regarding both the filing organization and its related organizations. Part I, lines 5 through 8, must be completed only by section 501(c)(3) and section 501(c)(4) organizations.

Part II requires detailed compensation information for individuals for whom the organization answered "Yes" on Form 990, Part IV, line 23. Not all persons listed on Form 990, Part VII, Section A, will necessarily be listed in Schedule J, Part II.

Part III is used to provide explanations of answers as required in Parts I or II.

Unless stated otherwise, all questions in this schedule pertain to activity during the calendar year ending with or within the organization's **tax year**.

Part I. Questions Regarding Compensation

For purposes of Part I, a *listed person* is a person listed on Form 990, Part VII, Section A.

Line 1. Report information regarding certain benefits (if any) provided to persons listed on Form 990, Part VII, Section A, line 1a.

Line 1a. Check the appropriate box(es) if the organization provided any of the listed benefits to any of the persons listed on Form 990, Part VII, Section A, regardless of whether such benefits are reported as **compensation** on Form W-2, box 5, or Form 1099-MISC, box 7. For each of the listed benefits provided to or for a listed person, provide in Part III relevant information regarding these items, which can include the following.

- The type of benefit.
- The listed person who received the benefit, or a description of the types (for example, all directors) and number of listed persons that received the benefit.

- Whether the benefit, or any part of it, was treated as taxable compensation to the listed person.

First-class travel refers to any travel on a passenger airplane, train, or boat with first-class seats or accommodations by a listed person or his or her companion if any portion of the cost above the lower-class fare is paid by the organization. First-class travel does not include intermediate classes between first class and coach, such as business class on commercial airlines. Bump-ups to first class free of charge or as a result of using frequent flyer benefits, or similar arrangements that are at no additional cost to the organization, can be disregarded.

Charter travel refers to travel on an airplane, train, or boat under a charter or rental arrangement. Charter travel also includes any travel on an airplane or boat that is owned or leased by the organization.

Travel for companions refers to any travel of a listed person's guest not traveling primarily for bona fide business purposes of the organization. It also refers to any travel of a listed person's **family members**, whether or not for bona fide business purposes.

Tax indemnification and gross-up payments refer to the organization's payment or reimbursement of any tax obligations of a listed person.

Discretionary spending account refers to an account or sum of money under the control of a listed person with respect to which he or she is not accountable to the organization under an **accountable plan**, whether or not actually used for any personal expenses. Accountable plans are discussed in the instructions for Part II.

Housing allowance or residence for personal use refers to any payment for, or provision of, housing by the organization for personal use by a listed person.

Payments for business use of personal residence refers to any payment by the organization for the use of all or part of a listed person's residence for any purpose of the organization.

Health or social club dues or initiation fees refers to any payment of dues by the organization for the membership of a listed person in a health or fitness club or a social or recreational club, whether or not such clubs are tax-exempt. It does not include membership fees for an organization described in section 501(c)(3) or section 501(c)(6) unless such organization provides health, fitness, or recreational facilities available for the regular use of a listed person. *Health club dues* do not include provision by the organization of an on-premises athletic facility described in section 132(j)(4), or provision by a school of an athletic facility available for general use by its students, faculty, and employees. *Dues* include the entrance fee, periodic fees, and amounts paid for use of such facilities.

Personal services refers to any services for the personal benefit of a listed person or the family or friends of a listed person, whether provided regularly (on a full-time or part-time basis) or as needed, whether provided by an **employee** of the organization or **independent contractor** (and whether the independent contractor is an individual or an organization). They include, but are not limited to, services of a babysitter, bodyguard, butler, chauffeur, chef, concierge or other person who regularly runs nonincidental personal errands, escort, financial planner, handyman, landscaper, lawyer, maid, masseur/masseuse, nanny, personal trainer, personal advisor or counselor, pet sitter, physician or other medical specialist, tax preparer, and tutor for nonbusiness purposes. Personal services do not include services provided to all employees on a nondiscriminatory basis under a qualified employee benefit plan.

Line 1b. If the organization provided any of the benefits listed in line 1a, to one or more listed persons, answer “Yes” if the organization followed a written policy regarding the payment, provision, or reimbursement of all such benefits to listed persons. If the organization did not follow a written policy for payment, provision, or reimbursement of any listed benefits, explain in Part III who determined the organization would provide such benefits and the decision-making process.

Line 2. Answer “Yes” if the organization required substantiation of all expenses or benefits listed on line 1, in accordance with the rules for **accountable plans** discussed in *Accountable plan amounts*, later, under Part II, column (D), prior to reimbursing or allowing all such expenses incurred

by any **officers, directors, and trustees**, including the **CEO, executive director, or other top management official** (all referred to as top management official). An organization can answer “Yes” if it checked the “Discretionary spending account” box on line 1 and required substantiation of expenses under the rules for accountable plans for all listed benefits on line 1 other than for discretionary spending accounts.

Line 3. Check the appropriate box(es) to indicate which methods, if any, the organization used to establish the **compensation** of the organization’s **top management official**. Do not check any box(es) for methods used by a related organization to establish the filing organization’s compensation of its top management official. Explain in Part III that the organization relied on a **related organization** that used one or more of the methods described below to establish the top management official’s compensation.

Compensation committee refers to a committee of the organization’s **governing body** responsible for determining the top management official’s compensation package, whether or not the committee has been delegated the authority to make an employment agreement with the top management official on behalf of the organization. The compensation committee can also have other duties.

Independent compensation consultant refers to a person outside the organization who advises the organization regarding the top management official’s compensation package, holds himself or herself out to the public as a compensation consultant, performs valuations of nonprofit executive compensation on a regular basis, and is qualified to make valuations of the type of services provided. The consultant is independent if he or she does not have a **family relationship or business relationship** with the top management official, and if a majority of his or her appraisals made during his or her **tax year** are performed for persons other than the organization, even if the consultant’s firm also provides tax, audit, and other professional services to the organization.

Form 990 of other organizations refers to compensation information reported on Form 990, 990-EZ, or 990-PF of similarly situated organizations.

Written employment contract refers to one or more recent or current written employment agreements to which the top management official and another organization are or were parties, written employment agreements involving

similarly situated top management officials with similarly situated organizations, or written employment offers to the top management official from other organizations dealing at arm’s length.

Compensation survey or study refers to a study of top management official compensation or functionally comparable positions in similarly situated organizations.

Approval by board or compensation committee refers to the ultimate decision by the governing body or compensation committee on behalf of the organization regarding whether to enter into an employment agreement with the top management official, and the terms of such agreement.

Line 4. List in Part III the names of listed persons paid amounts during the year by the filing organization or a **related organization** under any arrangement described in lines 4a through 4c, and report the amounts paid during the year to each such listed person. Also describe in Part III the terms and conditions of any arrangement described in lines 4a through 4c in which one or more listed persons participated during the year, regardless of whether any payments to the listed person were made during the year.

Line 4a. Answer “Yes” if a listed person received a severance or change-of-control payment from the organization or a **related organization**. A severance payment is a payment made if the right to the payment is contingent solely upon the person’s severance from service in specified circumstances, such as upon an involuntary separation from service. Payments under a change-of-control arrangement are made in connection with a termination or change in the terms of employment resulting from a change in control of the organization. Treat as a severance payment any payment to a listed person in satisfaction or settlement of a claim for wrongful termination or demotion.

Line 4b. Answer “Yes” if a listed person participated in or received payment from any supplemental nonqualified retirement plan established, sponsored, or maintained by or for the organization or a **related organization**. A supplemental nonqualified retirement plan is a nonqualified retirement plan that is not generally available to all employees but is available only to a certain class or classes of management or highly compensated **employees**. For this purpose, include as a supplemental nonqualified retirement plan a plan described in section 457(f), but do not

include a plan described in section 457(b).

Line 4c. Answer “Yes” if a listed person participated in or received payment from the organization or a **related organization** of any equity-based compensation (such as stock, stock options, stock appreciation rights, restricted stock, or phantom or shadow stock), or participated in or received payment from any equity compensation plan or arrangement sponsored by the organization or a **related organization**, whether the compensation is determined by reference to equity in a partnership, limited liability company, or corporation. Equity-based compensation does not include compensation contingent on the revenues or net earnings of the organization, which are addressed by lines 5 and 6 later.

Example. A, a listed person, is an **employee** of organization B. B owns an interest in C, a for-profit subsidiary, that is a stock corporation. As part of A’s compensation package, B provides restricted stock in C to A. This is an equity-based compensation arrangement for purposes of line 4c. The same would be true if C were a partnership or limited liability company and B provided A a profits interest or capital interest in C.

Line 5. Answer “Yes” if the organization paid or accrued with respect to a listed person any **compensation** contingent upon and determined in whole or in part by the revenues (gross or net) of one or more activities of the organization or a **related organization**, or by the revenues (gross or net) of the organization or a related organization as a whole. For this purpose, net revenues means gross revenues less certain expenses, but does not mean net income or net earnings. Describe such arrangements in Part III.

Example. A, a listed person, is a physician employed by organization B. As part of A’s compensation package, A is to be paid a bonus equal to x% of B’s net revenues from a particular department operated by B for a specified period of time. This arrangement is a payment contingent on revenues of the organization, and must be reported on line 5, regardless of whether the payment is contingent on achieving a certain revenue target. However, if instead the bonus payment is a specific dollar amount (for instance, \$5,000) to be paid only if a gross revenue or net revenue target of the department is achieved, the payment is not contingent on revenues of the organization for this purpose.

Line 6. Answer “Yes” if the organization paid or accrued with

respect to a listed person any **compensation** contingent upon and determined in whole or in part by the net earnings of one or more activities of the organization or a **related organization**, or by the net earnings of the organization or a related organization as a whole. Describe such arrangements in Part III.

Example. A, a listed person, is an **employee** of organization B. As part of A’s compensation package, A is to be paid a bonus equal to x% of B’s net earnings for a specified period of time. This arrangement is a payment contingent on net earnings of the organization for line 6 purposes, regardless of whether the payment is contingent on achieving a certain net earnings target. However, if instead the bonus payment is a specific dollar amount to be paid only if a net earnings target is achieved, the payment is not contingent on the net earnings of the organization for this purpose.

Line 7. Answer “Yes” if the organization provided any non-fixed payments, not described on lines 5 and 6, with respect to a listed person. Describe such arrangements in Part III. A *fixed payment* is an amount of cash or other property specified in the contract, or determined by a fixed formula specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property. A fixed formula can incorporate an amount that depends upon future specified events or contingencies, provided that no person exercises discretion when calculating the amount of a payment or deciding whether to make a payment, such as a bonus. Amounts paid or accrued with respect to any listed person that are not fixed amounts as defined above are *non-fixed payments*. For example, any amount paid to a person under a reimbursement arrangement where discretion is exercised by any person with respect to the amount of expenses incurred or reimbursed is a non-fixed payment. See Regulations section 53.4958-4(a)(3).

Exception. Amounts payable pursuant to a qualified pension, profit-sharing, or stock bonus plan under section 401(a), or pursuant to an employee benefit program that is subject to and satisfies coverage and nondiscrimination rules under the Internal Revenue Code (for example, sections 127 and 137), other than nondiscrimination rules under section 9802, are treated as fixed payments for purposes of line 7, regardless of the organization’s discretion with respect to the plan or program. The fact that a person contracting with the organization is expressly granted the choice to

accept or reject any economic benefit is disregarded in determining whether the benefit constitutes a fixed payment for purposes of line 7.

Line 8. Answer “Yes” if any amounts from the organization reported on Form 990, Part VII, were paid pursuant to a contract subject to the initial contract exception described in Regulations section 53.4958-4(a)(3). Describe such arrangements in Part III. Fixed payments made pursuant to an initial contract are not subject to section 4958. An *initial contract* is a binding written contract between the organization and a person who was not a disqualified person (within the meaning of section 4958(f)(1)) with respect to the organization immediately prior to entering into the contract. See the instructions for line 7 for the definition of fixed payments.

Line 9. Answer “Yes” if the payments described in line 8 above were made pursuant to an initial contract that was reviewed and approved by the organization following the rebuttable presumption procedure described in Regulations section 53.4958-6(c). For more information on the initial contract exception and rebuttable presumption procedure, see *Appendix G, Section 4958 Excess Benefit Transactions*, in the Instructions for Form 990.

Part II. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

Enter information for certain individuals listed on Form 990, Part VII, Section A, as described below. Report **compensation** for the calendar year ending with or within the organization’s **tax year** paid to or earned by the following individuals.

- Each of the organization’s former **officers**, former **directors**, former **trustees**, former **key employees**, and former five **highest compensated employees** listed on Form 990, Part VII, Section A.
- Each of the organization’s current officers, directors, trustees, key employees, and five highest compensated employees for whom the sum of Form 990, Part VII, Section A, Columns (D), (E), and (F) is greater than \$150,000.
- Each of the organization’s current and former officers, directors, trustees, key employees, and five highest compensated employees who received or accrued compensation for services rendered to the organization from an **unrelated organization**, and who are

required to be reported on line 5 of Form 990, Part VII, Section A.

TIP All current **key employees** listed on Form 990, Part VII, Section A must also be reported on Schedule J, Part II, because their **reportable compensation**, by definition, exceeds \$150,000.

Do not list any individuals in Schedule J, Part II that are not listed on Form 990, Part VII, Section A. Do not list in Part II **management companies** or other organizations providing services to the organization. Do not list highest compensated **independent contractors** reported on Form 990, Part VII, Section B.

For each individual listed, enter compensation from the organization on row (i), and compensation from all **related organizations** on row (ii). Related organizations are explained in the *Glossary* in the Instructions for Form 990 and the Instructions for Schedule R (Form 990), Related Organizations and Unrelated Partnerships. Any type and amount of reportable compensation from related organizations that was excluded from Form 990, Part VII, Section A, column (E), pursuant to the \$10,000-per-related-organization exception must be included on Schedule J, Part II, columns B(i), B(ii), and B(iii). If there is no compensation to report in a particular column, enter “-0-.”

If the organization answered “Yes” to Form 990, Part VII, Section A, line 5, report such compensation from the unrelated organization as if it were received from the organization, and enter the name of the unrelated organization in Part III.

For a table showing how and where to report certain types of compensation on Schedule J, see the instructions to line 1 of Form 990, Part VII, Section A.

Any type and amount of other compensation that was excluded from Form 990, Part VII, Section A, pursuant to the \$10,000-per-item exception for certain other compensation items must be included in Schedule J, Part II, columns (C) or (D).

For purposes of these instructions, a listed person is a person required to be listed in Part II.

If there are more individuals to report in Part II than space available, report the additional individuals in Part I of Schedule J-1. Use as many Schedules J-1 as needed.

Column (A). Enter the name of each person who must be listed in Part II.

Column (B). Amounts reported on Form 990, Part VII, Section A, columns (D) and (E), must be broken out

between columns (B)(i), (B)(ii), and (B)(iii).

TIP For certain kinds of **employees**, such as certain members of the clergy and religious workers who are not subject to social security and Medicare taxes as employees, box 5 of Form W-2 may be blank. In this case, the amount required to be reported in box 1 of Form W-2 for the listed persons must be reported, as appropriate, in columns (B)(i), (B)(ii), and (B)(iii).

Column (B)(i). Enter the listed person’s base compensation that was included in box 5 of Form W-2 (or in box 1, if no **compensation** is reported for that person in box 5), or box 7 of Form 1099-MISC, issued to the person. Base compensation means nondiscretionary payments to a person agreed upon in advance, contingent only on the payee’s performance of agreed-upon services (such as salary or fees).

Column (B)(ii). Enter the listed person’s bonus and incentive compensation that is included in box 5 of Form W-2, (or in box 1, if no compensation is reported for that person in box 5), or box 7 of Form 1099-MISC, issued to the person. Examples include payments based on satisfaction of a performance target (other than mere longevity of service), and payments at the beginning of a contract before services are rendered (for example, signing bonus).

Column (B)(iii). Enter all other payments to the listed person included in box 5 of Form W-2, (or in box 1, if no compensation is reported for that person in box 5), or box 7 of Form 1099-MISC issued to the person but not reflected in columns (B)(i) or (B)(ii). Examples include, but are not limited to, current-year payments of amounts earned in a prior year, payments under a severance plan, payments under an arrangement providing for payments upon the change in ownership or control of the organization or similar transaction, and awards based on longevity of service.

Column (C). Enter all current-year deferrals of compensation for the listed person under any retirement or other deferred compensation plan, whether qualified or nonqualified, that is established, sponsored, or maintained by or for the organization or a related organization. Report as deferred compensation the annual increase in actuarial value, if any, of a defined benefit plan, but do not report earnings accrued on deferred amounts in a defined contribution plan. Do not enter in column (C) any payments to a listed person of compensation that are included in box 5 of Form W-2 (or in

box 1, if no compensation is reported for that person in box 5), or box 7 of Form 1099-MISC, issued to the person for the calendar year ending with or within the organization’s **tax year**. Enter a reasonable estimate if actual numbers are not readily available.

For this purpose, deferred compensation is compensation that is earned or accrued in, or is attributable to, one year and deferred to a future year for any reason, whether or not funded, vested, or subject to a substantial risk of forfeiture. This includes earned but unpaid incentive compensation deferred pursuant to a deferred compensation plan. Note that different rules can apply for determining whether an arrangement provides for deferred compensation for purposes of Internal Revenue Code provisions such as sections 83, 409A, 457(f), or 3121(v).

Do not report deferred compensation in column (C) before it is earned or accrued under the principles described. For this purpose, deferred compensation is generally treated as earned or accrued in the year that services are rendered, except when entitlement to payment is contingent on satisfaction of specified performance criteria (other than mere longevity of service) under the deferred compensation plan. If the payment of an amount of deferred compensation requires the employee to perform services for a period of time, the amount is treated as accrued or earned ratably over the course of the service period, even though the amount is not funded and may be subject to a substantial risk of forfeiture until the service period is completed.

Report deferred compensation for each listed person regardless of whether such compensation is deferred as part of a deferred compensation plan that is administered by a separate trust, as long as the plan is established, sponsored, or maintained by or for the organization or a related organization for the benefit of the listed person.

The following examples illustrate when deferred compensation is considered earned or accrued, as well as when and how it is to be reported. In these examples, assume that the amounts deferred are not reported on Form W-2, box 5 prior to the year during which the amounts are paid.

Example 1. An executive participates in Organization A’s nonqualified deferred compensation plan. Under the terms of the plan beginning January 1 of calendar year 1, she earns for each year of service an amount equal to 2% of her base salary of \$100,000 for that year. These additional amounts are deferred and

are not vested until the executive has completed 3 years of service with Organization A. In year 4 the deferred amounts for years 1 through 3 are paid to the executive. For each of the years 1 through 3, Organization A enters \$2,000 of deferred compensation for the executive in column (C). For year 4, Organization A enters \$6,000 in column (B)(iii) and \$6,000 in column (F).

Example 2. Under the terms of his employment contract with Organization B beginning July 1 of calendar year 1, an executive is entitled to receive \$50,000 of additional compensation after he has completed five years of service with the organization. The compensation is contingent only on the longevity of service. The \$50,000 is treated as accrued or earned ratably over the course of the five years of service, even though it is not funded or vested until the executive has completed the 5 years. Organization B makes payment of \$50,000 to the executive in calendar year 6. Organization B enters \$5,000 of deferred compensation in column (C) for calendar year 1 and \$10,000 for each of calendar years 2 through 5. For calendar year 6, Organization B enters \$50,000 in column (B)(iii) and \$45,000 in column (F).

Example 3. An executive participates in Organization C's incentive compensation plan. The plan covers calendar years 1 through 5. Under the terms of the plan, the executive is entitled to earn 1% of Organization C's total productivity savings for each year during which Organization C's total productivity savings exceed \$100,000. Earnings under the incentive compensation plan will be payable in year 6, to the extent funds are available in a certain "incentive compensation pool." For years 1 and 2, Organization C's total productivity savings are \$95,000. For each of years 3, 4, and 5, Organization C's total productivity savings are \$120,000. Accordingly, the executive earns \$1,200 of incentive compensation in each of years 3, 4, and 5. She does not earn anything under the incentive compensation plan in years 1 and 2 because the relevant performance criteria were not met in those years. Although the amounts earned under the plan for years 3, 4, and 5, are dependent upon there being a sufficient incentive compensation pool from which to make the payment, Organization C enters \$1,200 of deferred compensation in column (C) in years 3, 4, and 5. In year 6, Organization C pays \$3,600 attributable to years 3, 4, and 5, and enters \$3,600 in column (B)(ii) and \$3,600 in column (F).

Column (D). "Nontaxable benefits" are benefits specifically excluded from taxation under the Internal Revenue Code. Report the value of all nontaxable benefits provided to or for the benefit of the listed person, other than benefits disregarded for purposes of section 4958 under Regulations section 53.4958-4(a)(4). Common nontaxable and section 4958 disregarded benefits, referred to as "fringe benefits," below are discussed in detail beginning on this page.

Depending on the type of benefit, fringe benefits can be provided only to employees or also to persons other than **employees**, such as **directors, trustees, and independent contractors**. Fringe benefits can be entirely personal in nature or can combine personal and business elements.

The taxability of a benefit can depend upon the form in which it is provided. For example, a cash housing allowance is ordinarily reportable in Form W-2, box 5. Under section 119, housing provided for the convenience of the employer can be excludable, and the fair rental value of in-kind housing provided to certain school employees can be part taxable and part excludable, depending on facts and circumstances. Taxable benefits must be reported on Form W-2.

The following benefits provided for a listed person must be reported in column (D) to the extent not reported as taxable compensation in Form W-2, box 5 (or in box 1, if no compensation is reported for that person in box 5) or Form 1099-MISC, box 7.

- Value of housing provided by the employer.
- Educational assistance.
- Health insurance.
- Medical reimbursement programs.
- Life insurance.
- Disability benefits.
- Long-term care insurance.
- Dependent care assistance.
- Adoption assistance.
- Payment or reimbursement by the organization of (or payment of liability insurance premiums for) any penalty, tax, or expense of correction owed under chapter 42 of the Internal Revenue Code, any expense not reasonably incurred by the person in connection with a civil judicial or civil administrative proceeding arising out of the person's performance of services on behalf of the organization, or any expense resulting from an act or failure to act with respect to which the person has acted willfully and without reasonable cause.

The list above is not all-inclusive.

Disregarded benefits. Disregarded benefits under Regulations section

53.4958-4(a)(4) need not be reported in column (D). "Disregarded benefits" generally include fringe benefits excluded from gross income under section 132. These benefits include the following.

- No-additional cost service.
- Qualified employee discount.
- De minimis fringe.
- Reimbursements pursuant to an accountable plan.
- Working condition fringe.
- Qualified transportation fringe.
- Qualified moving expense reimbursement.
- Qualified retirement planning services.
- Qualified military base realignment and closure fringe.

De minimis fringe. A "de minimis fringe" is a property or service the value of which, after taking into account the frequency with which similar fringes are provided by the employer to the **employees**, is so small as to make accounting for it unreasonable or administratively impractical.

Working condition fringe. A working condition fringe is any property or service provided to an **employee** to the extent that, if the employee paid for the property or service, the payment would be deductible by the employee under section 162 (ordinary and necessary business expense) or section 167 (depreciation). In some cases, property provided to employees may be used partly for business and partly for personal purposes, such as automobiles. In that case the value of the personal use of such property is taxable **compensation**, and the value of the use for business purposes properly accounted for is a working condition fringe benefit.

Accountable plan amounts. An accountable plan is a reimbursement or other expense allowance arrangement that meets each of the following rules.

1. The expenses covered under the plan must be reasonable employee business expenses that are deductible under section 162 or other provisions of the Code.

2. The **employee** must adequately account to the employer for the expenses within a reasonable period of time.

3. The employee must return any excess allowance or reimbursement within a reasonable period of time. See Regulations section 1.62-2 and Pub. 535, Business Expenses, for explanations of accountable plans.

The method by which benefits under an accountable plan are provided (whether reimbursement, cash advances with follow-up accounting, or charge by the employee on company

credit card) is not material. Payments that do not qualify under the accountable plan rules, such as payments for which the employee did not adequately account to the organization, or allowances that were more than the payee spent on serving the organization, constitute compensation.

Directors and trustees are treated as employees for purposes of the working condition fringe provisions of section 132. Therefore, treat cash payments to directors or trustees made under circumstances substantially identical to the accountable plan provisions as a section 132 working condition fringe.

See Pub. 15-B, Employer's Guide to Fringe Benefits, Pub. 521, Moving Expenses, and *Unreimbursed Employee Expenses* in Pub. 529,

Miscellaneous Deductions, for further explanation of section 132 fringe benefits and for determining whether a given section 132 fringe benefit is available to nonemployees, such as directors and trustees, or to persons who no longer work for the organization.

Column (F). Enter in column (F) any payment reported in this year's column (B) to the extent such payment was already reported as compensation to the listed person in a prior Form 990, 990-EZ, or 990-PF. For this purpose, the amount must have been reported as compensation specifically for the listed person on the prior form. Inclusion of the amount in the organization's compensation expense reported in its Statement of Functional

Expenses in Form 990, Part IX is not sufficient. Do not include in column (F) amounts that were reported in a prior Form 990 but that were forfeited or repaid by the listed person or otherwise recovered by the organization during this tax year, and which are not reported in column (B) for this year.

Part III. Supplemental Information

Use Part III to provide narrative information, explanations, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also use Part III to provide other narrative explanations and descriptions, as applicable. Identify the specific part and line(s) that the response supports.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule M (Form 990) is used by an organization that files Form 990 to report the types of **noncash contributions** received during the year by the organization and certain information regarding such **contributions**. The schedule requires reporting of the quantity and the reported financial statement amount of noncash contributions received by type of property. Report noncash donated items even if sold immediately after received. Do not report noncash contributions received by the organization in a prior year, donations of services, or the use of facilities.

Who Must File

An organization that answered "Yes" to Form 990, Part IV, *Checklist of Required Schedules*, lines 29 or 30, must complete Schedule M (Form 990) and attach it to Form 990. This means an organization that reported more than \$25,000 of aggregate **noncash contributions** on Form 990, Part VIII, *Statement of Revenue*, line 1g, or that during the year received **contributions of art, historical treasures**, or other similar assets, or **qualified conservation contributions**, regardless of whether it reported any revenues for such contributions in Part VIII.

If an organization is not required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I. Types of Property

Column (a). Check the box if the organization received during the year any contributions of the property type identified.

Column (b). For each type of property received during the year, enter the number of **contributions** or the number of items contributed, determined in accordance with the organization's recordkeeping practices. Explain in Part II of this schedule whether the organization is reporting the number of contributions or the number of items received, or a combination of both methods. As described below, for contributions of **securities**, such as publicly traded stock, treat each separate gift (rather than each share received) as an item for this purpose.

Organizations that receive contributions of books, publications, clothing, and household goods are not required to complete column (b) for those items reported on lines 4 and 5.

Columns (c)–(d). In column (c), enter the revenues reported on Form 990, Part VIII, line 1g, for the appropriate property type. If none were reported, enter "0."

In column (d), describe the method used to determine the amount reported on Form 990, Part VIII, line 1g (for example, cost or selling price of the donated property, sale of comparable properties, replacement cost, opinions of experts, etc.). See Pub. 561, *Determining the Value of Donated Property*, for more information.

Example 1. A used car in poor condition is donated to a local high school for use by students studying car repair. A used car guide shows the dealer retail value for this type of car in poor condition is \$1,600. However, the guide shows the price for a private party sale of the car is only \$750. The fair market value of the car is considered to be \$750, which is the amount the organization reported on Form 990, Part VIII, line 1g. In column (c), the organization should enter \$750. In column (d), the organization should enter "sale of comparable properties and/or opinion of expert" as the method used to determine fair market value.

Example 2. An organization primarily receives bulk donations of clothing, household goods, and other similar items, intended for resale. Under its permitted financial reporting practices, it does not recognize or record revenue at the time of receipt of the contribution, but instead records such items in inventory and reports contribution revenues at the time of sale based on prior inventory turnover experience. In column (c), the organization can enter the amount that represents the total estimated amount of annual sales revenue for each type of property received under its permitted financial reporting method, and in column (d), enter "resale value or annual sales revenue" as the method of determining revenue.

Museums and other organizations that do not report contributions of **art, historical treasures**, and other similar items as revenues, as permitted under generally accepted accounting principles, enter "0" in column (c) and leave column (d) blank. The organization can explain in Part II that a zero amount was reported on Form 990, Part VIII, *Statement of Revenue*, line 1g, because the museum did not capitalize its collections, as allowed under **SFAS 116**.

An organization that receives **qualified conservation contributions** can report column (c) revenue consistent with a permitted method it uses for financial reporting purposes.

Line 1. Works of art include paintings, sculptures, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, photography, film, video, installation and multimedia arts, rare books and manuscripts, historical memorabilia, and other similar objects. Works of art do not include **collectibles** that are reported on line 18.

Line 2. An historical treasure is a building, structure, area, or property with recognized cultural, aesthetic, or historical value that is significant in the history, architecture, archeology, or culture of a country, state, or city.

Line 3. A contribution of a fractional interest in art is a contribution, not in trust, of an undivided portion of a donor's entire interest in a **work of art**. A contribution of the donor's entire interest must consist of a part of each substantial interest or right the donor owns in such work of art and must extend over the entire term of the donor's interest in the property. A gift generally is treated as a gift of an undivided portion of a donor's entire interest in property if the donee is given the right, as a tenant in common with the donor, to possession, dominion, and control of the property for a portion of each year appropriate to its interest in such property. For each work of art or item, report in column (b) the fractional interest for each year an interest in the property is received with respect to the underlying work of art or item. See section 170(o) for special rules for fractional gifts.

Line 4. Enter information about **contributions** of all books and publications. Do not include rare books and manuscripts reported on line 1, **collectibles** reported on line 18, and archival records reported on lines 25 through 28.

Line 5. Enter information about clothing items and **household goods** which were in good used condition or better. Clothing items and household goods which were not in good used condition or better are to be reported as a separate type in "other" beginning with line 25.

Lines 6–7. On line 6 include only **contributions** of motor vehicles manufactured primarily for use on public streets, roads, and highways. Do not include in lines 6 or 7 contributions of the donor's stock in trade or property held by the donor primarily for sale to customers in the ordinary course of a trade or business. The organization is

required to file Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, with the donor and the IRS with respect to contributions reported on these lines. See Form 990, Part V, line 7h.

Line 8. Intellectual property is any patent, copyright (other than a copyright described in section 1221(a)(3) or 1231(b)(1)(C)), trademark, trade name, trade secret, know-how, software (other than software described in section 197(e)(3)(A)(i)), or similar property. Certain **contributions** of intellectual property require the organization to file Form 8899, Notice of Income From Donated Intellectual Property, with the donor and the IRS with respect to such contribution. See Form 990, Part V, line 7g.

Line 9. Publicly traded securities means **securities** for which (as of the date of the contribution) market quotations are readily available on an established securities market. For each **security**, treat each separate gift (rather than each share received) as a **contribution** for this purpose. Include on this line interests in publicly traded partnerships, limited liability companies or trusts, and publicly traded corporations.

Line 10. Closely held stock means shares of stock issued by a corporation that is not publicly traded. For each **security**, treat each separate gift (rather than each share received) as a **contribution** for this purpose.

Line 11. Enter information about **contributions** of interests in a partnership, limited liability company, or trust, that is not publicly traded. For each **security**, treat each separate gift (rather than each share received) as a contribution for this purpose.

Line 12. Enter information about **contributions** of **securities** that are not reported on lines 9 through 11. For each security, treat each separate gift (rather than each share received) as a contribution for this purpose.

Lines 13–14. A qualified conservation contribution is a contribution of a qualified real property interest exclusively for conservation purposes. A *qualified real property interest* means any of the following interests in real property:

1. The entire interest of the donor,
2. A remainder interest,
3. A restriction (an easement), granted in perpetuity, on the use which may be made of the real property.

A *conservation* purpose means:

1. The preservation of land areas for outdoor recreation used by, or for the education of, the general public;

2. The protection of a relatively natural habitat of fish, wildlife, plants, or similar ecosystems;

3. The preservation of open space (including farmland and forest land) where such preservation is for the scenic enjoyment of the general public or is in accordance with governmental conservation policy; or

4. The preservation of an historically important land area or a certified historic structure.

See section 170(h) for additional information, including special rules with respect to the conservation purpose requirement for buildings in registered historic districts.

On line 13 enter information about contributions of a qualified real property interest that is a restriction with respect to the exterior of a certified historic structure. A **certified historic structure** is any building or structure listed on the National Register as well as any building certified as being of historic significance to a registered historic district. See section 170(h)(4)(B) for special rules that apply to contributions made after August 17, 2006.

On line 14 enter information about qualified conservation contributions other than those entered on line 13. This includes **conservation easements** to preserve land areas for outdoor recreation used by or for the education of, the general public; to protect a relatively natural habitat or ecosystem; to preserve open space; or to preserve an historically important land area.

Line 15. Enter information about **contributions** of residential real estate. Include information about contributions (not in trust) of a remainder interest in a personal residence which was not the donor's entire interest in the property. The term personal residence includes any property used by the donor as a personal residence but is not limited to the donor's principal residence. The term *personal residence* also includes stock owned by the donor as a tenant-stockholder in a cooperative housing corporation if the dwelling the donor is entitled to occupy as a tenant-stockholder is used by the donor as a personal residence.

Line 16. Enter information about **contributions** of commercial real estate, such as a commercial office building. Include information about contributions (not in trust) of a remainder interest in a farm which was not the donor's entire interest in the property. The term *farm* refers to land used for the production of crops, fruits, or other agricultural products, or for the maintenance of livestock. A farm includes the improvements located on the farm property.

Line 17. Enter information about real estate interests not reported on lines 15 or 16.

Line 18. Collectibles include autographs, sports memorabilia, dolls, stamps, coins, books (other than books and publications reported on line 4), gems, and jewelry (other than costume jewelry reported on line 5), but not art reported on lines 1 through 3 or historical artifacts or scientific specimens reported on line 22 or 23.

Line 19. Enter information about food items, including food inventory contributed by corporations and other businesses.

Line 20. Enter information about drugs, medical supplies, and similar items contributed by corporations and other businesses that manufactured or distributed such items.

Line 21. Taxidermy property means any **work of art** that is the reproduction or preservation of an animal, in whole or in part; is prepared, stuffed, or mounted to recreate one or more characteristics of the animal; and contains a part of the body of the dead animal.

Line 22. Enter information about historical artifacts such as furniture, fixtures, textiles, and household items of an historic nature. Do not include **works of art** or **historical treasures** reported on lines 1 through 3 or any archeological artifacts reported on line 24.

Line 23. Scientific specimens include living plant and animal specimens, natural and physical sciences specimens (such as rocks and minerals), and objects or materials that relate to, or exhibit, the methods or principles of science.

Line 24. Enter information about archeological and ethnographical artifacts, other than **works of art** or **historical treasures** reported on lines 1 through 3 and historical artifacts reported on line 22. An *archaeological artifact* is any object that is over 250 years old and is normally discovered as a result of scientific excavation, clandestine or accidental digging for exploration on land, or under water. *Ethnological artifacts* are objects which are the product of a tribal or nonindustrial society, and important to the cultural heritage of a people because of its distinctive characteristics, comparative rarity, or its contribution to the knowledge of the origins, development, or history of that people.

Lines 25–28. Use lines 25 through 28 to separately report other types of property not described above or reported on previous lines. These include items that did not satisfy specific charitable deduction requirements applicable to the **contribution** of such type of property, but which were contributed to the organization, such as clothing and **household goods** that were not in good used or better condition, and **conservation easements** that the organization knows do not constitute **qualified conservation contributions**.

Self-created items, such as personal papers and manuscripts, including archival records, are to be listed separately as a type. *Archival records* are materials of any kind created or received by any person, family, or organization in the conduct of their affairs that are preserved because of the enduring value of the information they contain or as evidence of the functions and responsibilities of their creator.

Donations of items used by the organization at a charitable auction (other than goods sold by the charity at the auction, which should be reported on lines 1-24, as appropriate), such as food served at the event or floral centerpieces, can be reported separately on lines 25-28. **Noncash contributions** do not include donations of services or use of facilities reported on Schedule D (Form 990), Part XI, line 5 and can also be reported in the narrative section of Form 990, Part III, line 4.

Line 29. Enter the number of Forms 8283, Noncash Charitable Contributions, received by the organization during the year for **contributions** for which the organization completed Part IV, *Donee Acknowledgement*, of such form. If the organization does not keep complete records of such forms, do not provide an estimate and leave line 29 blank.

Lines 30a–30b. Answer “Yes” to line 30a if the organization received during the year a **noncash contribution** reportable on lines 1 through 28 for which the organization is required, by the terms of the gift or otherwise, to hold the property for at least three years from the date of the **contribution** and which property is not required to be used for exempt purposes for the entire holding period. An organization that answers “Yes” to line 30a must describe the arrangement in Part II.

Line 31. Answer “Yes” if the organization has a gift acceptance policy that requires the review of any non-standard contributions. A *non-standard contribution* includes a contribution of an item that is not reasonably expected to be used to satisfy or further the organization’s exempt purpose (aside from the need of such organization for income or funds) and for which (a) there is no ready market to which the organization can go

to liquidate the contribution and convert it to cash, and (b) the value of the item is highly speculative or difficult to ascertain. For example, the contribution of a taxpayer’s successor member interest of the type described in Notice 2007-72, 2007-36 I.R.B. 544, is a non-standard contribution for this purpose.

Lines 32a–32b. Answer “Yes” to line 32a if the organization hires or uses third parties or related organizations to solicit, process, or sell **noncash contributions**. An organization that answers “Yes” to line 32a must describe these arrangements in Part II.

Line 33. If applicable, describe in Part II why the organization did not report revenue in column (c) for a type of property for which column (a) is checked.

Part II. Supplemental Information

Use Part II to provide narrative information required in Part I, column (b) and Part I, lines 30b, 32b, and 33. Also use Part II to provide other narrative explanations and descriptions, as needed. Identify the specific line number that the response supports. Part II can be duplicated if more space is needed.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule N (Form 990 or 990-EZ) is used by an organization that files Form 990 or Form 990-EZ to provide information about going out of existence or disposing of more than 25 percent of its net assets through a contraction, sale, exchange, or other disposition.

An organization that liquidated, terminated, or dissolved and ceased operations, other than to wind up its affairs, must complete Part I. An organization must report a **significant disposition of net assets** in Part II. For an organization filing Form 990-EZ, see the Instructions for Form 990-EZ, line 36, for Part II reporting requirements. An organization that has terminated its operations and has no plans for future activities need only complete Part I and not Part II of this Schedule.

Use Schedule N-1 (Form 990 or 990-EZ) to report additional information for Parts I or II of Schedule N (Form 990 or 990-EZ). Use as many Schedules N-1 (Form 990 or 990-EZ) as needed.

Who Must File

Any organization that answered "Yes" to Form 990, Part IV, *Checklist of Required Schedules*, lines 31 or 32; or Form 990-EZ, line 36, must complete and attach Schedule N to Form 990 or Form 990-EZ, as applicable.

If an organization is not required to file Form 990 or Form 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I. Liquidation, Termination, or Dissolution

If the organization answered "Yes" to Form 990, Part IV, line 31, it must complete Part I. If the organization answered "Yes" to Form 990-EZ, line 36, because it fully liquidated, dissolved, or terminated during the tax year, it must complete Part I. An organization must answer "Yes" to either of these lines if it ceased operations and has no plans to continue any activities or operations in the future. This includes an organization that has dissolved, liquidated, terminated, or merged into a successor organization.



CAUTION An organization must provide support of its liquidation, termination, dissolution, or merger by attaching a certified copy of its articles of dissolution or merger, resolutions, and plans of liquidation or merger. An organization also must attach any other relevant documentation, such as a letter from the IRS ruling that the organization is no longer exempt under section 501(a), or a private letter ruling from the IRS approving the organization's proposed dissolution or liquidation, as provided in instructions for line 4, later.

Line 1. List assets transferred in the liquidation, termination, dissolution, or merger.

If there are more transactions to report in Part I than space available, report the additional transactions on Schedule N-1 (Form 990 or 990-EZ), Part I. Use as many Schedules N-1 (Form 990 or 990-EZ) as needed.

Column (a). Assets may be aggregated into categories and should be sufficiently described. Separately list related transaction expenses of at least \$10,000. A transaction expense consists of a payment to a professional or other third party for services rendered to assist in the transaction or in the winding down of the organization's activities, such as attorney or accountant fees. Brokerage fees should not be included in this category, but should be taken into account in the fair market value figure in column (c).

Column (b). Enter the date of distribution of assets or the date when the transaction expense was paid.

Column (c). Enter the **fair market value** of the asset distributed or the amount of transaction expense paid.

Column (d). Enter the method of valuation for the asset being distributed. Methods of valuation include appraisals, comparables, book value, actual cost (with or without depreciation), and outstanding offers (among other methods). For transaction expenses, provide the method for determining the amount of the expense, such as an hourly rate or fixed fee.

Columns (e) and (f). Enter the **EIN**, name, and address of each recipient of assets distributed or transaction expenses paid. Do not enter social security numbers of individual recipients. For membership organizations that transfer assets to individual members, the names of individual members need not be reported. Rather, the members may be aggregated into specific classes of membership, or they may be aggregated into one group, if there is only one class of membership.

Column (g). Enter the section of the Internal Revenue Code under which the transferee organization is tax-exempt, if it is exempt. For recipients that are not tax-exempt, enter the type of entity. Examples of types of entity are government agencies or **governmental units**, or a limited liability company (LLC). Report "individual" if the recipient is not an entity.

Line 2. Report whether any **officer, director, trustee, or key employee** listed in Form 990, Part VII, Section A, is (or is expected to become) involved in a successor or transferee organization by governing, controlling, or having a financial interest in that organization. "Having a financial interest" includes receiving payments from a successor or transferee organization as an **employee, independent contractor**, or in any other capacity.

Line 2a. Check "Yes" if any officer, director, trustee, or key employee listed in Form 990, Part VII, Section A, is (or is expected to become) a director or trustee of a successor or transferee organization.

Line 2b. Check "Yes" if any officer, director, trustee, or key employee listed in Form 990, Part VII, Section A, is (or is expected to become) an employee of, or independent contractor for, a successor or transferee organization.

Line 2c. Check "Yes" if any officer, director, trustee, or key employee listed on Form 990, Part VII, Section A, is (or is expected to become) an owner, whether direct or indirect, in a successor or transferee organization.

Line 2d. Check "Yes" if any officer, director, trustee, or key employee listed on Form 990, Part VII, Section A, has received or is expected to receive "**compensation** or any similar payment" as a result of the liquidation, termination, or dissolution of the organization, whether paid by the organization or a successor or transferee organization. For this purpose, "compensation or any similar payment" includes a severance payment, a "change in control" payment, or any other payment that would not have been made to the individual if the dissolution, liquidation, or termination of the organization had not occurred.

Line 2e. If the organization checked "Yes" to any of the other questions on line 2, provide the name of the person involved, and explain in Part III the nature of the listed person's relationship with the successor or transferee organization and the type of benefit received or to be received by the person.

Line 3. Check "Yes" if the organization's assets were distributed in accordance with its governing instrument.

Line 4. Check "Yes" to line 4a if the organization requested or received a letter from the IRS that the organization's exempt status was terminated or it is no longer exempt under section 501(a). Attach a copy of the organization's request, and if applicable, a copy of the IRS response. Enter the date of the IRS letter in line 4b.

TIP An organization filing Schedule N should not report its liquidation, termination, or dissolution in a letter to IRS Exempt Organizations, Determinations ("EO Determinations"). EO Determinations no longer issues letters confirming that the organization's tax-exempt status was terminated upon its liquidation, termination, or dissolution.

Line 5a. Check "Yes" if the organization is required to notify a state attorney general or other appropriate state official of the organization's intent to dissolve, liquidate, or terminate.

Line 5b. Check "Yes" if the organization provided the notice described in line 5a.

Line 6. Check "Yes" if the organization discharged or paid all of its liabilities in accordance with state law.

Line 7a. Check "Yes" and complete line 7b if the organization had any **tax-exempt bonds** outstanding during the year.

Line 7b. Check "Yes" and complete line 7c if tax-exempt bond liabilities were discharged or defeased during the year.

Line 7c. If the organization checked “Yes” on line 7b, explain in Part III how the bond liabilities were discharged, defeased, or otherwise settled during the year. Also provide an explanation if any bond liabilities were discharged, defeased, or otherwise settled other than in accordance with the Code or applicable state law. If the organization avoided the need for a defeasance of bonds, such as through the transfer of assets to another section 501(c)(3) organization, provide the name of the transferees of such assets, the CUSIP number of the **bond issue**, and a description of the terms of such arrangements, in Part III.



An organization that completes Part I does not complete Part II.

Part II. Sale, Exchange, Disposition, or Other Transfer of More Than 25 Percent of the Organization’s Assets

If an organization answered “Yes” to Form 990, Part IV, line 32, it must complete Part II. If an organization answered “Yes” to Form 990-EZ, line 36, see the Instructions for Form 990-EZ, line 36, for Part II reporting requirements. An organization answered “Yes” to Form 990, Part IV, line 32, if it has undergone a **significant disposition of net assets** during the year. A significant disposition of the organization’s net assets includes a sale, exchange, disposition, or other transfer of more than 25 percent of the **fair market value** of its net assets during the **tax year**, regardless of whether the organization received full and adequate consideration. A significant disposition of net assets involves:

1. One or more dispositions during the organization’s tax year amounting to more than 25 percent of the fair market value of the organization’s net assets as of the beginning of its tax year; or

2. One of a series of related dispositions or events commenced in a prior year, that when combined comprise more than 25 percent of the fair market value of the organization’s net assets as of the beginning of the tax year when the first disposition in the series was made. Whether a significant disposition occurred through a series of related dispositions or events depends on the facts and circumstances in each case.

Examples of the types of transactions required to be reported in Part II as significant dispositions of net assets include the following:

- Taxable or tax-free sales or exchanges of exempt assets for cash or other consideration (such as a social club described in section 501(c)(7) selling land or an exempt organization selling assets it had used to further its exempt purposes).
 - Sales, contributions, or other transfers of assets to establish or maintain a partnership, joint venture, or a corporation (for-profit or nonprofit) regardless of whether such sales or transfers are governed by section 721 or section 351, and whether or not the transferor receives an ownership interest in exchange for the transfer.
 - Sales of assets by a partnership or **joint venture** in which the organization has an ownership interest.
 - Transfers of assets pursuant to a reorganization in which the organization is a surviving entity.
 - A contraction of net assets resulting from a grant or charitable contribution of assets to another organization described in section 501(c)(3).
- The following types of situations are not required to be reported in Part II:
- The change in composition of **publicly traded securities** held in an exempt organization’s passive investment portfolio.

- Asset sales made in the ordinary course, such as gross sales of inventory.
- A decrease in the value of net assets due to market fluctuation in the value of assets held by the organization.
- Transfers to a **disregarded entity** of which the organization is the sole member.

For purposes of Schedule N (Form 990 or 990-EZ), “net assets” means **total assets** less total liabilities. The determination of a significant disposition of net assets is made by reference to the fair market value of the organization’s net assets at the beginning of the tax year (in the case of a series of related dispositions that commenced in a prior year, at the beginning of the tax year during which the first disposition was made).

Line 1. Refer to the instructions for Part I, line 1, columns (a)–(g), earlier.

If there are more transactions to report in Part II than space available, report the additional transactions in Part II of Schedule N-1 (Form 990 or 990-EZ). Use as many Schedules N-1 (Form 990 or 990-EZ) as needed.

Line 2. Refer to the instructions for Part I, line 2, earlier.

Part III. Supplemental Information

Use Part III to provide the narrative information required in Part I, lines 2e and 7c; or Part II, line 2e. Also use Part III to provide additional narrative explanations and descriptions as necessary to support or supplement any responses in Part I or II. Identify the specific part and line(s) that the response supports. Part III may be duplicated if more space is needed.



Instructions for Schedule R (Form 990)

Related Organizations and Unrelated Partnerships

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule R (Form 990) is used by an organization that files Form 990 to provide information on **related organizations**, on certain transactions with related organizations, and on certain unrelated partnerships through which the organization conducts significant activities.

Who Must File

The chart below sets forth which organizations must complete all or a part of Schedule R and attach Schedule R to Form 990. If an organization is not required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Overview

Part I requires identifying information on any organization that is treated for federal tax purposes as a **disregarded entity**. Part II requires identifying information on related tax-exempt organizations. Part III requires identifying information on any **related organization** that is treated for federal tax purposes as a partnership.

Part IV requires identifying information on any related organization that is treated for federal tax purposes as a C or S corporation or trust. Part V requires information on transactions between the organization and related organizations (excluding disregarded entities). Part VI requires information on an **unrelated organization** taxable as a partnership through which the organization conducted more than 5% of its activities (as described in Part VI).

Use Schedule R-1 (Form 990), Continuation Sheet for Schedule R, to report additional related organizations for Parts I through VI. Use as many Schedules R-1 as needed. Use Schedule O (Form 990), Supplemental Information to Form 990, if additional space is needed for responses to particular questions.

Relationships

An organization, including a nonprofit organization, a stock corporation, a partnership or limited liability company, a trust, and a **governmental unit** or other government entity, is a **related organization** to the filing organization if it stands, at any time during the **tax year**, in one or more of the following relationships to the filing organization.

- **Parent**—an organization that controls (see definitions of **control** under *Definition of Control*) the filing organization.
- **Subsidiary**—an organization controlled by the filing organization.

- **Brother/Sister**—an organization controlled by the same person or persons that control the filing organization.
- **Supporting/Supported**—an organization that is (or claims to be) at any time during the organization's **tax year** (i) a **supporting organization** of the filing organization within the meaning of section 509(a)(3), if the filing organization is a **supported organization** within the meaning of section 509(f)(3), or (ii) a supported organization, if the filing organization is a supporting organization.

Exception. Disregarded entities are treated as related organizations for purposes of reporting on Schedule R, Part I, but not for purposes of reporting transactions with related organizations in Part V, or otherwise on Form 990. A disregarded entity of an organization related to the filing organization is treated as part of the related organization and not as a separate entity. See Appendix F in the Instructions for Form 990.

Definition of Control

Related organizations for purposes of these instructions are discussed and defined in these definitions.

Control of a nonprofit organization (or other organization without owners or persons having beneficial interests, whether the organization is taxable or tax-exempt). One or more persons (whether individuals or organizations) control a nonprofit organization if they have the power to remove and replace (or to appoint or elect, if such power includes a continuing power to appoint or elect periodically or in the event of vacancies) a majority of the nonprofit organization's directors or trustees, or a majority of the members who elect the nonprofit organization's directors or trustees. Such power may be exercised directly by a (parent) organization through one or more of the (parent) organization's officers, directors, trustees, or agents, acting in their capacity as officers, directors, trustees, or agents of the (parent) organization. Also, a (parent) organization controls a (subsidiary) nonprofit organization if a majority of the subsidiary's directors or trustees are trustees, directors, officers, employees, or agents of the parent.

Control of a stock corporation. One or more persons (whether individuals or organizations) control a stock corporation

Type of filer	IF you answer "Yes" to . . .	THEN you must complete . . .
All organizations	Form 990, Part IV, line 33 (regarding disregarded entities)	Schedule R, Part I.
All organizations	Form 990, Part IV, line 34 (regarding related organizations)	Schedule R, Parts II, III, IV, and V, line 1 as applicable.
All organizations	Form 990, Part IV, line 35 (regarding controlled entities under section 512(b)(13))	Schedule R, Part V, line 2.
Section 501(c)(3) organization or section 4947(a)(1) trust	Form 990, Part IV, line 36 (regarding transfers to exempt noncharitable related organizations)	Schedule R, Part V, line 2.
All organizations	Form 990, Part IV, line 37 (regarding conduct of activity through unrelated partnership)	Schedule R, Part VI.

if they own more than 50% of the stock (by voting power or value) of the corporation.

Control of a partnership or limited liability company. One or more persons control a partnership if they own more than 50% of the profits or capital interests in the partnership (including a limited liability company treated as a partnership or disregarded entity for federal tax purposes, regardless of the designation under state law of the ownership interests as stock, membership interests, or otherwise). A person also controls a partnership if the person is a managing partner or managing member of a partnership or limited liability company which has three or fewer managing partners or managing members (regardless of which partner or member has the most actual control), or if the person is a general partner in a limited partnership which has three or fewer general partners (regardless of which partner has the most actual control).

Control of a trust with beneficial interests. One or more persons control a trust if they own more than 50% of the beneficial interests in the trust.

See Regulations sections 301.7701-2, 301.7701-3, and 301.7701-4, for more information on classification of corporations, partnerships, **disregarded entities**, and trusts.

Indirect control. Control can be indirect. For example, if the filing organization controls Entity A, which in turn controls (under the definition of control in these instructions) Entity B, the organization will be treated as controlling Entity B. To determine indirect control through constructive ownership of a corporation, rules under section 318 apply. Similar principles apply for purposes of determining constructive ownership of another entity (a partnership or trust). If an entity (X) controls an entity treated as a partnership by being one of three or fewer partners or members, then an organization that controls X also controls the partnership.

Example 1. B, an exempt organization, wholly owns (by voting power) C, a taxable corporation. C holds a 51% profits interest in D, a partnership. Under the principles of section 318, B is deemed to own 51% of D (100% of C's 51% interest in D)). Thus, B controls both C and D, which are therefore both related organizations with respect to B.

Example 2. X, an exempt organization, owns 80% (by value) of Y, a taxable corporation. Y holds a 60% profits interest as a limited partner of Z, a limited partnership. Under the principles of section 318, X is deemed to own 48% of Z (80% of Y's 60% interest in Z). Thus, X controls Y. X does not control Z through X's ownership in Y. Y is a related organization with respect to X, and (absent other facts) Z is not.

Example 3. Same facts as in Example 2, except that Y is also one of

three general partners of Z. Because Y controls Z through means other than ownership percentage, and X controls Y, in these circumstances, Z is a related organization with respect to X. The other general partners of Z (if organizations) are not related organizations with respect to X, absent other facts.

Group exemption. Central organizations and subordinate organizations of a group exemption are not required to be listed as **related organizations** in Schedule R, Part II. All other **related organizations** of the central organization or of a subordinate organization are required to be listed in Schedule R. The following rules apply.

- An organization that is a central or subordinate organization in a group exemption (whether filing an individual return or a group return) is not required to list any of the subordinate organizations of the group in Schedule R, Part II.
- In the case of a group return, the central organization must attach a list of the subordinate organizations included in the group return in response to Form 990, page one, item H(b). The central organization must list in Schedule R the related organizations of each subordinate organization other than (1) related organizations that are included within the group exemption, or (2) related organizations that the central organization knows to be included in another group exemption. If an organization is not listed because it is known to be included in another group exemption, the central organization must explain in Schedule O (Form 990) the relationship between its own group and members and the related organization known to be included in another group exemption (but you need not include the names of such related organizations).
- An organization that is not included in a group exemption is not required to list a related organization that is included in a group exemption. Similarly, an organization that is included in a group exemption is not required to list a related organization that is included in another group exemption. In either case, the organization must explain in Schedule O the relationship between it and the related organization included in another group exemption (but you need not include the names of such related organizations).

Even if a related organization is not required to be listed in Part II, however, the organization must report its transactions with the related organization in Part V, as required by the Part V instructions (for example, transactions over the applicable \$50,000 reporting threshold for line 2), including listing the name of the related organization in Part V, line 2, column (a), for transactions that must be reported in line 2.

Specific Instructions

Part I. Identification of Disregarded Entities

Enter the details of each disregarded entity on a separate line of Part I. If there are more disregarded entities to report in Part I than space available, use Schedule R-1, Part I. Use as many Schedules R-1 as needed.

Column (a) Name, address, and EIN. Enter the full legal name and mailing address of the **disregarded entity**. Enter also the **employer identification number (EIN)** of the disregarded entity, if it has one.



A disregarded entity generally must use the EIN of its sole member. An exception applies to employment taxes: for wages paid to employees of a disregarded entity on or after January 1, 2009, the disregarded entity must file separate employment tax returns and use its own EIN on such returns. See Regulations sections 301.6109-1(h) and 301.7701-2(c)(2)(iv).

Column (b) Primary activity. Briefly describe the primary activity of the **disregarded entity**.

Column (c) Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the **disregarded entity** is organized (the state or foreign country whose law governs the disregarded entity's internal affairs).

Column (d) Total income. Enter the amount of the filing organization's total revenue reported in Form 990, Part VIII, line 12, column (A), attributable to the **disregarded entity**.

Column (e) End-of-year assets. Enter the amount of the organization's **total assets** reported in Form 990, Part X, line 16, column (B), attributable to the **disregarded entity**.

Column (f) Direct controlling entity. If the organization controls the **disregarded entity** indirectly through one or more other disregarded entities, enter the name of the entity that directly controls the disregarded entity. Otherwise, enter "N/A."

Part II. Identification of Related Tax-Exempt Organizations

For purposes of Schedule R, treat **governmental units** and instrumentalities and **foreign governments** as tax-exempt organizations.

Enter the details of each **related organization** on a separate line of Part II. If there are more related organizations to report in Part II than space available, use Schedule R-1, Part II. Use as many Schedules R-1 as needed.

Column (a) Name, address, and EIN.

Enter the related organization's full legal name, mailing address, and **EIN**.

Column (b) Primary activity. Briefly describe the primary activity of the **related organization**.

Column (c) Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the **related organization** is organized. For a corporation, enter the state of incorporation (or the country of incorporation for a foreign corporation formed outside the U.S.). For a trust or other entity, enter the state whose law governs the organization's internal affairs (or the foreign country whose law governs for a **foreign organization** other than a corporation).

Column (d) Exempt Code section. Enter the section under which the related organization is exempt (for example, section 501(c)(3), 501(c)(6), or 527). For purposes of Schedule R, an organization that claims exemption is treated as exempt. For **governmental units**, instrumentalities, and **foreign governments** that do not have a 501(c) determination letter, leave blank.

Column (e) Public charity status. For a related section 501(c)(3) organization, report its **public charity** status, using the appropriate line number (line 1 through 11d) corresponding to the public charity status checked on Schedule A (Form 990), Public Charity Status and Public Support, Part I. If the related organization is a **private foundation**, use the designation "PF." If the related organization is a section 509(a)(3) **supporting organization**, also indicate its type: I, II, III-FI, or III-O (for Type I, Type II, Type III functionally integrated, or Type III other, respectively).

Column (f) Direct controlling entity. If the filing organization indirectly **controls** the **related organization** through one or more related organizations, enter the name of the entity that directly controls the related organization. Otherwise, enter "N/A."

Part III. Identification of Related Organizations Taxable as a Partnership

In this part, identify any **related organization** treated as a partnership for federal tax purposes. If the partnership is related to the filing organization by reason of being its parent or brother/sister and the filing organization is not a partner or member in the partnership, then complete only columns (a), (b), and (c), and enter "N/A" in columns (d), (e), (f), (g), (h), (i), and (j).

Enter the details of each related organization on a separate line of Part III. If there are more related organizations to report in Part III than space available, use Schedule R-1, Part III. Use as many Schedules R-1 as needed.

Some of the information requested in this part is derived from Schedule K-1 (Form 1065) issued to the organization. If the Schedule K-1 (Form 1065) is not available, provide a reasonable estimate of the required information.

Column (a) Name, address, and EIN. Enter the related partnership's full legal name, mailing address, and **EIN**.

Column (b) Primary activity. Briefly describe the primary business activity conducted, or product or service provided, by the related partnership (for example, investment in other entities, low-income housing, etc.).

Column (c) Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the related partnership is organized (the state or foreign country whose law governs the related partnership's internal affairs).

Column (d) Direct controlling entity. If the filing organization indirectly **controls** the related partnership through one or more **related organizations**, enter the name of the entity that directly controls the related partnership in issue. Otherwise, enter "N/A."

Column (e) Predominant income.

Classify the predominant type of partnership income as:

- Related;
- Unrelated; or
- Excluded from tax under section 512, 513, or 514.

In other words, enter which of the three types listed above is more prevalent than the others.

For classification purposes, use the definitions of columns (B), (C), and (D) set forth in the instructions to the Statement of Revenue in Form 990, Part VIII.

Column (f) Share of total income.

Enter the dollar amount of the filing organization's distributable share of the related partnership's total income, in accordance with the organization's profits interest as specified by the partnership or LLC agreement, for the related partnership's **tax year** ending with or within the filing organization's tax year. Use the total amount reported by the related partnership on Schedule K-1 (Form 1065) for the partnership's tax year ending with or within the filing organization's tax year (total of Schedule K-1, Part III, lines 1 through 11 and 18, tax-exempt income).

Column (g) Share of end-of-year assets.

Enter the dollar amount of the filing organization's distributable share of the related partnership's end-of-year total assets, in accordance with the organization's capital interest as specified by the partnership or LLC agreement, for the related partnership's **tax year** ending with or within the filing organization's tax year. Use Schedule K-1 (Form 1065) for the partnership's year ending with or within the organization's tax year to determine this amount by adding the organization's ending capital account to

the organization's share of the partnership's liabilities at year end reported on the Schedule K-1.

Column (h) Disproportionate allocations.

Check "Yes" if the interest of the filing organization as a partner of the partnership (or as a member of the LLC) in any item of income, gain, loss, deduction, or credit, or any right to distributions was disproportionate to the filing organization's investment in such partnership or LLC at any time during the filing organization's **tax year**. Otherwise, check "No."

Column (i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065).

Enter the dollar amount, if any, listed as the Code V amount (**unrelated business taxable income**) in box 20 of Schedule K-1 (Form 1065) received from the related partnership for the partnership's **tax year** ending with or within the filing organization's tax year. If no Code V amount is listed in box 20, enter "N/A."

Column (j) General or managing partner.

Check "Yes" if the filing organization was at any time during its **tax year** a general partner of a related limited partnership, or a managing partner or managing member of a related general partnership, LLC, or other entity taxable as a partnership. Otherwise, check "No."

Part IV. Identification of Related Organizations Taxable as a Corporation or Trust

In this part, identify any **related organization** treated as a C or S corporation or trust for federal tax purposes. If the corporation or trust is related to the filing organization as its parent or as a brother/sister organization, and the filing organization does not have an ownership interest in the corporation or trust, then complete only columns (a), (b), (c), and (e), and enter "N/A" in columns (d), (f), (g), and (h). Do not report trusts described within section 401(a).

Enter the details of each related organization on a separate line of Part IV. If there are more related organizations to report in Part IV than space available, use Schedule R-1, Part IV. Use as many Schedules R-1 as needed.

Some of the information requested in this part is derived from Schedule K-1 (Form 1041) or Schedule K-1 (Form 1120S) issued to the organization. If the Schedule K-1 is not available, provide a reasonable estimate of the required information.

Column (a) Name, address, and EIN. Enter the related organization's full legal name, mailing address, and **EIN**.

Column (b) Primary activity. Briefly describe the primary business activity conducted, or product or service provided, by the **related organization** (for example, holding company, **management company**).

Column (c) Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the **related organization** is organized. For a corporation, enter the state of incorporation (or the country of incorporation for a foreign corporation formed outside the U.S.). For a trust or other entity, enter the state whose law governs the organization's internal affairs (or the foreign country whose law governs for a **foreign organization** other than a corporation).


Column (d) Direct controlling entity. If the filing organization indirectly **controls** the related organization through one or more related organizations, enter the name of the entity that directly controls the related organization. Otherwise, enter "N/A."

Column (e) Type of entity. Use one of the following codes to indicate the tax classification of the related organization: C (corporation or association taxable under subchapter C), S (corporation or association taxable under subchapter S), or T (trust taxable under subchapter J).

Column (f) Share of total income. For a **related organization** that is a C corporation, enter the dollar amount of the organization's share of the C corporation's total income. To calculate this share, multiply the total income by the following fraction: the value of the filing organization's shares of all classes of stock in the C corporation, divided by the value of all outstanding shares of all classes of stock in the C corporation. The total income is for the related organization's **tax year** ending with or within the filing organization's tax year.

For a related organization that is an S corporation, enter the filing organization's allocable share of the S corporation's total income. Use the amount on Schedule K-1 (Form 1120S) for the S corporation's tax year ending with or within the filing organization's tax year (Schedule K-1, Part III, lines 1 through 10).

For a related organization that is a trust, enter the total income and gains reported on Part III, lines 1 through 8 of Schedule K-1 (Form 1041) issued to the filing organization for the trust's tax year ending with or within the filing organization's tax year.

 **TIP** A section 501(c)(3) organization that is an S corporation shareholder must treat all allocations of income from the S corporation as **unrelated business income**, including gain on the disposition of stock.

Column (g) Share of end-of-year assets. Enter the dollar amount of the filing organization's allocable share of the **related organization's** total assets as of the end of the related organization's **tax year** ending with or within the filing organization's tax year. For related C and S corporations, this amount is determined by multiplying the corporation's end-of-year total assets by the fraction

described in column (f). For related trusts, this amount corresponds to the filing organization's percentage ownership in the trust.

Column (h) Percentage ownership. For a **related organization** taxable as a corporation, enter the filing organization's percentage of stock ownership in the corporation (total combined voting power or total value of all outstanding shares, whichever is greater). For a related S corporation, use the percentage reported on Schedule K-1 (Form 1120S) for the year ending with or within the filing organization's **tax year**. For a related organization taxable as a trust, enter the filing organization's percentage of beneficial interest. In each case, enter the percentage interest as of the end of the related organization's tax year ending with or within the filing organization's tax year.

Part V. Transactions With Related Organizations

Line 1. Check "Yes" in the appropriate boxes of Line 1 if the filing organization engaged in any of the transactions listed in Part V with any of the **related organizations** listed in Parts II through IV. A "transfer" includes any conveyance of funds or property not described in lines 1a through 1p, whether or not for consideration, such as a merger with a related organization.

Line 2. All organizations filing Schedule R must report the following transactions with a **controlled entity** as defined in section 512(b)(13).

- All transactions described in line 1a, which includes all receipts or accruals of interest, annuities, royalties, or rent from a controlled entity under section 512(b)(13), regardless of amount.
- Transactions described in lines 1b through 1r with controlled entities, if the amounts involved during the tax year between the filing organization and a particular controlled entity exceed \$50,000.

Section 501(c)(3) organizations and section 4947(a)(1) trusts must report on line 2 transactions described in Part V, lines 1b through 1r with related tax-exempt organizations not described in section 501(c)(3) (including section 527 political organizations), if the amounts involved during the tax year between the filing organization and a particular related tax-exempt organization exceed \$50,000.

Enter the details of each **related organization** and each transaction type on a separate line of the table. If there are more related organizations or transaction types to report than space available, use Schedule R-1, Part V. Use as many Schedules R-1 as needed. Transactions of a specified type described in lines 1b through 1r with a particular organization do not need to be reported if the total amount of transactions of such type during the tax year did not exceed \$50,000.

Column (a) Name. Enter the full legal name of the **related organization**.

Column (b) Transaction type. Enter the transaction type (lines 1a through 1r). Aggregate all transactions of the same type with the same related organization. If the organization reports a controlled entity in column (a) but did not engage in any transactions with the controlled entity during the tax year, leave column (b) blank for that controlled entity.

Column (c) Amount involved. The amount involved in a transaction is the **fair market value** of the services, cash, and other assets provided by the filing organization during its **tax year**, or the fair market value received, whichever is higher, regardless of whether the transaction was entered into by the parties in a prior year. Any reasonable method for determining such amount is acceptable. Describe in Schedule O (Form 990) the method used to determine the value of the services, cash, and other assets reported in column (c). If the organization reports a controlled entity in column (a) but did not engage in any transactions with the controlled entity during the tax year, enter -0- in column (c) for the controlled entity.

Part VI. Unrelated Organizations Taxable as a Partnership

In this part, provide information on any **unrelated organization** (an organization that is not a related organization with respect to the filing organization) that meets all of the following conditions.

1. The unrelated organization is treated as a partnership for federal tax purposes (S corporations are excluded).
2. The filing organization was a partner or member of the unrelated partnership at any time during the filing organization's **tax year**.
3. The filing organization conducted more than 5% of its activities, figured as the greater of its **total assets** at the end of its tax year or its gross revenue for its tax year, through the unrelated partnership.

In determining the percentage of the filing organization's activities as measured by its total assets, use the amount reported on Form 990, Part X, line 16, as the denominator, and the filing organization's ending capital account balance for the partnership tax year ending with or within the filing organization's tax year as the numerator (the amount reported on Schedule K-1 can be used). In determining the percentage of the filing organization's activities as measured by its gross revenue, use the amount reported on Form 990, Part VIII, line 12, as the denominator, and the filing organization's proportionate share of the partnership's gross revenue for the partnership tax year ending with or within the filing organization's tax year as the numerator.

Example. X, a section 501(c)(3) organization, is a partner of Y, an unrelated partnership, which conducts an activity that constitutes an **unrelated trade or business** with respect to X. X's proportionate share of Y's gross revenue is \$20,000 for Y's tax year ending with or within X's tax year. X has an ending capital account balance in Y of \$200,000 as reported on Schedule K-1. X's gross revenue and total assets for its tax year are \$500,000 and \$2,000,000, respectively. X conducts 4% of its activities through Y as measured by X's gross revenue (\$20,000/\$500,000), and 10% as measured by X's total assets (\$200,000/\$2,000,000). Because at least one of these percentages exceeds 5%, X conducted more than 5% of its activities through Y for X's tax year and must identify Y in Schedule R, Part VI, and provide the required information.

Disregard unrelated partnerships that meet both of the following conditions.

1. 95% or more of the filing organization's gross revenue from the partnership for the partnership's tax year ending with or within the organization's tax year is described in sections 512(b)(1)–(3) and (5), such as interest, dividends, royalties, rents, and capital gains (including unrelated debt-financed income).
2. The primary purpose of the filing organization's investment in the partnership is the production of income or appreciation of property and not the conduct of a section 501(c)(3) charitable activity such as program-related investing.

Enter the details of each organization on a separate line of Part VI. If there are more organizations to report in Part VI than space available, use Schedule R-1, Part VI. Use as many Schedules R-1 as needed.

Some of the information requested in this part is derived from Schedule K-1 (Form 1065) issued to the organization. If the Schedule K-1 is not available, provide a reasonable estimate of the required information.

Column (a) Name, address, and EIN.

Enter the unrelated partnership's full legal name, mailing address, and EIN.

Column (b) Primary activity. Briefly describe the primary business activity conducted, or product or service provided, by the unrelated partnership.

Column (c) Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the unrelated partnership is organized (the state or foreign country whose law governs the unrelated partnership's internal affairs).

Column (d) Section 501(c)(3) partners. Check "Yes" if all the partners of the unrelated partnership (or members of the LLC) are section 501(c)(3) organizations or **governmental units** (or wholly-owned subsidiaries of either). Otherwise, check "No."

Column (e) Share of end-of-year assets. Enter the dollar amount of the filing organization's distributable share of the unrelated partnership's total assets, in accordance with the filing organization's capital interest as specified by the

partnership or LLC agreement, as of the end of the unrelated partnership's tax year ending with or within the filing organization's **tax year**. Use the ending capital account reported on Schedule K-1 (Form 1065) for the year ending with or within the filing organization's tax year.

Column (f) Disproportionate allocations. Check "Yes" if the interest of the filing organization as a partner of the partnership (or as a member of the LLC) in any item of income, gain, loss, deduction, or credit, or any right to distributions was disproportionate to the organization's investment in such partnership or LLC at any time during the filing organization's **tax year**. Otherwise, check "No."

Column (g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065). Enter the dollar amount, if any, listed as the Code V amount (**unrelated business taxable income**) in box 20 of Schedule K-1 (Form 1065) received from the unrelated partnership for the partnership's **tax year** ending with or within the filing organization's tax year. If no Code V amount is listed in box 20, enter "N/A."

Column (h) General or managing partner. Check "Yes" if the filing organization was at any time during its **tax year** a general partner of an unrelated limited partnership, or a managing partner or managing member of an unrelated general partnership, LLC, or other entity taxable as a partnership. Otherwise, check "No."