2023

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 private foundations)

Volume 2 of 4

Department of the Treasury
Internal Revenue Service

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Line 3. Membership Dues and Assessments

Enter members' and affiliates' dues and assessments that aren’t 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 compares 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 Isn’t 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. Maple 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 are also entitled to attend a number of rehearsals each season without charge. Under these circumstances, Maple'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 1 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 and any other real property rented by the organization (other than program-related investments reported on line 2).

A4. Other investment income. Include, for example, the organization’s share of investment income from a joint venture, LLC, or other entity treated as a partnership for federal tax purposes. Also, include royalties received by the organization from licensing the ongoing use of its property to others (other than royalties generated as part of the organization's exempt function, such as royalties received from a publisher for an educational work authored by the organization, which should be reported on line 2 as program service revenue). Typically, royalties are received for the use of intellectual property (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.

Do not deduct investment management fees from the amount of investment income reported on this line, but report these fees on line 13.

B. What Isn't 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, don't 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 that 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 (real estate, royalty interests, or partnership interests), as well as sales of all other noninventory assets (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 joint venture, LLC, or other entity treated as a partnership for federal tax purposes; 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 isn’t used to figure the gain or loss from sales of securities reportable on Form 990-T.

B. What Isn’t 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 weren’t published or weren’t 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 6a. Gaming

Report gross income from gaming on line 6a if the organization conducted directly, or through a promoter, any amount of gaming during the year. Report the gross income from all gaming activities (other than gaming that is incidental to a fundraising event such as a dinner/dance), whether or not regularly carried on, on line 6a.

Gaming includes (but isn't 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 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.

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 bingo 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 doesn’t meet the legal definition of bingo doesn’t qualify for the exclusion from unrelated business income, 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 the player is a winner, doesn’t qualify. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations; Pub. 3079, Tax-Exempt Organizations and Gaming; and Form 990-T.

Line 6b. Fundraising Events

Enter the gross income from all fundraising events and activities, such as dinners, dances, carnivals, concerts, sports events, auctions, and door-to-door sales of merchandise.

Fundraising 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 don’t include events or activities that substantially further the organization's exempt purpose even if they also raise funds. They don’t include activities regularly carried on. Fundraising events don’t include gaming, gross income from which is reported on line 6a.

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.

Fundraising 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 the instructions for *Line 1. A1* and *A2*, earlier, for a discussion on contributions reportable on line 1 and revenue reportable on line 6b.

The fact that tickets, advertising, or solicitation materials refer to a required payment as a donation or contribution doesn’t control how these payments should be reported on Form 990-EZ.

The gross income from fundraising events must be reported in the right-hand column on line 6b without reduction for cash or noncash prizes, cost of goods sold, compensation, fees, or other expenses.

A. What Is Included on Line 6b?

Gross revenue/contributions. When an organization receives payments for goods or services offered through a fundraising event, enter the following.

1. As gross revenue, on line 6b (in the right-hand column), the retail value of the goods or services.
2. As a contribution, on both line 1 and line 6b (within the parentheses), any amount received that exceeds the

retail value of the goods or services given.

Example. At a fundraising event, an organization received $100 in gross receipts for goods valued at $40. The organization entered gross revenue of $40 on line 6b and entered a contribution of $60 on both line 1 and within the parentheses on line 6b. The contribution was the difference between the gross revenue of $40 and the gross receipts of $100.

B. What Isn’t Included on Line 6b?

B1. Sales or gifts of goods or services of only nominal or insubstantial value. If the goods or services offered at the fundraising 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.

B2. Sweepstakes, raffles, and lotteries. Report gross income from gaming on line 6a.

Report as a contribution, on line 1, the proceeds of solicitation campaigns in which the names of contributors and other respondents (who weren’t 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 aren’t fundraising events. An activity that generates only contributions, such as a solicitation campaign by mail, isn’t a fundraising 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 (Form 990), Parts II and III

If the organization reports more than $15,000 on line 6a, then it must complete Schedule G (Form 990), Part III (Gaming). If the sum of the organization's gross income and contributions from fundraising events (including the amounts reported on line 6b and in the parentheses for line 6b) is greater than $15,000, then it must complete Schedule G (Form 990), Part II (Fundraising Events). Organizations filing Form 990-EZ aren’t required to complete Schedule G (Form 990), Part I (Fundraising Activities).

Lines 6c and 6d. Direct Expenses and Net Income or (Loss) From Gaming and Fundraising Events

Report on line 6c direct expenses related to gaming activities and direct expenses attributable to the organization's provision of goods or services from which it derived gross income at a fundraising event. Do not report fundraising expenses attributable to contributions reported on line 1. These expenses are reportable on lines 12 through 16. If an expense is included on line 6c, don’t report it again on line 7b.

To figure net income or (loss) on line 6d, add lines 6a and 6b, then subtract line 6c.

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 fundraising 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. For purposes of Part I, the organization may include as cost of donated goods their FMV at the time of acquisition. Marketing and distribution expenses aren’t 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 line 8 income 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 aren’t investment income or program service revenue. Describe this income on Schedule O (Form 990).

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, distinguish on Schedule O (Form 990) between payments to affiliates and awards and grants. See Appendix G*, later.*

B. What Isn't 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. Grantee List on Schedule O (Form 990)

List on Schedule O (Form 990) 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 (for grants to individuals), if the relationship is by blood, marriage, adoption, or employment (including employees’ children), control, or ownership, to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, key employee, related organization, etc.

CAUTION *If the individual grantee is related to a grantor or contributor to the organization, then don’t provide the name of the grantor or contributor. Instead,* *identify such persons generically as "grantee" and as "grantor" or "contributor."*

If any related organization (see the line 49 instructions for the definition of "related organization") received a payment reported on line 10, then so indicate and specify the purpose of the payment.

Classify activities on this schedule in more detail than by using broad terms such 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 include a statement in Schedule O (Form 990) 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 FMV, also show on this schedule:

- A description of the property,
- The book value of the property,
- How the book value was determined,
- How the FMV was determined, and
- The date of the gift.

Any difference between a property's FMV 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 or paid to obtain insurance that provides:

- Death, sickness, hospitalization, or disability benefits;
- Unemployment compensation benefits; and
- Other benefits, including patronage dividends paid by 501(c)(12) organizations to their members.

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, including compensation reported on Forms W-2 and 1099. Include all other forms of income and benefits received from the organization during the year, such as the employer’s share of deferrals (for unfunded plans) and contributions the organization paid to qualified and nonqualified pension and deferred compensation plans, and the employer's share of contributions to employee benefit programs (such as insurance, health, and welfare programs) that aren’t an incidental part of a pension plan.

TIP *Complete Form 5500 if the organization is required to file it.*

Also, include in the total on line 12 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. For more information, see Pub. 15 (Circular E), Employer's Tax Guide.

TIP *Compensation for line 12 is reported based on the accounting method and tax year used by the organization, whereas compensation for* Part IV, List of Officers, Directors, Trustees, and Key Employees*, and* Part VI*, lines 50 and 51 (compensation of highest compensated employees and independent contractors), is reported for the calendar year ending with or within the organization's fiscal year.*

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 aren’t employees of the organization.

Do not include any penalties, fines, or judgments imposed on 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.

If the organization is able to distinguish between fees paid for independent contractor services and expense payments or reimbursements to the contractor(s), report the fees paid for services on line 13 and the expense payments or reimbursements on lines 14 through 16, as applicable. If the organization is unable to distinguish between service fees and expense payments or reimbursements to independent contractors, report all such amounts on line 13.

TIP *If your organization pays $600 or more to persons not treated as employees, you may be required to file Form 1099-NEC, Nonemployee Compensation, or Form 1099-MISC, Miscellaneous Income. For more information, see the Instructions for Forms 1099-MISC and 1099-NEC.*

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; 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 figuring depreciation, see Pub. 946, How To Depreciate Property.

Report on line 14 or 16 rental expenses for rental income reported on lines 2 and 4. Do not decrease rental expenses reported on line 14 or 16 by any rental income received from renting or subletting rented space. See the instructions for lines 2 and 4 to determine if the income is reportable as exempt function income or investment income.

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, as well as the cost of outside mailing services on line 15. Also, include the cost of any purchased publications as well as postage and shipping costs not reportable on line 5b, 6c, 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 aren’t 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. Provide a description of these expenses on Schedule O (Form 990). 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 11.

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*, later.

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 or as a negative number with a minus sign.

Line 19. Net Assets or Fund Balances at Beginning of Year

Enter on line 19 the end-of-year amount from the balance sheet on the prior-year return.

Line 20. Other Changes in Net Assets or Fund Balances

Explain in Schedule O (Form 990) any changes in net assets or fund balances between the beginning and end of the organization's tax year that aren’t accounted for by the amount on line 18. Include items here such as:

- Adjustments of earlier years' activity (such as losses on uncollectible pledges, refunds of contributions and program service revenue, and reversal of grant expenses);
- Unrealized gains and losses on investments carried at market value; and
- Any difference between FMV and book value of property given as an award or grant.

See *General Instructions C* regarding the reporting of a section 481(a) adjustment to conform to ASC 958.

Part II. Balance Sheets

Every organization that files Form 990-EZ must complete columns (A) and (B) of Part II of the return and can’t 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 (“-0-”) in that column.

Check the box in the heading of Part II if Schedule O (Form 990) contains any information pertaining to this part.

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 (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 the total of other assets such as accounts receivable, inventories, prepaid expenses, and the organization’s share of assets in any joint ventures, LLCs, and other entities treated as a partnership for federal tax purposes. Also, include a description of the assets in Schedule O (Form 990).

Line 25. Total Assets

Enter amount of total assets. If the end-of-year total assets entered in column (B) are $500,000 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). Provide a description of these liabilities on Schedule O (Form 990).

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

Check the box in the heading of Part III if Schedule O (Form 990) contains any information relating to this part.

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 program service accomplishments 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 aren’t 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 list in Schedule O (Form 990) 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.

4. **Expenses and grants.** For each program service reported on lines 28 through 31, section 501(c)(3) and 501(c)(4) organizations must enter, in the *Expenses* column, the total

expenses included on line 17 for that program service. These organizations must also 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. Describe in Schedule O (Form 990) the organization's other program services.

    - The detailed information required for the three largest services isn’t necessary for this schedule.

    - However, section 501(c)(3) and 501(c)(4) organizations must show the expenses and grants attributable to their program services.

6. The organization can report the amount of any donated services, or any donated use of materials, equipment, or facilities it received or utilized for 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*, earlier, regarding donations of services or use of property.

Part IV. List of Officers, Directors, Trustees, and Key Employees

Check the box in the heading of Part IV if Schedule O (Form 990) contains any information relating to this part.

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 didn’t receive any compensation from the organization.

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 (“-0-”) in columns (c), (d), and (e) if no reportable compensation or other compensation was 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.

If the organization pays any other person, such as a management services company, for the services provided by any of the organization's officers, or an employee leasing company, or a professional employer organization (whether or not certified under the new Voluntary Certification Program for Professional Employer Organizations at *IRS.gov/For-Tax-Pros/Basic-Tools/ Certified-Professional-Employer-Organization*), 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 Instructions G*, earlier. In particular, entering the phrase on Part IV, “Information available upon request,” or a similar phrase, isn’t acceptable.

Form 941, Employer’s Quarterly Federal Tax Return, must be filed to report income tax withholding and social security and Medicare taxes. The organization must also file Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, to report federal unemployment tax, unless the organization isn’t 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.

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 (which is or should be appointed by the organization on Form 2678, Employer/Payer Appointment of Agent, or authorized by the organization on Form 8655, Reporting Agent Authorization, to perform certain employment tax services on behalf of the organization) for services performed for the organization as if the organization had paid such amounts directly, and report these amounts in the appropriate columns in Part IV.

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 the person had more than one title or position, list all (for instance, president and director). List persons in the following order: individual trustees or directors, institutional trustees, officers, and key employees.

Up to 11 persons can be reported on the Form 990-EZ, Part IV, table. If more space is needed to enter additional persons, use as many duplicates of the Part IV table as are needed.

Column (b)

For each person listed in column (a), report an estimate of the average hours per week the person devoted to the organization during the year. Entry of a specific number of hours per week 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 1 hour per week, then the organization can enter a decimal rounded to the nearest tenth (for example, 0.2 hours per week).

Columns (c)–(e)

All compensation reporting 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 beginning July 1, 2023, and ending June 30, 2024, the organization must report compensation for the calendar year ending December 31, 2023.

Note. Do not report the same item of compensation in more than one column of

Part IV for the calendar year ending with or within the tax year.

Column (c)

Enter the person's reportable compensation. “Reportable compensation” is:

- For officers and other key employees—amounts required to be reported in box 1 or 5 of Form W-2 (whichever amount is greater);
- For directors and individual trustees—amounts required to be reported in box 1 of Form 1099-NEC and/or box 6 of Form 1099-MISC for director services and other independent contractor services to the organization, plus box 1 or 5 of Form W-2 (whichever amount is greater) if also compensated as an officer or employee; and
- For institutional trustees (such as banks or trust companies)—fees for

services paid under a contractual agreement or statutory entitlement.

If the organization didn't file a Form 1099-NEC or Form 1099-MISC because the amounts paid were below the threshold reporting requirement, then include and report the amount actually paid.

TIP *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, is generally required to be reported on Form 1099-NEC. See Regulations section 31.3401(c)-1(f).*

For employees, such as certain members of the clergy and religious workers who aren't subject to social security and Medicare taxes as employees, box 5 of Form W-2 can be zero or less than the amount in Form W-2, box 1. In those cases, the amount required to be reported in box 1 of Form W-2 must be reported as reportable compensation in column (c).

Column (d)

Report the following deferred compensation and benefits.

1. Tax-deferred contributions by the employer to a qualified defined-contribution retirement plan.
2. The annual increase or decrease 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 isn’t included in reportable compensation, including the value of:

- Payments of health benefit plan premiums,
- Medical reimbursement and flexible spending programs, and
- 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 don’t include disability or long-term care insurance premiums or allocated benefits for this purpose.

4. Tax-deferred contributions by the employer and employee to a funded nonqualified defined contribution plan, and deferrals under an unfunded nonqualified defined contribution plan, whether or not such plans are vested

or subject to a substantial risk of forfeiture.

5. The annual increase or decrease in actuarial value of a nonqualified 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 aren’t readily available to determine column (d) amounts.

Column (e)

Enter both taxable and nontaxable fringe benefits, but don’t include compensation reported in column (c) or (d) or the following.

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).

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 didn’t 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.

$10,000-per-item exception. The organization may exclude from reporting in column (e) any item of “other compensation” given to a person listed in Part IV if its total value is less than $10,000 for the calendar year ending with or within the organization's tax year.

Short Year and Final Returns

For a short-year return in which there is no calendar year that ends with or within the short year, leave columns (c), (d), and (e) blank and don’t report any highest compensated employees or highest compensated independent contractors (because such persons are determined according to compensation received in the calendar year ending with or within the tax year for which the return is filed), unless the return is a final return. If the return is a final return, report in column (c) the compensation that is reportable compensation on Forms W-2 and Forms 1099 for the short year, from both the filing organization and related organizations, whether or not Forms W-2 or Forms 1099 have been filed yet to report such compensation. Report health benefits, contributions to employee benefit plans, and other deferred compensation for the short year in column (d), and other compensation for the short year in column (e).

Part V. Other Information

Required Statements

1. **Schedule A (Form 990).** Section 501(c)(3) organizations must complete and attach Schedule A (Form 990).

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, Information Return for Transfers Associated With Certain Personal Benefit Contracts, the premiums that the organization paid, and the premiums paid by others but treated as paid by the organization.
- Report and pay an excise tax, equal to premiums paid, on Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code.

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 Ann. 2000-82, 2000-2 C.B. 385.

Line 33. Change in Activities

Describe in Schedule O (Form 990) any significant activities that the organization conducted prior to the end of the tax year that it hasn't previously reported to the IRS on Form 990-EZ or 990. Also, describe significant activities that were discontinued. If the organization has never filed a Form 990 or 990-EZ, answer "No."

TIP *An organization must report new, significant program services or significant changes in how it conducts program services in Part III of Form 990-EZ and in Schedule O (Form 990), rather than in a letter to the IRS Exempt Organization Determinations Office ("EO Determinations"). EO Determinations 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

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 (bylaws, regulations, operating agreement, or similar document). Report changes made since the prior Form 990-EZ was filed, or that weren’t reported on any prior Form 990, and that were made before the end of the tax year.

Examples of significant changes to the organizing or governing documents include changes to:

- The organization's name;

- 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 organization's members 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 or destruction; and
- The composition or procedures of an audit committee contained within the organizing document or bylaws.

Examples of insignificant changes made to organizing or governing documents that aren’t 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 don’t attach a copy of the amendments or amended document to Form 990-EZ (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*, earlier, regarding attachments required in the event of a change in the organization's name; these attachments must be conformed copies of the original documents.

A conformed copy is one that agrees with the original document and all amendments to it. If the copies aren’t 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.

In some cases, 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. However, the IRS no longer requires a new exemption application from a domestic 501(c) organization that undergoes certain changes of its form or place of organization described in Rev. Proc. 2018-15, 2018-9 I.R.B. 379, available at *IRS.gov/irb/2018-09_IRB*.

Lines 35a and 35b. Unrelated Business Income

Political organizations described in section 527 aren’t required to answer these questions.

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 during the tax year. See Pub. 598 for a description of unrelated business income, and see the Instructions for Form 990-T for the filing requirements of Form 990-T.

If the organization answered “Yes” to line 35a but answered “No” to line 35b because it didn’t file a Form 990-T for the tax year, then explain in Schedule O (Form 990) why the organization didn’t file a Form 990-T.

If the organization had income from business activities, such as those reported on lines 2, 6a, and 7a (among others), but not reported on Form 990-T, explain in Schedule O (Form 990) 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.

CAUTION *All tax-exempt organizations must pay estimated taxes on their unrelated* *business income if they expect their tax liability to be $500 or more.*

Line 35c. Section 6033(e) Tax for Lobbying Expenditures

If the organization checks “No” to line 35c, it is certifying that it wasn’t 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 section 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 doesn’t 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 35c 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 Schedule C (Form 990), Part III (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.
- Section 501(c)(6) organizations.

If the organization isn't tax exempt under sections 501(c) (4), 501(c)(5), or 501(c)(6), check "No" on line 35c. If the organization meets *Exception 1* or *2* next, it is excluded from the notice, reporting, and proxy tax requirements of section 6033(e), and it should check “No” on line 35c. 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 section 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. Section 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), previously.
5. Section 501(c)(4) and 501(c)(5) organizations that receive more than 90% of their annual dues from persons, families, or entities that each paid annual dues of $132 or less in 2023 (adjusted annually for inflation). See Rev. Proc. 2022-38, 2022-45 I.R.B. 445.
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 can’t deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.

8. Any organization that isn’t a membership organization.

CAUTION

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.

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. Didn’t receive a waiver for proxy tax owed for the prior year;
2. Didn’t 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 any allocable overhead expenses.

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 doesn’t include attempting to influence:

- 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 don’t include:

- Any payments to other taxpayers engaged in lobbying or political activities as a trade or business, and
- 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).

For a complete liquidation, dissolution, termination, or cessation of operations, also check the “Final return/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 FMV 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 may result from either an expansion or contraction of operations. 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 FMV 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 FMV 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 on Schedule N (Form 990), 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 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 under 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).

TIP *An organization filing Form 990-EZ need not complete Schedule N (Form 990), Part II, for a transaction that isn't a significant disposition of net assets.*

The following aren't considered significant dispositions of net assets for purposes of Schedule N (Form 990), 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 of the organization’s exempt activities to accomplish the organization’s exempt purposes, such as gross sales of inventory.
- Grants or other assistance made in the ordinary course of the organization’s exempt activities to accomplish the organization’s exempt purposes, such as the regular charitable distributions of a United Way or other federated fundraising organization.
- 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.

Line 37. Expenditures for Political Purposes

Political organizations described in section 527 aren’t 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 doesn’t 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 isn’t a political organization must file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, 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 isn't willful and there is reasonable cause. A manager who doesn't 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.
- 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, earlier). 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 Schedule L (Form 990), Part II. See the Instructions for Schedule L (Form 990).

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*, later, for a 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*, earlier, 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 figuring gross receipts for the purpose of determining the exempt status of section 501(c)(7) organizations, as discussed in *Appendix C*, later.

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 by 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 isn’t tax-exempt income unless it is set aside for one or more of the following purposes: religious, charitable, scientific, literary, educational, or the prevention of cruelty to children or animals.

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

Nondiscrimination policy. A section 501(c)(7) organization isn’t 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), 501(c)(4), and 501(c)(29) Organizations: Disclosure of Section 4958 Excess Benefit Transactions and Excise Taxes

Answer “Yes” if the organization became aware, prior to filing this return, that it engaged in an excess benefit transaction with a disqualified person in the current tax year or in a prior year, and if the transaction hasn’t been reported on any of the organization's prior Forms 990 or 990-EZ.

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 Schedule L (Form 990), Part I.

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), 501(c)(4), or 501(c)(29) organization that becomes aware that it may have engaged in* *an excess benefit transaction should obtain competent advice regarding section 4958, pursue 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: Section 4958 Excess Benefit Transactions*, later, for a discussion of section 4958, and Schedule L (Form 990), Part I, about reporting excess benefit transactions.*

Line 40c. Taxes Imposed on Organization Managers or Disqualified Persons

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

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) 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 and pay excise tax imposed by section 4965. For more information, see the instructions for Forms 8886-T and 4720.

Line 41. List of States

List each state where 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 isn’t 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 weren’t 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,” enter the name of the foreign country or countries. Continue on Schedule O (Form 990) if more space is needed.

If “Yes,” file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), electronically with the Department of the Treasury using FinCEN's BSA E-Filing System. Because FinCEN Form 114 isn’t a tax form, don’t file it with Form 990-EZ. See *FINCEN.gov* for more information.

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 isn’t 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.

Section 4947(a)(1) nonexempt charitable trusts must complete all sections of the Form 990-EZ and schedules that 501(c)(3) organizations must complete. All references to a section 501(c)(3) organization in the Form 990-EZ, schedules, and instructions include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A (Form 990)), unless expressly excepted.

Trust fund recovery penalty. If certain excise, income, social security, and Medicare taxes that must be collected or withheld aren’t collected or withheld, or these taxes aren’t 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 doesn’t 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, don’t participate in the day-to-day or financial activities of the organization, and don’t have actual knowledge of the failure to collect, account for, and pay over these taxes. However, the preceding sentence doesn’t 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) for more details, including the definition of responsible persons.

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