

## **Exempt Organizations Annual Reporting Requirements - Public Support and Public Charity Classification: Schedules A and B, Form 990**

### **A. Questions for All Exempt Organizations**

#### **1. Who must file Schedule A, Form 990?**

An organization that files [Form 990](#) or [Form 990-EZ](#) must file [Schedule A](#) if it is a tax-exempt charitable organization described in section 501(c)(3) of the Internal Revenue Code. Organizations required to file include--

- Cooperative hospital service organizations (Code section 501(e))
- Cooperative service organizations of operating educational organizations (section 501(f))
- Child care organizations (section 501(k))
- Charitable risk pools (section 501(n))
- Non-exempt charitable trusts (section 4947(a)(1))

#### **2. My organization is very small and files the e-postcard, Form 990-N. Must it file Form 990, 990-EZ or Schedule A?**

No. Because the organization's annual gross receipts are less than \$25,000 (\$50,000 for tax years ending on or after December 31, 2010), it may file [Form 990-N](#). However, if you believe the organization has not met the public support test for two consecutive years and its status should be changed to a private foundation, you should complete [Schedule A](#) to verify that the organization did not meet the test and file [Form 990-PF, Return of Private Foundation](#).

#### **3. If my organization qualifies as a hospital for Schedule A purposes and thus as a public charity, is it required to file Schedule H?**

Not necessarily. The definition of a hospital for [Schedule H](#) purposes is different than the definition of a hospital for [Schedule A](#) purposes. Schedule H must be filed by an organization that operates at least one facility that is, or is required to be, licensed, registered or similarly recognized by a state as a hospital. A hospital for Schedule A purposes is, generally, an organization whose main purpose is to provide hospital or medical care, but it does not have to be licensed, registered or similarly recognized by a state as a hospital. See Code sections 509(a)(1) and 170(b)(1)(A)(iii) and Regulations section 1.170A-9(d).

#### **4. What is the purpose of Schedule A, Form 990?**

[Schedule A](#) requires certain information regarding the organization's public charity status. Part I must be filled out by all public charities. Parts II and III require public support information for public charities whose status depends on their amount of public support (organizations described in

Internal Revenue Code sections 170(b)(1)(A)(iv), 170(b)(1)(A)(vi) and 509(a)(2)).

**5. Should Schedule A be filled out before other parts and schedules of Form 990 or 990-EZ?**

Yes, [Schedule A](#) should be completed by tax-exempt organizations whose public charity status depends on their amount of public support, or whose public charity status is otherwise in doubt. Section 501(c)(3) organizations and section 4947(a)(1) trusts that do not qualify as public charities are treated as private foundations and must file [Form 990-PF](#) rather than Form 990 or Form 990-EZ. Therefore, filling out Schedule A to ascertain public charity status for the year of the return is advisable before filling out other parts of Form 990 or Form 990-EZ.

**6. What is the public support test for a public charity?**

There are two public support tests for public charities: One for organizations described in sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code, and one for organizations described in section 509(a)(2). Both tests measure public support over a five-year period.

Generally, the 509(a)(1) test requires that the organization receive at least one-third of its support from contributions from the general public, or meet the 10 percent [facts and circumstances test](#).

Generally, the 509(a)(2) test requires that the organization receive more than one-third of its support from contributions from the general public and/or from gross receipts from activities related to its tax-exempt purposes. Under the 509(a)(2) test, an organization can receive no more than one-third of its support from gross investment income and unrelated business taxable income.

More details on the public support tests under sections 170(b)(1)(A)(vi) and 509(a)(2) are set forth in the [instructions](#) to Form 990, Schedule A.

**7. What can I do to help ensure that my organization does not unexpectedly lose its public charity classification?**

An organization will lose its public charity status if it cannot pass the public support test for two consecutive years. If the organization cannot meet the public support test for two consecutive years, it will be reclassified as a private foundation as of the start of the second consecutive year (unless it qualifies as another kind of public charity). To avoid unexpectedly losing your public charity classification, you should keep careful track of your public support information through out the year instead of waiting until the

end of the tax year when you are preparing your [Schedule A](#). For more information about record-keeping, see [Publication 4221-PC, Compliance Guide for 501\(c\)\(3\) Public Charities](#).

8. **My organization, a public charity described in Code section 170(b)(1)(A)(vi), is within the first five years of its existence and files Form 990 or 990-EZ. Is it required to fill out Schedule A Part II?**

Yes, a new public charity must fill out Section A and Section B of Part II but not Section C. Likewise, a new public charity within the first five years of its existence that is described in section 509(a)(2) must fill out Part III, Sections A and B, but not Section C.

9. **If an organization qualifies as publicly supported for a five-year computation period, does it have any reliance on that status in the following year?**

Yes, an organization that meets a public support test for a tax year is treated as publicly supported for that year and the succeeding year, regardless of its actual support for the succeeding year. For example, an organization that met the public support test for the aggregate five-year period 2004-2008 is publicly supported for the years 2008 and 2009, even if the organization fails the public support test for the years 2005-2009. Beginning with the year 2010, its public charity status for 2010 would depend on whether it qualified as publicly supported for the period 2006-2010. Thus, public charities should monitor their public support carefully.

10. **If an organization is considered as publicly supported for its first five years regardless of its actual support during that period, is its support during that period used in determining whether it is publicly supported in its sixth and subsequent years?**

Yes. The organization's actual support in its first five years is used in calculating its public support in years after the first five. For instance, if it does not actually meet the public support test for years 1-5, then it must meet the public support test for years 2-6 to qualify as publicly supported in year 6.

11. **My determination letter from the IRS states that my organization is a public charity under sections 509(a)(1) and 170(b)(1)(A)(vi). However, my organization can no longer meet the public support test under those sections on Part II of the Schedule A. Can my organization try to qualify as a public charity under section 509(a)(2) by calculating its public support on Part III of the Schedule A?**

Yes. Parts II and III of [Schedule A](#) provide the computation area to establish that your organization meets a public support test and is not a private foundation pursuant to either sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code or section 509(a)(2). Regardless of the public support section specified in your original determination letter, your organization may choose the public support test that best reflects your sources of support and that results in your retaining your public charity status. In particular, if your organization receives a large amount of gross receipts from fundraising activities, you should consider filing as a section 509(a)(2) organization.

12. **My organization receives much of its income from an annual sale of gift wrap paper and an annual book fair. Both events are conducted entirely with volunteer labor. How should I report this fundraising income when calculating whether my organization meets a public support test?**

The public support test under section 509(a)(2) of the Internal Revenue Code includes as public support gross receipts from sales of merchandise that are not an unrelated trade or business, such as sales conducted entirely with volunteer labor like the ones you describe. Organizations that receive gross receipts from such events should add those receipts to Line 3 of [Schedule A](#), Part III, if they complete Part III.

13. **My organization is a public charity under sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code, and it received 15 percent of its support from the general public. Because my organization received less than 33-1/3 percent of its support from the general public, how do I show the IRS on the Schedule A that it meets the facts and circumstances test?**

If your organization receives more than 10 percent but less than 33-1/3 percent of its support from the general public or a governmental unit, it can qualify as a public charity if it can establish that, under all the facts and circumstances, it normally receives a substantial part of its support from governmental units or the general public. To establish this support, your organization should describe on Part IV of [Schedule A](#) the facts and circumstances which establish that the organization is in the nature of an organization that is publicly supported. Regulations section 1.170A-9T(f)(3) discusses pertinent facts and circumstances.

14. **A donor made a pledge to my organization that will be paid over three years. Should I discount the total pledge to its present value and report this amount as support in the first year because that is when we received the pledge?**

An organization's public support calculation on Parts II and III of [Schedule A](#) should be computed under the same method of accounting that the organization checked on the [Form 990](#), Part XI, line 1, or [Form 990-EZ](#), line G. If your organization uses the accrual method of accounting, it may discount the pledge to its present value and report this amount in the first year, and report accruals of the present value increments to the unpaid pledge in the second and third years. If your organization uses the cash method of accounting, it may only report the amount of the pledge it actually receives during each of the three years.

**15. May we report the value of volunteer time as contributions in the public support table of Schedule A, Form 990?**

No, volunteer time cannot be reported as contributions in line 1 of Parts II or III of [Schedule A](#). It may be described in [Form 990](#), Part III, *Statement of Program Service Accomplishments*.

**16. Should we report in-kind contributions of property as contributions in the public support table of Schedule A, Form 990? If so, how should these contributions be valued?**

In-kind contributions of property (but not of services) should be reported on--

- Line 1 of Parts II and III of [Schedule A](#);
- [Form 990](#), Part VIII line 1g;
- [Schedule B](#), Part II;
- [Schedule M](#), column (c) if applicable.

Form 990 filers generally may use any reasonable method to determine or estimate the value of these non-cash contributions. Schedule B sets forth special instructions for valuing marketable securities. Schedule M requires reporting of the method for determining revenue attributable to different categories of non-cash contributions.

**17. Supporting organizations described in Code section 509(a)(3) are required to answer a number of questions in Form 990, Schedule A, Part I, line 11. Does the organization's answer to any of these questions affect its qualification as a supporting organization under section 509(a)(3)?**

Yes. Section 509(a)(3) supporting organizations are subject to a number of rules affecting their status. The rules vary somewhat depending on their Type. The organization's answer to one or more of these questions on line 11 may indicate that it does not qualify under as a supporting organization under section 509(a)(3) and instead must file [Form 990-PF](#) as a private

foundation. The questions in [Schedule A](#), Part I, line 11 ask about the organization's compliance with the following rules:

- A section 509(a)(3) organization must have a Type I, Type II, Type III-functionally integrated or Type III-other relationship with its supported organizations as defined in section 509(f)(3) (Schedule A, Part I, lines 11a-d).
- A section 509(a)(3) organization cannot be controlled by one or more disqualified persons (line 11e).
- A Type I or Type III organization cannot accept a gift or contribution from a person who controls the governing body of a supported organization, or from certain related persons (line 11g).
- A section 509(a)(3) organization must support one or more supported organizations (line 11h(i)-(iii)).
- A Type III organization generally must list its supported organizations by name in its governing document (line 11h(iv)).
- A Type III organization may not support a foreign organization (line 11h(vi)).

**18. Should non-monetary support be reported in Part I of Schedule A, Form 990?**

No. Non-monetary support should not be reported in Part I. Instead, non-monetary support provided to supported organizations should be reported in [Schedule A](#), Part IV.

**19. My organization is a 509(a)(3) supporting organization that made grants to multiple supported organizations during the tax year. Do we need to list every one of those supported organizations by name and EIN in Schedule A, Part I, or can we just describe those organizations by class?**

Each supported organization must be listed by name and EIN in the table for Part I, line 11h, [Schedule A](#), and the amount of support given to each during the filing organization's tax year must be reported in Part I, line 11h, column (vii). All supported organizations are by definition also related organizations and must be reported in [Schedule R](#) as well.

**B. Questions for Political Organizations**

20. **Does a political organization need to complete Schedule A of Form 990?**

No.

21. **Does a political organization complete Schedule B of Form 990?**

Yes, if the political organization received contributions from any one person aggregating \$5,000 or more for the year. Note, however, that a political organization [need not report on Schedule B](#) information about contributors for which information need not be reported on Form 8872.

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