

# 2012

## 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)

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**Volume 2 of 3**





## Part II. Balance Sheet

Every organization that files Form 990-EZ 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.

Check the box in the heading of Part II if Schedule O (Form 990 or 990-EZ) 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 total of other assets such as accounts receivable, inventories, prepaid expenses, and the organization's share of assets in any joint ventures, limited liability companies, and other entities treated as a partnership for federal tax purposes. Also, include a description of the assets in Schedule O.

### **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).

## **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 or 990-EZ) 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	<p data-bbox="310 344 1487 520">All organizations must describe their program service accomplishments for each of their three largest program services (as measured by total expenses incurred).</p> <ul data-bbox="342 533 1487 1339" style="list-style-type: none"> <li data-bbox="342 533 1487 772">• Describe program service accomplishments through measurements such as clients served, days of care, number of sessions or events held, or publications issued.</li> <li data-bbox="342 785 1487 961">• 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.</li> <li data-bbox="342 974 1487 1150">• Give reasonable estimates for any statistical information if exact figures are not readily available. Indicate that this information is estimated.</li> <li data-bbox="342 1163 1487 1339">• Be clear, concise, and complete in the description. Avoid attaching brochures, newsletters, newspaper articles about the organization, etc.</li> </ul>
3	<p data-bbox="310 1352 1487 1827"><b>Public interest law firm.</b> A public interest law firm exempt under section 501(c)(3) or 501(c)(4) must list in Schedule O 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.</p>

Step	Action
4	<p><b>Expenses and Grants.</b> For each program service reported on lines 28–31, 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 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.</p>
5	<p>Describe in Schedule O the organization's other program services.</p> <ul style="list-style-type: none"> <li>• The detailed information required for the three largest services is not necessary for this schedule.</li> <li>• However, section 501(c)(3) and (4) organizations must show the expenses and grants attributable to their program services.</li> </ul>
6	<p>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.</p> <ul style="list-style-type: none"> <li>• Disclose the applicable amounts of any donated services, etc., on the lines for the narrative description of the appropriate program service.</li> <li>• Do not include these amounts in the expense column in Part III.</li> <li>• See the instructions for line 1, B2, regarding donations of services or use of property.</li> </ul>



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

Check the box in the heading of Part IV if Schedule O (Form 990 or 990-EZ) 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 did not 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 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, 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.

Form 941 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 is not subject to these taxes. See Pub. 15 (Circular E) Employer's Tax Guide 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 12 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 one 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, 2012 and ending June 30, 2013, the organization must report compensation for the calendar year ending December 31, 2012.

**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 7 of Form 1099-MISC (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 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 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 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 is not 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 do not 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; and

5. The annual increase or decrease 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.

**Column (e).** Enter both taxable and nontaxable fringe benefits, but do not include compensation reported in columns (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), 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.

***\$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, unless the return is a final return. If the return is a final return, report in column (d) 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.** Section 501(c)(3) organizations 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, 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; and
  - 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 Announcement 2000-82, 2000-2 C.B. 385.

### **Line 33. Change in Activities**

Describe in Schedule O any significant activities that the organization conducted prior to the end of the tax year that it has 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 and in Schedule O (Form 990 or 990-EZ), 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 were not 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 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 or 990-EZ), but do not 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. Checkboxes*, earlier, regarding attachments required in the event of a change in the organization's name, which 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 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.

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.

## **Lines 35 a-b. Unrelated Business Income**

### **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. 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 answered “Yes” to line 35a but answered “No” to line 35b because it did not file a Form 990-T for the tax year, then explain in Schedule O why the organization did not file a Form 990-T.

If the organization had income from business activities, such as those reported on lines 2, 6, and 7a (among others), but not reported on Form 990-T, explain in Schedule O 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 on 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 35c. Section 6033(e) Tax for Lobbying Expenditures**

If the organization checks “No” to line 35c, it is certifying that it 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 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 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 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 Part III 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 35c.**

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 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, 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) Entities

that each paid annual dues of \$105 or less in 2012 (adjusted annually for inflation). See Rev. Proc. 2011-52; 2011-45 I.R.B. 701;

- 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.*

**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 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 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 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).



*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.*

The following are not considered significant dispositions of net assets for purposes of Schedule N, 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; and
- 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 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, 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 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). 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 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* 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 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 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).



*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, 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 for a discussion of section 4958, and Schedule L, Part I, about reporting 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, 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 to 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 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 "Yes," enter the name of the foreign country or countries. Continue on Schedule O if more space is needed.

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. Form TD F 90-22.1 is available by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it at 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.

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 or 990-EZ)), unless expressly excepted.

***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.

## **Line 44a. 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. Over 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. For 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, 2006-51 I.R.B. 1121, which is modified by Rev. Proc. 2009-32, 2009-28 I.R.B.142; and Rev. Proc. 2009-32 is modified and superseded by Rev. Proc. 2011-33, 2011-1 C.B. 887; 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 44b. Hospital facilities**

If the organization operated one or more hospital facilities during the tax year, it must complete and file Form 990 and Schedule H (Form 990) and not Form 990-EZ.

A “hospital facility” is a facility that 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 joint venture treated as a partnership for federal 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 treated as corporations for federal tax purposes.



*The definition of “hospital” for Schedule A (Form 990 or 990-EZ), Part I, is different from the definition of “hospital facility” for Schedule H (Form 990). See the Glossary in the Form 990 instructions for the respective definitions.*

## **Lines 44c-d. Payments for indoor tanning services**

The organization should check “Yes” to line 44c if it received any payments during the year for indoor tanning services. “Indoor tanning services” are services employing any

electronic product designed to incorporate one or more ultraviolet lamps and intended for the irradiation of an individual by ultraviolet radiation, with wavelengths in air between 200 and 400 nanometers, to induce skin tanning.

If an organization received a payment for services for indoor tanning services during the year, it must collect from the recipient of the services a tax equal to 10% of the amount paid for such service, whether paid by insurance or otherwise, and remit such tax quarterly to the IRS by filing Form 720, Quarterly Federal Excise Tax Return. If the organization filed Form 720 during the year, it should check "Yes" to line 44d. If it answers "No" to line 44d, it should explain in Schedule O why it did not file Form 720.

### **Line 45a. Section 512(b)(13) Controlled Entity**

Answer "Yes" if the organization had a controlled entity within the meaning of section 512(b)(13) during the tax year. A *controlled entity within the meaning of*

*section 512(b)(13)* may be a stock or nonstock corporation, association, partnership, limited liability company, or trust of which 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.

### **Line 45b. Transactions with a Section 512(b)(13) Controlled Entity**

For the definition of “control” in this context, see section 512(b)(13)(D) and Regulations section 1.512(b)-1(l)(4) (substituting “more than 50%” for “at least 80%” in the regulation, for purposes of this definition). For the definition of “control of a nonprofit organization,” see the *Line 49* instructions.

A controlling organization of a controlled entity under section 512(b)(13) must file Form 990 and Schedule R (Form 990),

Related Organizations and Unrelated Partnerships rather than Form 990-EZ if the controlling organization either:

1. Received or accrued from the controlled entity any interest, annuities, royalties, or rent, regardless of amount, during the tax year; or
2. Engaged in another type of transaction (see Schedule R instructions for a description of transactions) with the controlled entity, if the amounts involved during the tax year for such type of transaction exceeded \$50,000.

## **Line 46. Political Campaign Activities**

Answer "Yes" and complete the applicable parts of 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 activity.

## **Part VI. Section 501(c)(3) Organizations**

All section 501(c)(3) organizations (including, for purposes of Form 990-EZ, section 4947(a)(1) nonexempt charitable trusts) must complete Part VI.

### **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 or had a section 501(h) election in effect during the tax year. All section 501(c)(3) organizations that had a section 501(h) election in effect during the tax year must complete Schedule C (Form 990 or 990-EZ), Part II-A, regardless of whether they engaged in lobbying activities during the tax year. 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 Schedule O.

For purposes of Form 990-EZ, a related organization is an organization (including a nonprofit organization, a stock corporation, a partnership or limited liability company, a trust, and a governmental unit or other



governmental entity) that is in one or more of the following relationships to the filing organization at any time during the tax year:

- Parent: an organization that controls the filing organization (see definition of control, below).
- Subsidiary: an organization controlled by the filing organization.
- Brother/Sister: an organization controlled by the same person or persons that control the filing organization. However, if the filing organization is a trust that has a bank or financial institution trustee that is also the trustee of another trust, the other trust is not a brother/sister related organization of the filing organization on the ground of common control by the bank or financial institution trustee.
- Supporting/supported: an organization that claims to be at any time during the tax year, or that is classified by the IRS at any time during the tax year, as (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.

For purposes of determining whether an organization is related, control exists in the following situations:

- 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, elect, or approve or veto the appointment or election of, if such power includes a continuing power to appoint, elect, or approve or veto the appointment or election of, periodically or in the event of vacancies) a majority of the nonprofit organization's directors or trustees, or a majority of members who elect a majority of 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). For this purpose, a “managing partner” is a partner designated as such under the partnership agreement, or regularly engaged in the management of the partnership even though not so designated.

- 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. A person’s beneficial interest in a trust shall be determined in

proportion to that person's actuarial interest in the trust as of the end of the tax year.

Control can be indirect. For example, if the filing organization controls Entity A, which in turn controls Entity B, the filing 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.

See Regulations sections 301.7701-2, 3, and 4 for more information on classification of corporations, partnerships, disregarded entities, and trusts.

## **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 the Part IV instructions) 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.

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 the compensation. Combine the compensation includible in Part VI, columns (c), (d), and (e) in determining whether compensation exceeds \$100,000 for the calendar year.

See the Part IV instructions for more information on compensation reporting and for completing table columns (a) through (e) of line 50, and for information on the \$10,000-per-item exception for column (e).

**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, 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. S would not report the \$5,000 in non-taxable family

educational benefits in column (e), because it is excluded under the \$10,000-per-item exception for column (e). Thus, S's total compensation of \$97,000 would not place her among the five highest compensated employees over \$100,000.

See Pub.525 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. Do not report public utilities or insurance providers 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.

The organization must use the calendar year ending with or within its tax year in determining its 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, whether reported on Form 1099-MISC, box 7 or paid under the parties' agreement or applicable state law, for the calendar year ending with or within the organization's tax year. Otherwise, report the amount paid under 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**

The return must be signed by the current president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) who is authorized to sign as of the date this return is filed. A receiver, trustee, or assignee must sign any return he or she files for a corporation or association. See Regulations section 1.6012-3(b)(4). For a trust, the authorized trustee(s) must sign.

## **Paid Preparer**

Generally, anyone who is paid to prepare the return must sign the return, list the preparer's taxpayer identification number (PTIN), and fill in the other blanks in the *Paid*

*Preparer 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 (including the preparer's PTIN and the preparer firm's EIN, if applicable), and
- Give a copy of the return to the organization.

Any paid preparer can apply for and obtain a PTIN online at [www.irs.gov/ptin](http://www.irs.gov/ptin) or by filing Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal.



*Enter the paid preparer's PTIN, not his or her social security number (SSN), in the "PTIN" box in the paid preparer's block. The IRS will not redact the paid preparer's SSN if such SSN is entered on the paid preparer's block. Because Form 990-EZ is a publicly disclosable document, any*

*information entered in this block will be publicly disclosed (see Appendix D).*

**Note.** A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program. Also, facsimile signatures are authorized.

## **Paid Preparer Authorization**

On the last line of Form 990-EZ, 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 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 2013 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 \$50,000 (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
- H** Contributions

# 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)
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)

Trusts described in section 4049 of the Employer Retirement Income Security Act	501(c)(24)
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)
National Railroad Retirement Investment Trust	501(c)(28)
Qualified Nonprofit Health Insurance Issuers	501(c)(29)
Religious and Apostolic Associations	501(d)
Cooperative Hospital Service Organizations	501(e)
Cooperative Service Organizations of Operating Educational Organizations	501(f)
Amateur Sports Organizations	501(j)
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 \$50,000 (or \$5,000) or Less**

To figure whether an organization has to file Form 990-EZ (or 990), apply the \$50,000 (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 tax year (including short years), 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. 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 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, 6c, 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); 6c (\$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.

## **\$50,000 Gross Receipts Test**

To determine whether an organization's gross receipts are normally \$50,000 or less, apply the following test. An organization's gross receipts are considered normally to be \$50,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, \$75,000 or less during its first tax year;
2. Between 1 and 3 years old and averaged \$60,000 or less in gross receipts during each of its first 2 tax years; or

3. Three years old or more and averaged \$50,000 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 \$50,000 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 990-EZ. In general, organizations excepted from filing Form 990 or 990-EZ because of low gross receipts must submit Form 990-N. See filing exceptions described in *General Instruction B*.

*Organizations Not Required to File Form 990 or 990-EZ*, earlier.

## **\$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 Section 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 if 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) meets both parts of the following test, then the company can file Form 990 (or 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 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 [IRS.gov](http://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 or 1120-PC (if the company is not entitled to insurance reserves) instead of Form 990 or 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, 2006-19 I.R.B. 878.

**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.