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Almost every form and publication also has its own easily accessible information page on IRS.gov. For example, the Form 1040 page is at IRS.gov/form1040; the Form W-2 page is at IRS.gov/w2; the Publication 17 page is at IRS.gov/pub17; the Form W-4 page is at IRS.gov/w4; the Form 8863 page is at IRS.gov/form8863; and the Schedule A (Form 1040) page is at IRS.gov/schedulea. If typing in the links above instead of clicking on them: type the link into the address bar of your browser, not in a Search box; the text after the slash must be lowercase; and your browser may require the link to begin with “www.”. Note that these are shortcut links that will automatically go to the actual link for the page.

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2016

Department of the Treasury
Internal Revenue Service

Instructions for Form 990-EZ

Short Form Return of Organization Exempt From Income Tax Under Section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

DRAFT AS OF September 30, 2016

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

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Future Developments

For the latest information about developments related to Form 990-EZ and the related instructions, such as legislation enacted after they were published, go to *www.irs.gov/form990ez*.

Purpose of Form

Form 990, Return of Organization Exempt From Income Tax, and Form 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by section 6033.

An organization's completed Form 990 or 990-EZ, and a section 501(c)(3) organization's Form 990-T, Exempt Organization Business Income Tax Return, generally are available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors, is open for public inspection for section 527 organizations filing Form 990 or 990-EZ. Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation, is also open for public inspection for organizations filing Form 990-PF. For other organizations that file Form 990 or 990-EZ, parts of Schedule B can be open to public inspection. For more details, see *Appendix D, Public Inspection of Returns*, and the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF).

Some members of the public rely on Form 990 or 990-EZ as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return.

Other purposes of Form 990 and 990-EZ include the following.

1. Form 990-EZ can be filed by organizations with gross receipts of less than $200,000 and total assets of less than $500,000 at the end of their tax year.

2. Sponsoring organizations of donor advised funds (as defined in section 4966(d)(1)), organizations that operate a hospital facility, organizations recognized by the IRS as section 501(c)(29) nonprofit health insurance issuers, and certain controlling organizations defined in section 512(b)(13) must file Form 990 rather than Form 990-EZ regardless of the amount of their gross receipts and total assets. See instructions for lines 44 and 45, and *General Instruction A, Who Must File*, before completing this form.

3. Form 990-EZ can't be used by a private foundation required to file Form 990-PF. A section 501(c)(3) or section 4947(a)(1) organization should refer to the Instructions for Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support, to determine whether it is a private foundation.

4. Form 990 must be used to file a group return, not Form 990-EZ. See *General Instruction A*.

General Instructions

Overview of Form 990-EZ. The Form 990-EZ is an annual information return required to be filed with the IRS by many organizations exempt from income tax under section 501(a), and certain political organizations and nonexempt charitable trusts. Parts I through V of the form must be completed by all filing organizations (Part VI must be completed by section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts), and require reporting on the organization's exempt and other activities, finances, compliance with certain federal tax filings and requirements, and compensation paid to certain persons. Additional schedules are required to be completed depending on the activities and type of organization. The completed Form 990-EZ filed with the IRS, except for certain contributor information on Schedule B (Form 990, 990-EZ, or 990-PF), is required to be made available to the public by the IRS and the filing organization (see *Appendix D*). Also, the organization may be required to file the completed Form 990-EZ with state governments to satisfy state reporting requirements.

See *Appendix G, Use of Form 990 and 990-EZ To Satisfy State Reporting Requirements.*

Reminder: Do Not Include Social Security Number on Publicly Disclosed Forms

Because the filing organization and the IRS are required to publicly disclose the organization's annual information returns, social security numbers shouldn't be included on this form. Documents subject to disclosure include schedules and attachments filed with the form. For more information, see *Appendix D*.

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CAUTION *Organizations that have total gross income from unrelated trades or businesses of at least $1,000 also are required to file Form 990-T, in addition to any required Form 990, 990-EZ, or 990-N.*

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

1. Throughout these instructions, "the organization" and the "filing organization" both refer to the organization filing the Form 990-EZ.

2. The examples appearing throughout these instructions are illustrative only and for the purpose of completing Form 990-EZ, but aren't all-inclusive.

3. Instructions for the Form 990-EZ schedules are published separately from these instructions.

4. Unless otherwise specified, information should be provided for the organization's tax year. For instance, an organization should answer "Yes" to a question asking whether it conducted a certain type of activity only if it conducted that activity during the tax year.

A. Who Must File

Most organizations exempt from income tax under section 501(a) must file an annual information return (Form 990 or 990-EZ) or submit an annual electronic notice (Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or Form 990-EZ), depending upon the organization's gross receipts and total assets.

If an organization has gross receipts less than $200,000 and total assets at the end of the year less than $500,000, it can file Form 990-EZ, instead of Form 990. But see the special rules later for *Sponsoring organizations of donor advised funds*, *Organizations that operate one or more hospital facilities*, *Section 501(c)(29) nonprofit health insurance issuers*, and *Controlling organizations described in section 512(b)(13)*.

Form 990 (not 990-EZ or 990-N) must be filed by an organization exempt from income tax under section 501(a) (including an organization that hasn't applied for recognition of exemption or whose application for recognition of exemption is pending) if it has either gross receipts greater than or equal to $200,000 or total assets greater than or equal to $500,000 at the end of the tax year (with exceptions described below for organizations eligible to submit Form 990-N and for certain organizations described in *General Instruction B, Organizations Not Required To File Form 990 or 990-EZ*, later). This includes the following.

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

Gross receipts. Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses. See *Appendix B, How To Determine Whether an Organization's Gross Receipts Are Normally $50,000 (or $5,000) or Less* for a discussion of gross receipts. Total assets is the amount reported by the organization on its balance sheet (Form 990-EZ, Part II, column (B), line 25) as of the end of the year, without reduction for liabilities.

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

Form 990-N. If an organization normally has annual gross receipts of $50,000 or less, it must submit Form 990-N if it doesn't file Form 990 or Form 990-EZ (with exceptions described later for certain section 509(a)(3) supporting organizations and for certain organizations described in *General Instruction B*). If the organization chooses to file Form 990-EZ, be sure to file a complete return. See *Appendix B* for a discussion of gross receipts and *General Instruction H, Requirements for a Properly Completed Form 990-EZ* for a discussion of a complete return.

Electronic filing. Organizations can file Form 990-EZ electronically. See *General Instruction D, When, Where, and How To File,* for who must file electronically.

Foreign and U.S. possession organizations. Foreign organizations and U.S. possession organizations, as well as domestic organizations described above, must file Form 990 or 990-EZ unless specifically excepted under *General Instruction B*. Report amounts in U.S. dollars, and state what conversion rate the organization uses. Combine amounts from within and outside the United States, and report the total for each item. All information must be written in English.

Sponsoring organizations of donor advised funds. Sponsoring organizations of donor advised funds (as defined in section 4966(d)(1)) must file Form 990 and not Form 990-EZ. See line 44a and the related instructions.

Organizations that operate one or more hospital facilities. Organizations that operated one or more hospital facilities during the tax year must file Form 990 and not Form 990-EZ, and complete Schedule H (Form 990), Hospitals. A *hospital facility* is a facility that is required to be licensed, registered, or similarly recognized by a state as a hospital. See line 44b and the related instructions.

Section 501(c)(29) nonprofit health insurance issuers. Nonprofit health insurance issuers described in section 501(c)(29) must file Form 990 and not Form 990-EZ.

Controlling organizations described in section 512(b)(13). A controlling organization of one or more controlled entities, as described in section 512(b)(13), must file Form 990 and not Form 990-EZ if it is required to file an annual information return for the year and if there was a certain type of transfer of funds between the controlling organization and any controlled entity during the year. See line 45 and the related instructions.

Section 509(a)(3) supporting organizations. A section 509(a)(3) supporting organization must file Form 990 or 990-EZ, even if its gross receipts are normally $50,000 or less, and even if it is described in Rev. Proc. 96-10, 1996-1 C.B. 577, or is an affiliate of a governmental unit described in Rev. Proc. 95-48, 1995-2 C.B. 418, unless it qualifies as one of the following.

1. An integrated auxiliary of a church, as described in Regulations section 1.6033-2(h).

2. The exclusively religious activities of a religious order.

3. An organization whose gross receipts are normally not more than $5,000 that supports a section 501(c)(3) religious organization.

If the organization is described in (3), then it must submit Form 990-N unless it voluntarily files Form 990 or Form 990-EZ.

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

Section 527 political organizations. Tax-exempt political organizations must file Form 990 or 990-EZ unless their annual gross receipts are less than $25,000 during the tax year or they are otherwise excepted under *General Instruction B*. A section 527 political organization that is a qualified state or local political organization must file Form 990 or 990-EZ only if it has gross receipts of $100,000 or more. Political organizations aren't required to submit Form 990-N.

Section 4947(a)(1) nonexempt charitable trusts. A nonexempt charitable trust described under section 4947(a)(1) (if it isn't treated as a private foundation) is required to file Form 990 or Form 990-EZ unless excepted under *General Instruction B*. Such a trust is treated like an exempt section 501(c)(3) organization for purposes of completing the form. Section 4947(a)(1) 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 otherwise specified. If such a trust doesn't have any taxable income under Subtitle A of the Code, it can file Form 990 or Form 990-EZ to meet its section 6012 filing requirement and doesn't have to file Form 1041, U.S. Income Tax Return for Estates and Trusts.

Group returns. A group return filed by the central or parent organization on behalf of the subordinates in a group exemption must be filed using Form 990, not Form 990-EZ.

Returns when exempt status not established. An organization is required to file Form 990 or 990-EZ in accordance with these instructions if the organization claims exempt status under section 501(a) but hasn't established such exempt status by filing Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code; Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code; or Form 1024, Application for Recognition of Exemption Under Section 501(a), and receiving an IRS determination letter recognizing exempt status. In such cases, the organization must check the "application pending" checkbox in *Item B* of the Form 990 or 990-EZ header (whether or not a Form 1023, 1023-EZ, or 1024 has been filed) to indicate that the Form 990 or 990-EZ is being filed in the belief that the organization is exempt under section 501(a).

To qualify for tax exemption retroactive to its date of organization or formation, an organization claiming tax-exempt status under section 501(c)(3), 501(c)(9), or 501(c)(17) generally must file Form 1023, 1023-EZ, or 1024 within 27 months of the end of the month in which it was legally organized or formed.

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

An organization described below doesn't have to file Form 990 or 990-EZ even if it has at least $200,000 of gross receipts or $500,000 total assets at the end of the tax year (except for section 509(a)(3) supporting organizations described in *General Instruction A*). See *General Instruction A* for determining whether the organization can file Form 990-EZ instead of Form 990. An organization described in item 10 or 11 under *Certain organizations with limited gross receipts*, or item 13 under *Certain organizations that file different kinds of annual information returns*, is required to submit Form 990-N unless it voluntarily files Form 990, 990-EZ, or 990-BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons, as applicable.

Certain religious organizations

1. A church, an interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church as described in Regulations section 1.6033-2(h) (such as a men's or women's organization, religious school, mission society, or youth group).

2. A church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs and is described in Rev. Proc. 96-10. But see the filing requirements for section 509(a)(3) supporting organizations in *General Instruction A*.

3. A school below college level affiliated with a church or operated by a religious order, as described in Regulations section 1.6033-2(g)(1)(vii).

4. A mission society sponsored by, or affiliated with, one or more churches or church denominations, if more than half of the society's activities are conducted in, or directed at, persons in foreign countries.

5. An exclusively religious activity of any religious order described in Rev. Proc. 91-20, 1991-1 C.B. 524.

Certain governmental organizations

6. A state institution whose income is excluded from gross income under section 115.

7. A governmental unit or affiliate of a governmental unit described in Rev. Proc. 95-48. But see the filing requirements for section 509(a)(3) supporting organizations in *General Instruction A*.

8. An organization described in section 501(c)(1). A section 501(c)(1) organization is a corporation organized under an act of Congress that is an instrumentality of the United States, and exempt from federal income taxes.

Certain political organizations

9. A political organization that is:

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

Certain organizations with limited gross receipts

10. An organization whose gross receipts are normally $50,000 or less. Such organizations generally are required to submit Form 990-N if they choose not to file Form 990 or 990-EZ. To determine what an organization's gross receipts "normally" are, see *Appendix B*.

11. Foreign organizations and organizations located in U.S. possessions, whose gross receipts from sources within the United States are normally $50,000 or less, and which didn't engage in significant activity in the United States (other than

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investment activity). Such organizations, if they claim U.S. tax exemption or are recognized by the IRS as tax exempt, generally are required to submit Form 990-N if they choose not to file Form 990 or 990-EZ.

If a foreign organization or organization located in a U.S. possession is required to file a Form 990 or Form 990-EZ, then its worldwide gross receipts, as well as assets, are taken into account in determining whether it qualifies to file Form 990-EZ. To determine what an organization's gross receipts normally are, see *Appendix B*.

Certain organizations that file different kinds of annual information returns

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

13. A black lung benefit trust described in section 501(c)(21), use Form 990-BL.

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

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

TIP *Subordinate organizations in a group exemption which are included in a group return filed for the tax year by the central organization shouldn't file a separate Form 990 or 990-EZ, or submit Form 990-N for the tax year.*

TIP *A public charity described in section 170(b)(1)(A)(iv) or (vi) or 509(a)(2) that isn't within its initial 5 years of existence should first complete Part II or III of Schedule A to ensure that it continues to qualify as a public charity for the tax year. If it fails to qualify as a public charity, then it must file Form 990-PF rather than Form 990-EZ.*

C. Accounting Periods and Methods

Accounting Periods

Calendar year. Use the 2016 Form 990-EZ to report on the 2016 calendar year accounting period. A calendar year accounting period begins on January 1 and ends on December 31.

Fiscal year. If the organization has established a fiscal year accounting period, use the 2016 Form 990-EZ to report on the organization's fiscal year that began in 2016 and ended 12 months later. A fiscal year accounting period should normally coincide with the natural operating cycle of the organization. Be certain to indicate in the heading of Form 990-EZ the date the organization's fiscal year began in 2016 and the date the fiscal year ended in 2017.

Short period. A short accounting period is a period of less than 12 months, which exists when an organization first commences operations, changes its accounting period, or terminates. If the organization's short year began in 2016 and ended before December 31, 2016 (not on or after December 31, 2016), it may use either 2015 Form 990-EZ or 2016 Form 990-EZ or Form 990 to file for such short year. The 2016 form may also be used for a short period beginning in 2017 and ending before December 31, 2017 (not on or after December 31, 2017). When doing so, provide the information for designated years listed on the return, other than the tax year being reported, as if they were updated on the 2017 form. For example, provide the information in Schedule A, Part II for the tax years 2013–2017, rather than for tax years 2012–2016. A short-period return can't be filed electronically unless it is an initial return for which the "Initial return" box is checked or is a final return for which the "Final return/terminated" box is checked in *Item B* of the Form 990-EZ heading.

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

If the organization has previously changed its annual accounting period at any time within the 10-calendar-year period that includes the beginning of the **short period resulting from the current change in accounting period**, and it had a Form 990 series or income tax return filing requirement at any time during that 10-year period, it must also file a Form 1128, Application To Adopt, Change, or Retain a Tax Year, with the short-period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

If an organization that submits Form 990-N changes its accounting period, it must report this change either on Form 990, 990-EZ, or 1128, or by sending a letter to:

Internal Revenue Service
1973 Rulon White Blvd.
Ogden, UT 84201

Accounting Methods

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

Accounting method change. Generally, the organization must file Form 3115, Application for Change in Accounting Method, to change its accounting method. An exception applies where a section 501(c) organization changes its accounting method to comply with Statement of Financial Accounting Standards, No. 116 (SFAS 116) (ASC 958), Accounting for Contributions Received and Contributions Made. See Notice 96-30, 1996-1 C.B. 378. An organization that makes a change in accounting method, regardless of whether it files Form 3115, must report any adjustment required by section 481(a) on Form 990-EZ, line 20 (other changes in net assets or fund balances), as a net asset adjustment made during the tax year. The organization must explain in Schedule O (Form 990 or 990-EZ), Supplemental Information to Form 990 or 990-EZ, the change and net asset adjustment. The adjustment must be identified as the effect of changing to the method provided in SFAS 116 (ASC 958). The beginning of year statement of financial position (balance sheet) shouldn't be restated to reflect any prior period adjustments.

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

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

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Sample Sept. 1, 2016

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

An organization should keep a reconciliation of any differences between its books of account and the Form 990-EZ that is filed.

TIP *See Pub. 538, Accounting Periods and Methods, and instructions to Forms 1128 and 3115, about reporting changes to accounting periods and methods.*

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D. When, Where, and How To File

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

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

If the return isn't filed by the due date (including any extension granted), attach a statement giving the reason(s) for not filing on time.

Send the return to the:

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

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

Internal Revenue Service Center
P.O. Box 409101
Ogden, UT 84409

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

- DHL Express 9:00, DHL Express 10:30, DHL Express 12:00, DHL Express Worldwide, DHL Express Envelope, DHL Import Express 10:30, DHL Import Express 12:00, and DHL Import Express Worldwide.
- Federal Express (FedEx): FedEx First Overnight, FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, FedEx International First, FedEx International Next Flight Out, and FedEx International Economy.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS Next Day Air Early AM, UPS 2nd Day Air, UPS 2nd Day Air AM, UPS Worldwide Express Plus, and UPS Worldwide Express.

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

- For private delivery services, deliver the return to:

Internal Revenue Service
1973 Rulon White Blvd.
Ogden, UT 84201

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

Electronic filing. The organization can file Form 990-EZ or Form 990 and related forms, schedules, and attachments electronically. However, if an organization files at least 250 returns of any type during the calendar year ending with or within the organization's tax year and has total assets of $10 million or more at the end of the tax year, it must file Form 990 electronically (and not Form 990-EZ). "Returns" for this purpose include information returns (for example, Forms W-2, Wage and Tax Statement; Forms 1099), income tax returns, employment tax returns (including quarterly Form 941, Employer's QUARTERLY Federal Tax Return), and excise tax returns.

If an organization is required to file a return electronically but doesn't, the organization is considered not to have filed its return, even if a paper return is submitted, unless it is reporting a name change, in which case it must file by paper and attach the documents described in Specific Instructions, *Item B.* See Regulations section 301.6033-4 for more information on required electronic filing of Form 990.

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

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

E. Extension of Time To File

Use Form 8868, Application for Extension of Time To File an Exempt Organization Return, to request an automatic 6-month extension of time to file.

F. Amended Return/Final Return

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

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

If the organization needs a copy of its previously filed return, it can file Form 4506-A, Request for Public Inspection or Copy of Exempt or Political Organization IRS Form. See IRS.gov for information on getting blank tax forms.

If the return is a final return, the organization must check the "Final return/terminated" box in *Item B* of the heading of the return and complete Schedule N (Form 990 or 990-EZ), Liquidation, Termination, Dissolution, or Significant Disposition of Assets.

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

G. Failure-To-File Penalties

Against the organization. Under section 6652(c)(1)(A), a penalty of $20 a day, not to exceed the lesser of $10,000 or 5% of the gross receipts of the organization for the year, can be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause. Organizations with annual gross receipts exceeding $1,020,000 are subject to a penalty of $100 for each day failure continues (with a maximum penalty for any one return of $51,000). The penalty applies on each day after the due date that the return isn't filed.

Tax-exempt organizations which are required to file electronically but don't are deemed to have failed to file the return. This is true even if a paper return is submitted, unless the organization files by paper to report a name change.

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

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

Also, this penalty can be imposed if the organization's return contains incorrect information. For example, an organization that reports contributions net of related fundraising expenses may be subject to this penalty.

Use of a paid preparer doesn't relieve the organization of its responsibility to file a complete and accurate return.

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

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

Automatic revocation for nonfiling for three consecutive years. The law requires most tax-exempt organizations, other than churches, to file an annual Form 990, 990-EZ, or 990-PF with the IRS, or to submit a Form 990-N to the IRS. If an organization fails to file an annual return or submit an annual notice as required for 3 consecutive years, its tax-exempt status is automatically revoked on and after the due date for filing its third annual return or notice. Organizations that lose their exemption may need to file income tax returns and pay income tax, but may apply for reinstatement of exemption. For details, go to *www.irs.gov/eo*.

H. Requirements for a Properly Completed Form 990-EZ

All organizations filing Form 990-EZ must complete Parts I through V of the Form 990-EZ, and any required schedules and attachments. Section 501(c)(3) organizations must also complete Part VI. If an organization isn't required to file Form 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

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

Signature. A Form 990-EZ isn't complete without a proper signature. For details, see the instructions to the *Signature Block*, later.

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

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

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

Completing all lines. Make an entry (including a -0- when appropriate) on all lines requiring an amount or other information to be reported. Do not leave any applicable lines blank, unless expressly instructed to skip that line. If answering a line is predicated on a "Yes" answer to the preceding line, and if the organization's answer to the preceding line was "No," then leave the "If Yes" line blank.

In general, answers can be explained or supplemented in Schedule O if the allotted space in the form or other schedule is insufficient, or if a "Yes" or "No" answer is required but the organization wishes to explain its answer.

Missing or incomplete parts of the form and/or required schedules may result in the IRS contacting you to obtain the missing information. Failure to supply the information may result in a penalty being assessed to your account. For tips on filing complete returns, go to *www.irs.gov/charities*.

Reporting proper amounts. Some lines request information reported on other forms filed by the organization, such as Forms W-2, 1099, and 990-T. If the organization is aware that the amount actually reported on the other form is incorrect, it must report on Form 990-EZ the information that should have been reported on the other form (in addition to filing an amended form with the proper amount).

In general, don't report negative numbers, but report -0- in lieu of a negative number, unless the instructions provide otherwise. Report revenue and expenses separately and don't net related items, unless otherwise provided.

Inclusion of activities and items of disregarded entities and joint ventures. An organization must report in its Form 990-EZ all of the revenues, expenses, assets, liabilities, and net

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assets or funds of a disregarded entity of which it is the sole member, and must report in its Form 990-EZ its share of all such items of a joint venture or other investment or arrangement treated as a partnership for federal income tax purposes. This includes passive investments. In addition, the organization generally must report the activities of a disregarded entity or a joint venture as its own activities in the appropriate parts and schedules of the Form 990-EZ.

TIP *A disregarded entity generally must use the EIN of its sole member. An exception applies to employment taxes. For wages paid to employees of a disregarded entity, the disregarded entity must file separate employment tax returns and use its own EIN on such returns. See Regulations sections 301.6109-1(h) and 301.7701-2(c)(2)(iv).*

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List of required schedules and attachments. An organization may be required to file one or more of Schedules A, B, C, E, G, L, N, or O, or various other attachments as described in the form or instructions. The following is a list of the Form 990-EZ schedules that the organization may have to complete.

- Schedule A, Public Charity Status and Public Support. See *Part V, Other Information*.
- Schedule B, Schedule of Contributors. See *General Instruction H, Requirements for a Properly Completed Form 990-EZ,* earlier.
- Schedule C, Political Campaign and Lobbying Activities, Part III. See *Line 35c (section 6033(e) notice and proxy tax requirements)*.
- Schedule C, Part I. See *Line 46 (political campaign activities)*.
- Schedule C, Part II. See *Line 47 (lobbying activities)*.
- Schedule E, Schools. See *Line 48 (schools)*.
- Schedule G, Supplemental Information Regarding Fundraising or Gaming Activities, Parts II and III. See *Lines 6a through 6d (gaming and fundraising events)*.
- Schedule L, Transactions With Interested Persons, Part I. See *Line 40b (section 4958 excess benefit transactions)*.
- Schedule L, Part II. See *Line 38 (loans to or from officers, directors, trustees, and key employees)*.
- Schedule N, Liquidation, Termination, Dissolution, or Significant Disposition of Assets, Parts I (liquidation, termination, or dissolution) and II (significant disposition of net assets). See *Line 36 (liquidation, dissolution, termination, or significant disposition of net assets)*.
- Schedule O, Supplemental Information to Form 990 or Form 990-EZ. See *Lines 8, 10, 16, 20, 24, 26, 31, 33, 34, 35, and 44*.

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

1. Core form with all parts completed (Parts I–V, Part VI by section 501(c)(3) organizations, Signature Block).

2. Schedules A, B, C, E, G, L, N, and/or O, completed as applicable, filed in alphabetical order.

3. Attachments, completed as applicable. These include (a) name change amendment to organizing document required by *Item B* of the heading on page 1 of the return; (b) reasonable cause explanation for a late-filed return; and (c) articles of merger or dissolution, resolutions, and plans of liquidation or merger required by Schedule N (Form 990 or 990-EZ).

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

CAUTION *To facilitate the processing of your return, don't password protect or encrypt PDF attachments. Password protecting or encrypting a PDF file that is attached to an e-filed return prevents the IRS from opening the attachment.*

Specific Instructions for Form 990-EZ

Completing the Heading of Form 990-EZ

Item A. Accounting Period

File the 2016 return for calendar year 2016 and fiscal years that began in 2016 and ended in 2017. For a fiscal year return, fill in the tax year space at the top of page 1 of the return. See *General Instruction C, Accounting Periods and Methods* for additional information about accounting periods.

Item B. Checkboxes

Address change. Check this box if the organization changed its address and hasn't reported such a change on its most recently filed Form 990, 990-EZ, or 990-N, or in correspondence to the IRS.

Name change. Check this box if the organization changed its legal name (not its "doing business as" name) and hasn't reported such change on its most recently filed Form 990 or 990-EZ or in correspondence to the IRS. If the organization changed its name, file Form 990-EZ by paper and attach the following documents (see line 34 instructions).

IF the organization is:	THEN attach:
A corporation	A copy of the amendment to the articles of incorporation, and proof of filing with the appropriate state authority.
A trust	A copy of the amendment to the trust instrument, or a resolution to amend the trust instrument, showing the effective date of the change of name and signed by at least one trustee.
An unincorporated association	A copy of the amendment to the articles of association, constitution, or other organizing document, showing the effective date of the change of name and signed by at least two officers, trustees, or members.

Initial return. Check this box if this is the first time the organization is filing a Form 990-EZ and it hasn't previously filed a Form 990, 990-PF, 990-T, or 990-N.

Final return/terminated. Check this box if the organization has terminated its existence or ceased to be a section 501(a) or section 527 organization and is filing its final return as an exempt organization or section 4947(a)(1) trust. See the instructions for line 36 that discuss liquidations, dissolutions, terminations, or significant disposition of net assets. An organization that checks this box because it has liquidated, terminated, ceased operations, dissolved, merged into another organization, or has had its exemption revoked during the tax year must also attach Schedule N (Form 990 or 990-EZ).

CAUTION *An organization must support any claim to have liquidated, terminated, dissolved, or merged by attaching a certified copy of its articles of dissolution or merger approved by the appropriate state authority. If a certified copy of its articles of dissolution or merger isn't available, the organization may submit a copy of a resolution(s) of its governing body approving plans of liquidation, termination, dissolution, or merger.*

Amended return. Check this box if the organization previously filed a return with the IRS for the same tax year and is now filing another return for the same tax year to amend the previously filed return. Explain in Schedule O (Form 990 or 990-EZ) which parts, schedules, or attachments of the Form 990-EZ were amended and describe the amendments. See *General Instruction F, Amended Return/Final Return* for more information.

Application pending. Check this box if the organization either has filed a Form 1023, 1023-EZ, or 1024 with the IRS and is awaiting a response, or claims tax-exempt status under section 501(a) but hasn't filed Form 1023, 1023-EZ, or 1024 to be recognized as tax exempt by the IRS. If this box is checked, the organization must complete all parts of the Form 990-EZ and any required schedules. An organization that is required to file an annual information return (Form 990 or 990-EZ) or submit an annual electronic notice (Form 990-N) for a given tax year (see *General Instruction A*) must do so even if it hasn't filed a Form 1023, 1023-EZ, or 1024 with the IRS, if it claims tax-exempt status.

To qualify for tax exemption retroactive to the date of its organization or formation, an organization claiming tax-exempt status under section 501(c)(3), 501(c)(9), or 501(c)(17) generally must file Form 1023, 1023-EZ, or 1024 within 27 months of the end of the month in which it was legally organized or formed.

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Item C. Name and Address

Enter the organization's legal name in the "Name of organization" box. If the organization operates under a name different from its legal name, identify its alternate name, after the legal name, by writing "a.k.a." (also known as) and the alternate name of the organization. If multiple a.k.a. names won't fit in the box, list them in Schedule O. However, if the organization has changed its legal name, follow the instructions in *Item B* for reporting the name change.

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

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

For foreign addresses, enter information in the following order: city or town, state or province, the name of the country, and the postal code. Please don't abbreviate the country name.

If a change of address occurs after the return is filed, use Form 8822-B, Change of Address or Responsible Party — Business, to notify the IRS of the new address.

Item D. Employer Identification Number (EIN)

Use the employer identification number (EIN) provided to the organization for filing its Form 990-EZ and federal tax returns. The organization must have only one EIN. If the organization has more than one EIN and hasn't been advised which to use, notify the:

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

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

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

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

Item E. Telephone Number

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

Item F. Group Exemption Number

Enter the four-digit group exemption number if the organization is included in a group exemption. The group exemption number (GEN) is a number assigned by the IRS to the central/parent organization of a group that has a group exemption letter. Contact the central/parent organization to ascertain the GEN assigned.

CAUTION *If the organization is covered by a group exemption letter as a subordinate organization, the organization should file Form 990-EZ only if the organization isn't included in a group return filed by the central/parent organization for the tax year.*

CAUTION *The central/parent organization of a group ruling can't file a group return with Form 990-EZ but must use Form 990.*

Item G. Accounting Method

Indicate the method of accounting used in preparing this return. See *General Instruction C.*

Item H. Schedule B

Whether or not the organization enters any amount on line 1 of Form 990-EZ, the organization must either check the box in *Item H. Schedule B* or attach Schedule B (Form 990, 990-EZ, or 990-PF). Failure to either check the box in *Item H* or file Schedule B will result in a determination that the return is incomplete. Complete and file Schedule B if the organization met any of the following conditions during the tax year.

- It is a section 501(c)(3) organization and met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi); checks the box on Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b; and received from any one contributor, during the tax year, contributions of the greater of $5,000 (in money or property) or 2% of the amount on Form 990-EZ, Part I, line 1 (contributions, gifts, grants, and similar amounts received). An organization filing Schedule B can limit the contributors it reports on Schedule B using this greater than $5,000 or 2% threshold only if it checks the box on Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b.
- It is a section 501(c)(3) organization that didn't meet the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), and received during the tax year contributions of $5,000 or more from any one contributor.
- It is a section 501(c)(7), 501(c)(8), or 501(c)(10) organization that received, during the tax year, (a) contributions of any amount for use exclusively for religious, charitable, scientific, literary, or educational purposes; or (b) contributions of $5,000 or more not exclusively for such purposes from any one contributor.

- It isn't a section 501(c)(3), 501(c)(7), 501(c)(8), or 501(c)(10) organization and it received during the tax year contributions of $5,000 or more from any one contributor. See the instructions to Schedule B for more information.

CAUTION *Do not attach substitutes for Schedule B. Parts I, II, and III of Schedule B may be photocopied as needed to provide adequate space for listing all contributors.*

TIP *For purposes of Schedule B, contributors include individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations. For organizations described in section 170(b)(1)(A)(iv) or (vi) or section 509(a)(2), contributors also include governmental units.*

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Guidelines for Meeting the Requirements of Schedule B

Section 501(c)(3) Organization Meeting the 33⅓% Support Test of 170(b)(1)(A)(vi)

If	A section 501(c)(3) organization that met the 33⅓% support test of the regulations under section 509(a)(1) and section 170(b)(1)(A)(vi) didn't receive a contribution of the greater of $5,000 or 2% of the amount on line 1 of Form 990-EZ from any one contributor,*
Then	The organization should check the box in *Item H* to certify that it isn't required to attach Schedule B.
Otherwise	Complete and attach Schedule B.

Section 501(c)(7), (8), or (10) Organizations

If	A section 501(c)(7), (8), or (10) organization received neither (1) *any* contribution or bequest for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals; nor (2) any contribution of $5,000 or more not exclusively for such purposes from any one contributor,
Then	The organization should check the box in *Item H* to certify that it isn't required to attach Schedule B.
Otherwise	Complete and attach Schedule B.

All Other Form 990-EZ Organizations (General Rule)

If	The organization didn't receive a contribution of $5,000 or more from any one contributor* (reportable on line 1 of the Form 990-EZ),
Then	The organization should check the box in *Item H* to certify that it isn't required to attach Schedule B.
Otherwise	Complete and attach Schedule B.

* To determine if the organization received a contribution of $5,000 or more from a contributor during the year, add all direct and indirect gifts, grants, or contributions of $1,000 or more in cash or property that a contributor made to the organization during the year. Do not include smaller gifts, grants, or contributions. See the instructions for Schedule B for more information.

Item I. Website

Enter the organization's current address for its primary website, as of the date of filing this return. If the organization doesn't maintain a website, enter "N/A" (not applicable).

Item J. Tax-Exempt Status

Check the applicable box to show the organization's tax-exempt status. If the organization is exempt under section 501(c) (other than 501 (c)(3)), check the 501(c) box and insert the appropriate subsection number within the parentheses (for example, "4" for a 501(c)(4) organization). See the chart in *Appendix A: Exempt Organizations Reference Chart*. The term "section 501(c)(3)" includes organizations exempt under sections 501(e), (f), (k), and (n).

Item K. Form of Organization

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

CAUTION *Section 527 political organizations have different gross receipts thresholds for Form 990-EZ filing, and aren't required to submit Form 990-N. See* Section 527 political organizations *instructions, earlier, for more information.*

CAUTION *Section 501(c)(7) and 501(c)(15) organizations use different definitions of gross receipts to determine whether they qualify for tax exemption for the year.* Appendix C *defines gross receipts for the purpose of determining the exempt status of organizations described in sections 501(c)(7) and 501(c)(15). Do not use the definition of gross receipts in* Appendix C *to determine whether the organization's gross receipts are normally $50,000 or less.*

Item L. Determining Gross Receipts

Add lines 5b, 6c, and 7b to line 9 to determine gross receipts. See *Appendix B* and *Appendix C* for a discussion of gross receipts.

Only those organizations with gross receipts of less than $200,000 and total assets of less than $500,000 at the end of the tax year can use the Form 990-EZ. If the organization doesn't meet these requirements, it must file Form 990, unless excepted under *General Instruction B*.

CAUTION *Do not use the definition of gross receipts for section 501(c)(7) or 501(c)(15) exemption purposes (discussed in* Appendix C*) to determine the amount to enter here.*

Part I. Revenue, Expenses, and Changes in Net Assets or Fund Balances

All organizations filing Form 990-EZ with the IRS or any state must complete Part I. Some states that accept Form 990-EZ in place of their own forms may require additional information. See *Appendix G*.

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

Neither Form 5500 nor Department of Labor (DOL) Forms LM-2 or LM-3, Labor Organization Annual Report, should be substituted for the Form 990-EZ, lines 1–17.

Revenue

Line 1. Contributions, Gifts, Grants, and Similar Amounts Received

A. What is included on line 1?

- Report amounts received as voluntary contributions; for example, payments, or the part of any payment, for which the payer (donor) doesn't receive fair market value (FMV) from the recipient (donee) organization. Contributions are reported on line 1 regardless of whether they are deductible by the contributor.
- Enter the gross amounts of contributions, gifts, grants, and bequests that the organization received from individuals, trusts, corporations, estates, affiliates, foundations, public charities, and other exempt organizations, or raised by an outside professional fundraiser.
- Report the value of noncash contributions at the time of the donation. For example, report the gross value of a donated car as of the time the car was received as a donation.
- Report all related expenses on lines 12 through 16. Enter on line 13 professional fundraising fees relating to the gross amounts of contributions collected in the charity's name by fundraisers.

Reporting line 1 amounts in accordance with SFAS 116 (ASC 958) generally is acceptable (though not required) for Form 990 and 990-EZ purposes, but the value of donated services or use of materials, equipment, or facilities may not be reported. However, state law may require it. An organization that receives a grant to be paid in future years should, according to SFAS 116 (ASC 958), report the grant's present value on line 1. Accruals of present value increments to the unpaid grant should also be reported on line 1 in future years.

The organization must report any contributions of conservation easements and other qualified conservation contributions consistently with how it reports revenue from such contributions in its books, records, and financial statements.

Report assets contributed to the organization by another entity in the course of the entity's liquidation, dissolution, or termination.

Do not net losses from uncollectible pledges, refunds of contributions and service revenue, or reversal of grant expenses on line 1. Rather, report any such items as *Other changes in net assets or fund balances* on Part I, line 20, and explain in Schedule O.

A1. Contributions can arise from fundraising events when an excess payment is received for items offered. Fundraising activities relate to soliciting and receiving contributions. However, fundraising activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games can produce both contributions and revenue. Report as a contribution, both on line 1 and on line 6b (within the parentheses), any amount received through such a fundraising event that is greater than the FMV (retail value) of the merchandise or services furnished by the organization to the contributor. Report all gross income from gaming activities on line 6a.

This situation usually occurs when organizations seek support from the public through solicitation programs that are in part fundraising events or activities and are in part solicitations for contributions. The primary purpose of such solicitations is to receive contributions and not to sell the merchandise at its retail value, even though this might produce a profit.

Example. An organization holds a dinner, charging $400 per person for the meal. The dinner has a retail value of $160. A person who purchases a ticket is really purchasing the dinner for $160 and making a contribution of $240. The contribution of $240, which is the difference between the buyer's payment and the retail value of the dinner, is reported on line 1 and again on line 6b (within the parentheses). The revenue received ($160 retail value of the dinner) is reported on line 6b. Expenses directly related to the dinner are reported on line 6c. Fundraising expenses relating to the contribution of $240 are reported on lines 12 through 16.

If a contributor gives more than $160, that person would be making a contribution of the difference between the dinner's retail value of $160 and the amount actually given. Rev. Rul. 67-246, 1967-2 C.B. 104, as distinguished from Rev. Rul. 74-348 1974-2 C.B. 80, explains this principle in detail. See also the instructions for line 6, and Pub. 526, Charitable Contributions.

CAUTION *At the time of any solicitation or payment, organizations that are eligible to receive tax-deductible contributions should advise patrons of the amount deductible for federal tax purposes. See Pub. 1771, Charitable Contributions Substantiation and Disclosure Requirements.*

A2. Contributions can arise from fundraising events when items of only nominal or insubstantial value are given or offered. If an organization offers goods or services of only nominal or insubstantial value through a fundraising event, or distributes free, unordered, low-cost items to patrons, report the entire amount received for such benefits as a contribution on line 1. See also the instruction for *Line 6b. B1,* later, regarding nominal or insubstantial value. Report all related expenses on lines 12 through 16.

Benefits have a nominal or insubstantial value if the organization informs patrons how much of their payment is a deductible contribution, and either:

1. The FMV of all of the benefits received in connection with the payment isn't more than 2% of the payment or $106, whichever is less; or

2. The payment is $53 or more and the only benefits received in connection with the payment are token items (bookmarks, calendars, key chains, mugs, posters, T-shirts, etc.) bearing the organization's name or logo. The cost to the organization (as opposed to FMV) of all benefits received by a donor must, in the aggregate, be $10.60 or less.

A3. Contributions in the form of membership dues. Include on line 1 membership dues and assessments to the extent they are contributions and not payments for benefits received. (See the instruction for *Line 3. C1*, later.)

A4. Grants equivalent to contributions. Grants made to encourage an organization receiving the grant to carry on programs or activities that further the grant recipient's exempt purposes are grants that are equivalent to contributions. Report them on line 1. The grantor can specify which of the recipient's activities the grant may be used for, such as an adoption program or a disaster relief project.

A grant is still equivalent to a contribution if the grant recipient performs a service, or produces a work product, that benefits the grantor incidentally (but see the instruction for *Line 1. B1*, later).

A5. Contributions or grants from governmental units. Whether a payment from a governmental unit is labeled a "grant" or a "contract" doesn't determine whether the payment should be reported on line 1. Rather, a grant or other payment from a governmental unit is treated as a grant equivalent to a contribution if its primary purpose is to enable the recipient to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of

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providing the service or facility). (See the instruction for *Line 2. D*, later.)

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

- Payments by a governmental unit for the construction or maintenance of library or museum facilities open to the public.
- Payments by a governmental unit to nursing homes to provide health care to their residents (but not Medicare, Medicaid, and other similar payments on behalf of specific individuals under the line 2 instructions).
- Payments by a governmental unit to child placement or child guidance organizations under government programs to better serve children in the community.

The following examples illustrate the distinction between government payments reportable on lines 1 and 2.

- A payment by a governmental agency to a medical clinic to provide vaccinations to the general public is a contribution reported on line 1. A payment by a governmental agency to a medical clinic to provide vaccinations to employees of the agency is program service revenue reported on line 2.
- A payment by a governmental agency to an organization to provide job training and placement for disabled individuals is a contribution reported on line 1. A payment by a governmental agency to the same organization to operate the agency's internal mail delivery system is program service revenue reported on line 2.

A6. Contributions received through other fundraising organizations. Contributions received indirectly from the public through solicitation campaigns of federated fundraising agencies (United Way) are included on line 1.

A7. Contributions received from associated organizations. Include on line 1 amounts contributed by other organizations closely associated with the filing organization. This includes contributions received from a parent organization, subordinate, or another organization having the same parent.

A8. Contributions from a commercial co-venture. Include amounts contributed by a commercial co-venture on line 1. These contributions are amounts received by the organization for allowing an outside organization (donor) or individual to use the recipient organization's name in a sales promotion campaign, such as where the outside organization agrees to contribute 2% of all sales proceeds to the organization.

B. What isn't included on line 1?

B1. Grants that are payments for services aren't contributions. A grant is a payment for services, and not a contribution, when the terms of the grant provide the grantor with a specific service, facility, or product, rather than providing a benefit to the general public or that part of the public served by the grant recipient. The recipient organization would report such a grant as income on line 2 (program service revenue).

B2. Donations of services or use of property. Do not include the value of services donated to the organization (such as the value of donated advertising space, broadcast air time (including donated public service announcements), or discounts on services), or of the free use of property (materials, equipment, or facilities) as contributions on line 1. However, for the optional reporting of those amounts, see the instructions for donated services in Part III.

B3. Unreimbursed expenses. Any unreimbursed expenses of officers, employees, or volunteers don't belong on the Form 990-EZ. See the explanations of charitable contributions and employee business expenses in Pub. 526, and Pub. 463, Travel, Entertainment, Gift, and Car Expenses.

B4. Section 501(c)(9), (17), and (18) organizations. Section 501(c)(9) organizations provide participants with life, sick, accident, or other similar benefits. Section 501(c)(17) organizations provide participants with supplemental unemployment benefits, and sickness and accident benefits subordinate to supplemental unemployment benefits. Section 501(c)(18) organizations provide participants with pension(s) and similar benefits. When such an organization receives payments from participants, or their employers, to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

C. How to value noncash contributions. Report noncash contributions on line 1 at FMV. If FMV can't be readily determined, use an appraised or estimated value. See also the instructions for Part II of Schedule B.

D. Schedule of contributors. Attach Schedule B, if required. See the instructions for *Item H*.

TIP *The information on Form 1099-K, Payment Card and Third Party Network Transactions, may be useful in helping you to prepare your return but you aren't required to report the information on any specific line of your return. An organization that receives a Form 1099-K reporting a gross amount of payment card or third party network payments received in the tax year should consider these amounts when reporting contributions and revenue on lines 1 through 8, according to the instructions for preparing the return. You should retain all Forms 1099-K with your other records.*

TIP *Section 501(c)(3) organizations must figure the amount of contributions according to the above instructions in preparing the support schedule in Part II or III of Schedule A (Form 990 or 990-EZ).*

Line 2. Program Service Revenue Including Government Fees and Contracts

Enter the total program service revenue (exempt function income). Program services are primarily those that form the basis of an organization's exemption from tax.

A. Examples. A clinic would include on line 2 all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), laboratory fees, and related charges for services.

Program service revenue also includes tuition received by a school; revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; and registration fees received in connection with a meeting or convention.

B. Program-related investment income. Program service revenue also includes income from program-related investments. These investments are made primarily to accomplish an exempt purpose of the investing organization rather than to produce income. Examples of program-related investments are scholarship loans and low-interest loans to charitable organizations, indigents, or victims of a disaster. See also the instructions for line 4.

Rental income received from an exempt function is another example of program-related investment income (below-market rents from housing leased to low-income persons). For purposes of this return, report all rental income from an affiliated organization on line 2.

C. Unrelated trade or business activities. Unrelated trade or business activities (other than fundraising activities that aren't regularly carried on) that generate fees for services can also be program service activities. A social club, for example, should

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report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

D. Government fees and contracts. Program service revenue includes income earned by the organization for providing a government agency with a service, facility, or product that benefited that government agency directly rather than benefiting the public as a whole. See the instruction for *Line 1. A5*, earlier, for reporting guidelines when payments are received from a government agency for providing a service, facility, or product for the primary benefit of the general public.

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Line 3. Membership Dues and Assessments

Enter members' and affiliates' dues and assessments that aren't contributions.

A. What is included on line 3?

A1. Dues and assessments received that compare reasonably with the benefits of membership. When the organization receives dues and assessments the value of which compare reasonably with the value of benefits provided to members (whether or not the membership benefits are used by the members), report such dues and assessments on line 3.

A2. Organizations that generally match dues and benefits. Organizations described in section 501(c)(5), (6), or (7) generally provide benefits with a reasonable relationship to dues, although benefits to members can be indirect.

B. Examples of membership benefits.

These include subscriptions to publications; newsletters (other than one about the organization's activities only); free or reduced-rate admissions to events sponsored by the organization; use of the organization's facilities; and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard such intangible benefits as the right to attend meetings, vote, or hold office in the organization, and the distinction of being a member of the organization.

C. What isn't included on line 3?

C1. Dues or assessments received that exceed the value of available membership benefits. Dues received by an organization, to the extent they exceed the monetary value of the membership benefits available to the dues payer, are a contribution that should be reported on line 1.

C2. Dues received primarily for the organization's support. If a member pays dues primarily to support the organization's activities, and not to obtain benefits of more than nominal or insubstantial monetary value, those dues are a contribution to the organization includible on line 1.

Example. M is an organization whose primary purpose is to support the local symphony orchestra. Members have the privilege of purchasing subscriptions to the symphony's annual concert series before they go on sale to the general public, but must pay the same price as any other member of the public. They also are entitled to attend a number of rehearsals each season without charge. Under these circumstances, M's receipts from members are contributions reported on line 1.

Line 4. Investment Income

A. What is included on line 4?

A1. Interest on savings and temporary cash investments. Include the amount of interest received from interest-bearing checking accounts, savings, and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than 1 year. So-called dividends or earnings received from mutual savings banks, money market funds, etc., are actually interest and should be included on this line.

A2. Dividends and interest from securities. Include dividends from equity securities (stocks), and interest income from debt securities and notes and loans receivable, other than program-related investments. Include amounts received from payments on securities loans, as defined in section 512(a)(5).

A3. Gross rents. Include gross rental income received during the year from investment property and any other real property rented by the organization (other than program-related investments reported on line 2).

A4. Other investment income. Include, for example, the organization's share of investment income from a joint venture, limited liability company, or other entity treated as a partnership for federal tax purposes. Also include royalties received by the organization from licensing the ongoing use of its property to others (other than royalties generated as part of the organization's exempt function, such as royalties received from a publisher for an educational work authored by the organization, which should be reported on line 2 as program service revenue). Typically, royalties are received for the use of intellectual property (copyrights, patents, and trademarks). Royalties also include payments to the owner of property for the right to exploit natural resources on the property, such as oil, natural gas, or minerals.

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

B. What isn't included on line 4?

B1. Capital gains dividends and unrealized gains and losses. Do not include on this line any capital gains dividends. They are reported on line 5. Also don't include unrealized gains and losses on investments carried at market value. See the instructions for line 20.

B2. Exempt function revenue (program service). Do not include on line 4 amounts that represent income from an exempt function (program service). Report these amounts on line 2 as program service revenue. Report expenses related to this income on lines 12 through 16.

Exempt function rental income. An organization whose exempt purpose is to provide low-rental housing to persons with low income receives exempt function income from such rentals. An organization receives exempt function income if it rents or sublets rental space to a tenant whose activities are related to the filing organization's exempt purpose. Report rental income received in these instances on line 2 and not on line 4. Only for purposes of completing this return, treat income from renting property to affiliated exempt organizations as exempt function income and include that income on line 2 as program service revenue.

Other program-related investments. Investment income from program-related investments should be reported on line 2. See the line 2 instructions for a discussion of program-related investments. Gains or losses from the sale of program-related investment assets are reported on line 5.

Lines 5a Through 5c. Gains (or Losses) From Sale of Assets Other Than Inventory

A. What is included on line 5?

Report on line 5a all sales of securities and sales of all other types of investments (real estate, royalty interests, or partnership interests) as well as sales of all other non-inventory assets (program-related investments and fixed assets used by the

organization in its related and unrelated activities). Also report capital gains dividends, the organization's share of capital gains and losses from a joint venture, limited liability company, or other entity treated as a partnership for federal tax purposes, and capital gains distributions from trusts.

Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 5b. On line 5c, enter the net gain or loss.

For reporting sales of securities on Form 990-EZ, the organization can use the more convenient way to figure the organization's gain or loss from sales of securities by subtracting from the sales price the average-cost basis of the particular security sold. However, the average-cost basis isn't used to figure the gain or loss from sales of securities reportable on Form 990-T.

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B. What isn't included on line 5?

Do not include on line 5 any unrealized gains or losses on securities that are carried in the books of account at market value. See the instructions for line 20.

C. Books and records

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

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

Line 6a. Gaming

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

Gaming includes (but isn't limited to) bingo, pull tabs, instant bingo (including satellite and progressive bingo), Texas Hold-Em Poker and other card games, raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights/Las Vegas nights (other than events not regularly carried on in which participants can play casino-style games but the only prizes or auction items provided to participants are noncash items that were donated to the organization, which events are fundraising events), and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.

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

A wagering game that doesn't meet the legal definition of bingo doesn't qualify for the exclusion from unrelated business income, regardless of its name. For example, "instant bingo," in which a player buys a pre-packaged bingo card with pull-tabs that the player removes to determine if he or she is a winner, doesn't qualify. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations; Pub. 3079, Tax-Exempt Organizations and Gaming; and Form 990-T.

Line 6b. Fundraising Events

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

Fundraising events and activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds to finance the organization's exempt activities. They don't include events or activities that substantially further the organization's exempt purpose even if they also raise funds. They don't include activities regularly carried on. Fundraising events don't include gaming, gross income from which is reported on line 6a.

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

Fundraising events and activities raise funds by offering goods or services that have more than a nominal or insubstantial value (compared to the price charged) for a payment that is more than the direct cost of those goods or services. See the instructions for *Line 1. A1* and *A2* earlier for a discussion on contributions reportable on line 1 and revenue reportable on line 6b.

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

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

A. What is included on line 6b?

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

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

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

B. What isn't included on line 6b?

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

fundraising event have only nominal or insubstantial value, include all of the receipts as contributions on line 1 and all of the related expenses on lines 12 through 16.

B2. Sweepstakes, raffles, and lotteries. Report gross income from gaming on line 6a. Report as a contribution, on line 1, the proceeds of solicitation campaigns in which the names of contributors and other respondents (who weren't required to make a minimum payment) are entered in a drawing for prizes.

Where a minimum payment is required for each raffle or lottery entry and prizes of only nominal or insubstantial value are awarded, report any amount received as a contribution. Report the related expenses on lines 12 through 16.

B3. Activities that generate only contributions aren't fundraising events. An activity that generates only contributions, such as a solicitation campaign by mail, isn't a fundraising event. Any amount received should be included on line 1 as a contribution. Related expenses are reportable on lines 12 through 16.

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C. Attach Schedule G, Parts II and III

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

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

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

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

Lines 7a Through 7c. Gross Sales of Inventory

Line 7a. Sales of inventory. Include on line 7a the gross sales (less returns and allowances) of inventory items, whether the sales activity is an exempt function or an unrelated trade or business. Inventory items are goods the organization makes to sell to others, or that it buys for resale. Include all inventory sales except sales of goods at fundraising events, which are reportable on line 6. Do not include on line 7 sales of investments on which the organization expected to profit by appreciation and sale; report sales of these investments on line 5.

Line 7b. Cost of goods sold. On line 7b, report the cost of goods sold related to sales of such inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a proportion of overhead expenses. For purposes of Part I, the organization may include as cost of donated goods their FMV at the time of acquisition. Marketing and distribution expenses aren't includible in cost of goods sold but are reported on lines 12 through 16.

Line 8. Other Revenue

Enter the total income from all sources not covered by lines 1 through 7. Examples of line 8 income are interest on notes receivable not held as investments or as program-related investments (defined in the line 2 instructions); interest on loans to officers, directors, trustees, key employees, and other employees; and royalties that aren't investment income or program service revenue.

Expenses:
Line 10. Grants and Similar Amounts Paid

A. What is included on line 10?

Enter the amount of actual grants and similar amounts paid to individuals and organizations selected by the filing organization. Include scholarship, fellowship, and research grants to individuals.

A1. Specific assistance to individuals. Include on this line the amount of payments to, or for the benefit of, particular clients or patients, including assistance by others at the organization's expense.

A2. Payments, voluntary awards, or grants to affiliates. Include on line 10 certain types of payments to organizations affiliated with (closely related to) the filing organization. These payments include predetermined quota support and dues payments by local organizations to their state or national organizations.

CAUTION *If the organization uses Form 990-EZ for state reporting purposes, distinguish on Schedule O between payments to affiliates and awards and grants. See* Appendix G.

B. What isn't included on line 10?

B1. Administrative expenses. Do not include on this line expenses made in selecting recipients or monitoring compliance with the terms of a grant or award. Enter those expenses on lines 12 through 16.

B2. Purchases of goods or services from affiliates. Do not report the cost of goods or services purchased from affiliates on line 10. Report these expenses on lines 12 through 16.

B3. Membership dues paid to another organization. Report membership dues that the organization pays to another organization (other than an affiliated organization) for general membership benefits, such as regular services, publications, and materials, on line 16.

C. Grantee List on Schedule O

List on Schedule O each grantee organization or individual to whom the organization made grants (or paid similar amounts) in excess of $5,000 during the organization's tax year. For each grantee, list:

- Each class of activity;
- The grantee's name and address (for grantee organizations, not grantee individuals);
- The amount given (aggregate amount of grants and payments to or for the benefit of the grantee during the organization's tax year); and
- The relationship of the grantee (for grants to individuals), if the relationship is by blood, marriage, adoption, or employment (including employees' children), control, or ownership, to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, key employee, related organization, etc.

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

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

Classify activities on this schedule in more detail than by using broad terms such as charitable, educational, religious, or scientific. For example, identify payments to affiliates; payments for nursing services; fellowships; and payments for food, shelter, or medical services for indigents or disaster victims.

Colleges, universities, and primary and secondary schools reporting scholarships or other financial assistance can instead include a statement in Schedule O that (a) groups each type of financial aid provided, (b) indicates the number of individuals who received the aid, and (c) specifies the aggregate dollar amount.

If an organization gives property other than cash and measures an award or grant by the property's FMV, also show on this schedule:

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

Any difference between a property's FMV and book value should be recorded in the organization's books of account and on line 20.

Line 11. Benefits Paid to or for Members

For an organization that gives benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), enter the amounts paid for or paid to obtain insurance that provides:

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

Report on line 12, rather than line 11, the cost of employment-related benefits (such as health insurance) that the organization gives its officers and employees.

Line 12. Salaries, Other Compensation, and Employee Benefits

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

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

Also include in the total on line 12 the amount of federal, state, and local payroll taxes for the year that are imposed on the organization as an employer. This includes the employer's share of social security and Medicare taxes, federal unemployment tax (FUTA), state unemployment compensation tax, and other state and local payroll taxes. Taxes withheld from employees' salaries and paid over to the various governmental units (such as federal and state income taxes and the employees' share of social security and Medicare taxes) are part of the employees' salaries included on line 12. Report expenses paid or incurred for employee events such as a picnic or holiday party on this line.

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

Line 13. Professional Fees and Other Payments to Independent Contractors

Enter the total amount of legal, accounting, auditing, other professional fees (such as fees for fundraising or investment services), and related expenses charged by outside firms and individuals who aren't employees of the organization.

Do not include any penalties, fines, or judgments imposed on the organization as a result of legal proceedings; report and identify those expenses on line 16. Report on line 12 fees paid to directors and trustees. Also report on line 12 compensation to employees that provide fundraising, legal, accounting, or other professional services as part of their employment. Report broker fees/commissions as sales expenses on line 5b.

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

In some cases, the organization can be required to report payments to an independent contractor on Form 1099-MISC, Miscellaneous Income.

Line 14. Occupancy, Rent, Utilities, and Maintenance

Enter the total amount paid or incurred for the use of office space or other facilities, including rent; mortgage interest; heat, light, power, and other utilities; outside janitorial services; real estate taxes and property insurance attributable to rental property; and similar expenses.

These expenses relate to real property actually occupied by the organization, whether as tenant or owner, or used in the conduct of exempt functions (such as low-income rental housing). Report on line 16 expenses relating to real property used for investment purposes. If the organization occupies part of the property and leases a part to others, then expenses must be reasonably allocated between occupancy-related and investment-related expenses, and reported accordingly on lines 14 and 16.

If the organization records depreciation on property it occupies, enter the total for the year. For an explanation of

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acceptable methods for figuring depreciation, see Pub. 946, How To Depreciate Property.

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

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Line 15. Printing, Publications, Postage, and Shipping

Enter the printing and related costs of producing the filing organization's own newsletters, leaflets, films, and other informational materials as well as the cost of outside mailing services on line 15. Also include the cost of any purchased publications as well as postage and shipping costs not reportable on line 5b, 6c, or 7b. Do not include any expenses, such as salaries, for which a separate line is provided.

Line 16. Other Expenses

Report expenses here that aren't reportable on lines 10 through 15. Include here such expenses as penalties, fines, and judgments; unrelated business income taxes; insurance, interest, depreciation, and real estate taxes not reported as occupancy expenses; travel and transportation costs; and expenses for conferences, conventions, and meetings. Do not report on this line payments made by organizations exempt under section 501(c)(8), (9), or (17) to obtain insurance benefits for members. Report those expenses on line 11.

Some states that accept Form 990-EZ in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized. See *Appendix G*.

Net Assets

Line 18. Excess or (Deficit) for the Year

Enter the difference between lines 9 and 17. If line 17 is more than line 9, enter the difference in parentheses or as a negative number with a minus sign.

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

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

Line 20. Other Changes in Net Assets or Fund Balances

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

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

See *General Instruction C* regarding the reporting of a section 481(a) adjustment to conform to SFAS 116 (ASC 958).

Part II. Balance Sheets

Every organization that files Form 990-EZ must complete columns (A) and (B) of Part II of the return and can't submit a substitute balance sheet. Failure to complete Part II can result in penalties for filing an incomplete return. If there is no amount to report in column (A), *Beginning of year*, enter a zero 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	All organizations must describe their program service accomplishments for each of their three largest program services (as measured by total expenses incurred). • Describe program service accomplishments through measurements such as clients served, days of care, number of sessions or events held, or publications issued. • Describe the activity's objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity. • Give reasonable estimates for any statistical information if exact figures aren't readily available. Indicate that this information is estimated. • Be clear, concise, and complete in the description. Avoid attaching brochures, newsletters, newspaper articles about the organization, etc.
3	**Public interest law firm.** A public interest law firm exempt under section 501(c)(3) or 501(c)(4) must list in Schedule O all the cases in litigation or that have been litigated during the year. For each case, describe the matter in dispute and explain how the litigation will benefit the public generally. Also enter the fees sought and recovered in each case. See Rev. Proc. 92-59, 1992-2 C.B. 411.
4	**Expenses and grants.** For each program service reported on lines 28–31, 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.
5	Describe in Schedule O the organization's other program services. • The detailed information required for the three largest services isn't necessary for this schedule. • However, section 501(c)(3) and (4) organizations must show the expenses and grants attributable to their program services.
6	The organization can report the amount of any donated services, or any donated use of materials, equipment, or facilities it received or utilized for a specific program service. • Disclose the applicable amounts of any donated services, etc., on the lines for the narrative description of the appropriate program service. • Do not include these amounts in the expense column in Part III. • See the instruction for *Line 1. B2*, regarding donations of services or use of property.

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

Check the box in the heading of Part IV if Schedule O (Form 990 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 didn't receive any compensation from the organization.

Officer. An officer is a person elected or appointed to manage the organization's daily operations, such as a president, vice president, secretary, or treasurer. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its governing body, but at a minimum include those officers required by applicable state law.

Director or trustee. A director or trustee is a member of the organization's governing body, but only if the member has voting rights. The governing body is the group of persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of directors (sometimes referred to as board of trustees) of a corporation or association, or the board of trustees of a trust (sometimes referred to simply as the trustees, or trustee, if only one trustee).

Key employee. A key employee is any person having responsibilities or powers similar to those of officers, directors, or trustees. The term includes the chief management and administrative officials of an organization (such as an executive director or chancellor). A chief financial officer and the officer in charge of the administration or program operations are both key employees if they have the authority to control the organization's activities, its finances, or both.

Enter a zero 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, isn't 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 isn't 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

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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 1 hour per week, then the organization can enter a decimal rounded to the nearest tenth (for example, 0.2 hours per week).

Columns (c)–(e)

All compensation reporting is based on the calendar year ending with or within the organization's tax year. For example, if a fiscal-year organization's tax year is the 12-month period beginning July 1, 2016, and ending June 30, 2017, the organization must report compensation for the calendar year ending December 31, 2016.

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 for director services and other independent contractor services to the organization, plus box 1 or 5 of Form W-2 (whichever amount is greater) if also compensated as an officer or employee; and
- For institutional trustees (such as banks or trust companies)–fees for services paid under a contractual agreement or statutory entitlement.

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

TIP *Corporate officers are considered employees for purposes of Form W-2 reporting, unless they perform no services as officers, or perform only minor services and neither receive nor are entitled to receive, directly or indirectly, any compensation. Corporate directors are considered independent contractors, not employees, and director compensation, if any, 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 aren't subject to social security and Medicare taxes as employees, box 5 of Form W-2 can be zero or less than the amount in Form W-2, box 1. In those cases, the amount required to be reported in box 1 of Form W-2 must be reported as reportable compensation in column (c).

Column (d). Report the following deferred compensation and benefits.

1. Tax-deferred contributions by the employer to a qualified defined-contribution retirement plan.

2. The annual increase or decrease in actuarial value of a qualified defined benefit plan, whether or not funded or vested.

3. The value of health benefits provided by the employer, or paid by the employee with pre-tax dollars, that isn't included in reportable compensation, including the value of:

- Payments of health benefit plan premiums,
- Medical reimbursement and flexible spending programs, and
- Health coverage (rather than actual benefits paid) provided by an employer's self-insured or self-funded arrangement.

Health benefits include medical, dental, optical, drug, and medical equipment benefits. They don't include disability or long-term care insurance premiums or allocated benefits for this purpose.

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

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

Column (e). Enter both taxable and nontaxable fringe benefits, but don't include compensation reported in 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).

3. De minimis fringe benefits described in section 132(e).

Include amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient didn't account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. See Pub. 525, Taxable and Nontaxable Income, for more information.

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

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

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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).

2. **Statement regarding personal benefit contract.** If, in connection with a transfer to or for the use of the organization, the organization directly or indirectly pays premiums on any *personal benefit contract*, or there is an understanding or expectation that any person will directly or indirectly pay such premiums, the organization must do the following.

- Attach a statement describing the organization's involvement with the *personal benefit contract(s)*.
- Report on Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, the premiums that the organization paid, and the premiums paid by others but treated as paid by the organization.
- Report and pay an excise tax, equal to premiums paid, on Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code.

A *personal benefit contract* is generally any life insurance, annuity, or endowment contract that benefits, directly or indirectly, the transferor, a member of the transferor's family, or any other person designated by the transferor (other than an organization described in section 170(c)). See section 170(f)(10); Notice 2000-24, 2000-1 C.B. 952; and 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 hasn't previously reported to the IRS on Form 990-EZ or Form 990. Also describe significant activities that were discontinued. If the organization has never filed a Form 990 or 990-EZ, answer "No."

TIP *An organization must report new, significant program services or significant changes in how it conducts program services in Part III of Form 990-EZ and in Schedule O (Form 990 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 weren't reported on any prior Form 990, and that were made before the end of the tax year.

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

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

Examples of insignificant changes made to organizing or governing documents that aren't required to be reported here include changes to the organization's registered agent with the state and to the required or permitted number or frequency of governing body or member meetings.

Describe significant changes on Schedule O (Form 990 or 990-EZ), but don't attach a copy of the amendments or amended document to Form 990-EZ (or recite the entire amended document verbatim), unless such amended documents reflect a change in the organization's name. See the instructions for *Item B*, earlier, regarding attachments required in the event of a change in the organization's name, 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 aren't signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents. Photocopies of articles of incorporation showing the certification of an appropriate state official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for details.

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 35a–b. Unrelated Business Income

Unrelated Business Income

Political organizations described in section 527 aren't 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 the Instructions for Form 990-T for the filing requirements of Form 990-T.

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

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

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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 figure these amounts.

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

If the organization checks "No" to line 35c, it is certifying that it wasn't subject to the notice and reporting requirements of section 6033(e) and that the organization had no lobbying and political expenditures potentially subject to the proxy tax.

Section 6033(e) notice and reporting requirements and proxy tax. Section 6033(e) requires certain section 501(c)(4), 501(c)(5), and 501(c)(6) organizations to tell their members the portion of their membership dues that were allocable to the political or lobbying activities of the organization. If an organization doesn't give its members this information, then the organization is subject to a proxy tax. The tax is reported on Form 990-T.

If the organization checks "Yes" on line 35c to declare that it had reportable section 6033(e) lobbying and political expenses in the tax year (and potential liability for the proxy tax):

1. Complete Part III of Schedule C (Form 990 or 990-EZ) (see instructions), and

2. Attach this schedule to Form 990-EZ.

Only the following tax-exempt organizations are subject to the section 6033(e) notice and reporting requirements, and a potential proxy tax.

- Section 501(c)(4) social welfare organizations.
- Section 501(c)(5) agricultural and horticultural organizations.
- Section 501(c)(6) organizations.

If the organization isn't tax-exempt under sections 501(c)(4), 501(c)(5), or 501(c)(6), check "No" on line 35c.

If the organization meets *Exception 1* or *2* next, it is excluded from the notice, reporting, and proxy tax requirements of section 6033(e), and it should check "No" 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, previously.

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 $112 or less in 2016 (adjusted annually for inflation). See Rev. Proc. 2015-53, 2015-44 I.R.B. 615.

6. Any organization that receives a private letter ruling from the IRS stating that the organization satisfies the section 6033(e)(3) exception.

7. Any organization that keeps records to substantiate that 90% or more of its members can't deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.

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

Special rules treat affiliated social welfare organizations, agricultural and horticultural organizations, and business leagues as parts of a single organization for purposes of meeting the nondeductible dues exception. See Rev. Proc. 98-19.

Exception 2. Section 6033(e)(1) $2,000 in-house lobbying exception. An organization satisfies the $2,000 in-house lobbying exception if it:

1. Didn't receive a waiver for proxy tax owed for the prior year;

2. Didn't make any political expenditures or foreign lobbying expenditures during the current tax year; and

3. Incurred lobbying expenses during the current tax year consisting only of in-house direct lobbying expenses totaling $2,000 or less, but excluding:

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 doesn't 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 don't include:

- Any payments to other taxpayers engaged in lobbying or political activities as a trade or business, and
- Any dues paid to another organization that are allocable to lobbying or political activities.

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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 *Final return/terminated* box in the heading of the return.

A *significant disposition of net assets* is a sale, exchange, disposition, or other transfer of more than 25% of the FMV of the organization's net assets during the year, regardless of whether the organization received full or adequate consideration. A significant disposition of net assets may result from either an expansion or contraction of operations. A significant disposition of net assets involves:

1. One or more dispositions during the organization's tax year amounting to more than 25% of the FMV of the organization's assets as of the beginning of its tax year; or

2. One of a series of related dispositions or events commenced in a prior year, that when combined comprise more than 25% of the FMV of the organization's assets as of the beginning of the tax year when the first disposition of net assets occurred. Whether a series of related dispositions is a significant disposition of net assets depends on the facts and circumstances in each case.

Examples of the types of transactions that are *significant dispositions of net assets* required to be reported 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).

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

The following aren't considered significant dispositions of net assets for purposes of Schedule N, Part II.

- The change in composition of publicly traded securities held in an exempt organization's passive investment portfolio.
- Asset sales made in the ordinary course of the organization's exempt activities to accomplish the organization's exempt purposes, such as gross sales of inventory.
- Grants or other assistance made in the ordinary course of the organization's exempt activities to accomplish the organization's exempt purposes, such as the regular charitable distributions of a United Way or other federated fundraising organization.
- A decrease in the value of net assets due to market fluctuation in the value of assets held by the organization.
- Transfers to a disregarded entity of which the organization is the sole member.

Line 37. Expenditures for Political Purposes

Political organizations described in section 527 aren't required to answer this question.

A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice-Presidential electors. It doesn't matter whether the attempt succeeds.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

All section 501(c) organizations. An exempt organization that isn't a political organization must file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, if it is treated as having political organization taxable income under section 527(f)(1).

If a section 501(c) organization establishes and maintains a section 527(f)(3) separate segregated fund, it is the fund's responsibility to file its own Form 1120-POL if the fund meets the Form 1120-POL filing requirements. Do not include the segregated fund's receipts, expenditures, and balance sheet items on the Form 990-EZ of the section 501(c) organization that establishes and maintains the fund. When answering question 37 on its Form 990-EZ, the section 501(c) organization should disregard the political expenses and Form 1120-POL filing requirement of the segregated fund. However, when a section 501(c) organization transfers its own funds to a separate segregated section 527(f)(3) fund for use as political expenses, the section 501(c) organization must report the transferred funds as its own political expenses on its Form 990-EZ.

Section 501(c)(3) organizations. A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

A section 501(c)(3) organization must pay a section 4955 excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization who knowingly agrees to a political expenditure must pay a section 4955 excise tax, unless the agreement isn't willful and there is reasonable cause. A manager who doesn't agree to a correction of the political expenditure may have to pay an additional excise tax.

When an organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures.

- Remuneration to such individual (a candidate or prospective candidate) for speeches or other services.
- Travel expenses of such individual.
- Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by such individual.
- Expenses of advertising, publicity, and fundraising for such individual.
- Any other expense that has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of such individual.

An organization is effectively controlled by a candidate or prospective candidate only if such individual has a continuing, substantial involvement in the day-to-day operations or management of the organization.

A determination of whether the primary purpose of an organization is promoting the candidacy or prospective candidacy of an individual for public office is made on the basis

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of all the facts and circumstances. See section 4955 and Regulations section 53.4955.

Use Form 4720 to figure and report these excise taxes.

Line 38. Loans to or from Officers, Directors, Trustees, and Key Employees

Enter the end-of-year unpaid balance of secured and unsecured loans made to or received from officers, directors, trustees, and key employees (as defined in Part IV earlier). For example, if the organization borrowed $1,000 from one officer and loaned $500 to another, none of which has been repaid, report $1,500 on line 38b.

For loans outstanding at the end of the year, complete and attach 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.

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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 isn't 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 isn't exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

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

1. Is an auxiliary of a fraternal beneficiary society exempt under section 501(c)(8), and

2. Limits its membership to the members of a particular religion; or the membership limitation is:

a. A good-faith attempt to further the teachings or principles of that religion, and

b. Not intended to exclude individuals of a particular race or color.

Line 40a. Section 501(c)(3) Organizations: Disclosure of Excise Taxes Imposed Under Section 4911, 4912, or 4955

Section 501(c)(3) organizations must disclose any excise tax imposed during the year under section 4911 (excess lobbying expenditures), 4912 (disqualifying lobbying expenditures), or, unless abated, 4955 (political expenditures). See sections 4962 and 6033(b).

Line 40b. Section 501(c)(3), 501(c)(4), and 501(c)(29) Organizations: Disclosure of Section 4958 Excess Benefit Transactions and Excise Taxes

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

Sections 6033(b) and 6033(f) require section 501(c)(3) and 501(c)(4) organizations to report the amount of taxes imposed under section 4958 (excess benefit transactions) involving the organization, unless abated, as well as any other information the Secretary may require concerning those transactions.

If the organization answers "Yes," then complete and attach Part I of Schedule L (Form 990 or 990-EZ).

TIP *An excess benefit transaction can have serious implications for the disqualified person that entered into the transaction with the organization, any organization managers that knowingly approved of the transaction, and the organization itself. A section 501(c)(3), 501(c)(4), or 501(c)(29) organization that becomes aware that it may have engaged in an excess benefit transaction should obtain competent advice regarding section 4958, pursue correction of any excess benefit, and take other appropriate steps to protect its interests with regard to such transaction and the potential impact it could have on the organization's continued exempt status. See* Appendix E, Section 4958 Excess Benefit Transactions, *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

Enter the amount of taxes imposed on organization managers and/or disqualified persons under sections 4912, 4955, and 4958, unless abated.

Line 40d. Taxes Reimbursed by the Organization

Enter the amount of tax on line 40c that was reimbursed by the organization. Any reimbursement of the excise tax liability of a disqualified person or organization manager will be treated as an excess benefit unless:

1. The organization treats the reimbursement as compensation during the year the reimbursement is made; and

2. The total compensation to that person, including the reimbursement, is reasonable.

Line 40e. Tax on Prohibited Tax Shelter Transactions

Answer "Yes" if the organization was a party to a prohibited tax shelter transaction as described in section 4965(e) at any time during the organization's tax year. An organization that files Form 990-EZ (other than a section 527 political organization) and that is a party to a prohibited tax shelter transaction must file

Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction, and may also have to file Form 4720 and pay excise tax imposed by section 4965. For more information, see the instructions 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 isn't required to provide the address or telephone number for the personal residence of an individual. The organization's address and phone number can be used instead, or the business address and telephone number of such individual.

Line 42b. Foreign Financial Accounts

Answer "Yes" if either item 1 or 2 below applies.

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

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

b. The accounts weren't with a U.S. military banking facility operated by a U.S. financial institution.

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

If "Yes," enter the name of the foreign country or countries. Continue on Schedule O if more space is needed.

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

Line 43. Section 4947(a)(1) Nonexempt Charitable Trusts

A section 4947(a)(1) nonexempt charitable trust that has no taxable income under Subtitle A can use Form 990-EZ to meet its section 6012 filing requirement by checking the box on line 43 (in which case Form 1041 isn't required). In such case, enter on line 43 the total of exempt-interest dividends received or accrued (if reporting under the accrual method of accounting) during the tax year. Such tax-exempt interest includes exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.

Section 4947(a)(1) nonexempt charitable trusts must complete all sections of the Form 990-EZ and schedules that 501(c)(3) organizations must complete. All references to a section 501(c)(3) organization in the Form 990-EZ, schedules, and instructions include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A (Form 990 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 aren't collected or withheld, or these taxes aren't paid to the IRS, a trust fund recovery penalty may apply. The trust fund recovery penalty may be imposed on all persons (including volunteers) who the IRS determines were responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so.

This penalty doesn't apply to volunteer unpaid members of any board of trustees or directors of a tax-exempt organization, if these members are solely serving in an honorary capacity, don't participate in the day-to-day or financial activities of the organization, and don't have actual knowledge of the failure to collect, account for, and pay over these taxes. However, the preceding sentence doesn't apply if it results in no person being liable for the penalty.

The penalty is equal to the unpaid trust fund tax. See Pub. 15 (Circular E) for more details, including the definition of responsible persons.

Line 44a. Donor Advised Funds

CAUTION *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 doesn't 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

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by Rev. Proc. 2011-33, 2011-25 I.R.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 doesn't include hospitals that are located outside the United States. It also doesn't include hospitals that are operated by entities organized as separate legal entities from the organization that are treated as corporations for federal tax purposes.

TIP *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 and 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 didn't 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.

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 regulations, for purposes of this definition). For the definition of "control of a nonprofit organization," see the *Line 49* instructions.

Line 45b. Transactions With a Section 512(b)(13) Controlled Entity

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 the 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.

CAUTION *The organization should check "Yes" to line 45b* ***only*** *if transactions with the controlled entity are described in (1) or (2). That organization should file Form 990 and Schedule R. If transactions with the controlled entity are* ***not*** *described in (1) or (2), the organization isn't precluded from filing Form 990-EZ because of those transactions, and should check "No" to line 45b.*

Line 46. Political Campaign Activities

Answer "Yes" and complete the applicable parts of Part I of Schedule C (Form 990 or 990-EZ), 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) if the organization checked the box on line 2 of Schedule A (Form 990 or 990-EZ), 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 isn't 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.

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- Parent: an organization that controls the filing organization (see definition of "control," later).
- 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 isn't 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 aren't 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 isn't 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 wouldn't 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 wouldn't 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 aren't 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

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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.

TIP *Form 1099-MISC isn't 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 aren't 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 isn't 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 or by filing Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal.

CAUTION *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 won't 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 doesn't 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 isn't 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 2017 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
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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

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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*, later.

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.

CAUTION *Do not use the definition of gross receipts described in* Appendix C *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 doesn't 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 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*, 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 don't include:

- Capital contributions (see Regulations section 1.118-1),
- Initiation fees, or
- Unusual amounts of income (such as the sale of the clubhouse).

CAUTION *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.

2. The company's premiums must be more than 50% of its gross receipts.

If the company didn't 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 don't 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 Internal Revenue Bulletin 2006-19, available at IRS.gov.

Alternate test. If any section 501(c)(15) insurance company (other than life insurance) is a mutual insurance company and it didn't 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 doesn't meet either test, then it must file Form 1120 or 1120-PC (if the company isn't entitled to insurance reserves) instead of Form 990 or 990-EZ.

CAUTION *The alternate test doesn't 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 didn't 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 doesn't, however, include contributions to capital. For more information, see Notice 2006-42.

Premiums. Premiums consist of all amounts received as a result of entering into an insurance contract. They are reported on Form 990, Part VIII, 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

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all members of a controlled group are aggregated in figuring the tests described earlier.

Appendix D: Public Inspection of Returns

Some members of the public rely on Form 990 or 990-EZ as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its returns.

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An organization's completed Form 990 or 990-EZ is available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF) is open for public inspection for section 527 organizations filing Form 990 or 990-EZ, and for organizations filing Form 990-PF. For other organizations that file Form 990 or 990-EZ, the names and addresses of contributors listed on Schedule B aren't required to be made available for public inspection. All other information reported on Schedule B, including the amount of contributions, the description of noncash contributions, and any other information, is required to be made available for public inspection unless it clearly identifies the contributor. Form 990-T filed after August 17, 2006, by a section 501(c)(3) organization to report any unrelated business income, is also available for public inspection and disclosure.

Through the IRS

Use Form 4506-A to request:

- A copy of an exempt or political organization's return, report, notice, or exemption application; or
- An inspection of a return, report, notice, or exemption application at an IRS office.

The IRS can provide copies of exempt organization returns on DVD. Requesters can order the complete set (for example, all Forms 990 and 990-EZ or all Forms 990-PF filed for a year) or a partial set by state or by month. If you are ordering a partial set on DVD, indicate the format (alchemy or raw), state(s), and month(s) you are ordering. Sample DVD requests aren't available for individual states. DVDs and sample DVDs aren't available for individual exempt organizations. Complete information, including the cost, is available on the IRS website. Search Copies of Scanned EO Returns Available at *www.irs.gov/Charities-&-Non-Profits/Copies-of-Scanned-EOReturns-Available*.

The IRS generally can't disclose portions of an exemption application relating to trade secrets, etc. The IRS can, however, disclose the names and addresses of contributors of section 527 organizations filing Form 990 or 990-EZ and for organizations that file Form 990-PF. For other organizations that file Form 990 or 990-EZ, the names and addresses of contributors aren't required to be made available for public inspection. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more information about the disclosure of that schedule.

Form 990-T must be made available for public inspection by both the IRS and section 501(c)(3) organizations under Notice 2008-49, 2008-20 I.R.B. 979.

A section 527 organization's Form 990 or 990-EZ can only be requested for tax years beginning after June 30, 2000.

A private foundation's Form 990-PF can only be requested for tax years beginning after March 13, 2000.

A return, report, notice, or exemption application can be inspected at an IRS office free of charge. Copies of these items can also be obtained through the organization as discussed in the following section.

Note. The publicly available data on electronically filed Forms 990 is now available in a machine-readable format through Amazon Web Services (AWS). The publicly available data doesn't include donor information or other personally identifiable information.

Through the Organization

Public inspection and distribution of certain returns of unrelated business income. Section 501(c)(3) organizations that are required to file Form 990-T after August 17, 2006, must make Form 990-T available for public inspection under section 6104(d)(1)(A)(ii).

Public inspection and distribution of returns and reports for a political organization. Section 527 political organizations required to file Form 990 or 990-EZ must, in general, make their Form 8871, Political Organization Notice of Section 527 Status; Form 8872, Political Organization Report of Contributions and Expenditures; 990, or 990-EZ available for public inspection in the same manner as annual information returns of section 501(c) organizations. See *Public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations*, next. Generally, Forms 8871 and 8872 are available for inspection and printing in the Charities & Nonprofits section of the IRS website (IRS.gov).

TIP *A section 527 political organization (and an organization filing Form 990-PF) must disclose their Schedule B (Form 990, 990-EZ, or 990-PF). See the Instructions for Schedule B. The penalties discussed in* General Instruction G *also apply to section 527 political organizations (Rev. Rul. 2003-49, 2003-20 I.R.B. 903).*

Public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations. Under Regulations sections 301.6104(d)-1 through 3, a tax-exempt organization must:

- Make its application for recognition of exemption and its annual information returns available for public inspection without charge at its principal, regional, and district offices during regular business hours;
- Make each annual information return available for a period of 3 years beginning on the date the return is required to be filed (determined with regard to any extension of time for filing) or is actually filed, whichever is later; and
- Provide a copy without charge (for Form 990-T, this requirement applies only to Forms 990-T filed after August 17, 2006), other than a reasonable fee for reproduction and actual postage costs, of all or any part of any application or return required to be made available for public inspection to any individual who makes a request for such copy in person or in writing (except as provided in Regulations sections 301.6104(d)-2 and (d)-3).

Definitions

Tax-exempt organization is any organization that is described in section 501(c) or (d) and is exempt from taxation under section 501(a). The term "tax-exempt organization" also includes any section 4947(a)(1) nonexempt charitable trust or nonexempt private foundation that is subject to the reporting requirements of section 6033.

Application for tax exemption includes:

- Any prescribed application form (such as Form 1023, 1023-EZ, or 1024),
- All documents and statements the IRS requires an applicant to file with the form,
- Any statement or other supporting document submitted in support of the application, and
- Any letter or other document issued by the IRS concerning the application.

Application for tax exemption doesn't include:
- Any application for tax exemption filed before July 15, 1987, unless the organization filing the application had a copy of the application on July 15, 1987;
- In the case of a tax-exempt organization other than a private foundation, the name and address of any contributor to the organization; or
- Any material that isn't available for public inspection under section 6104.

If there is no prescribed application form, see Regulations section 301.6104(d)-1(b)(3)(ii).

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Annual information return includes:
- An exact copy of the Form 990 or 990-EZ filed by a tax-exempt organization as required by section 6033,
- Any amended return the organization files with the IRS after the date the original return is filed (both the original and amended return are subject to the public inspection requirements), and
- An exact copy of Form 990-T if one is filed by a 501(c)(3) organization.

The copy must include all information furnished to the IRS on Form 990, 990-EZ, or 990-T, as well as all schedules, attachments, and supporting documents, except for the name and address of any contributor to the organization. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF). However, schedules, attachments, and supporting documents filed with Form 990-T that don't relate to the imposition of unrelated business income tax aren't required to be made available for public inspection and copying. See Notice 2008-49.

Annual returns more than 3 years old. An annual information return doesn't include any return after the expiration of 3 years from the date the return is required to be filed (including any extension of time that has been granted for filing such return) or is actually filed, whichever is later.

If an organization files an amended return, however, the amended return must be made available for a period of 3 years beginning on the date it is filed with the IRS.

Local or subordinate organizations. For rules relating to annual information returns of local or subordinate organizations, see Regulations section 301.6104(d)-1(f)(2).

Regional or district offices. A regional or district office is any office of a tax-exempt organization, other than its principal office, that has paid employees, whether part time or full time, whose aggregate number of paid hours a week are normally at least 120.

A site isn't considered a regional or district office, however, if:
- The only services provided at the site further exempt purposes (such as day care, health care or scientific or medical research); and
- The site doesn't serve as an office for management staff, other than managers who are involved solely in managing the exempt function activities at the site.

Special Rules Relating to Public Inspection

Permissible conditions on public inspection. A tax-exempt organization:
- Can have an employee present in the room during an inspection;
- Must allow the individual conducting the inspection to take notes freely during the inspection; and
- Must allow the individual to photocopy the document at no charge, if the individual provides photocopying equipment at the place of inspection.

Organizations that don't maintain permanent offices. A tax-exempt organization with no permanent office:
- Must make its application for tax exemption and its annual information returns available for inspection at a reasonable location of its choice;
- Must permit public inspection within a reasonable amount of time after receiving a request for inspection (normally not more than 2 weeks) and at a reasonable time of day;
- Can mail, within 2 weeks of receiving the request, a copy of its application for tax exemption and annual information returns to the requester instead of allowing an inspection; and
- Can charge the requester for copying and actual postage costs only if the requester consents to the charge.

An organization that has a permanent office, but has no office hours, or very limited hours during certain times of the year, must make its documents available during those periods when office hours are limited, or not available, as though it were an organization without a permanent office.

Special Rules Relating to Copies

Time and place for providing copies in response to requests made in person. A tax-exempt organization must:
- Provide copies of required documents under section 6104(d) in response to a request made in person at its principal, regional, and district offices during regular business hours; and
- Provide such copies to a requester on the day the request is made, except for unusual circumstances (see next).

Unusual circumstances. In the case of an in-person request, where unusual circumstances exist so that fulfilling the request on the same business day causes an unreasonable burden to the tax-exempt organization, the organization must provide the copies no later than the next business day following the day that the unusual circumstances cease to exist, or the 5th business day after the date of the request, whichever occurs first.

Unusual circumstances include:
- Requests received that exceed the organization's daily capacity to make copies;
- Requests received shortly before the end of regular business hours that require an extensive amount of copying; or
- Requests received on a day when the organization's managerial staff capable of fulfilling the request is conducting special duties, such as student registration or attending an off-site meeting or convention, rather than its regular administrative duties.

Agents for providing copies. For rules relating to use of agents to provide copies, see Regulations sections 301.6104(d)-1(d)(1)(iii) and 1(d)(2)(ii)(C).

Request for copies in writing. A tax-exempt organization must honor a written request for a copy of documents (or the requested part) required under section 6104(d) if the request:

1. Is addressed to, and delivered by mail, electronic mail, facsimile, or a private delivery service, as defined in section 7502(f), to a principal, regional, or district office of the organization; and

2. Sets forth the address to which the copy of the documents should be sent.

Time and Manner of Fulfilling Written Requests

IF the organization	THEN the organization
Receives a written request for a copy,	Must mail the copy of the requested documents (or the requested parts) within 30 days from the date it receives the request.
Mails the copy of the requested document,	Is deemed to have provided the copy on the postmark date or private delivery mark (if sent by certified or registered mail, the date of registration or the date of the postmark on the sender's receipt).
Requires payment in advance,	Is required to provide the copies within 30 days from the date it receives payment.
Receives a request or payment by mail,	Is deemed to have received it 7 days after the date of the postmark, absent evidence to the contrary.
Receives a request transmitted by electronic mail or facsimile,	Is deemed to have received it the day the request is transmitted successfully.
Receives a written request without payment or with an insufficient payment, when payment in advance is required,	Must notify the requester of the prepayment policy and the amount due within 7 days from the date of the request's receipt.
Receives consent from an individual making a request,	Can provide a copy of the requested document exclusively by electronic mail (the material is provided on the date the organization successfully transmits the electronic mail).

Request for a copy of parts of a document. A tax-exempt organization must fulfill a request for a copy of the organization's entire application for tax exemption or annual information return or any specific part of its application or return. A request for a copy of less than the entire application or less than the entire return must specifically identify the requested part or schedule.

Fees for copies. A tax-exempt organization can charge a reasonable fee for providing copies. Before the organization provides the documents, it can require that the individual requesting copies of the documents pay the fee. If the organization has provided an individual making a request with notice of the fee, and the individual doesn't pay the fee within 30 days, or if the individual pays the fee by check and the check doesn't clear upon deposit, the organization can disregard the request.

Form of payment—(A) Request made in person. If a tax-exempt organization charges a fee for copying, it must accept payment by cash and money order for requests made in person. The organization can accept other forms of payment, such as credit cards and personal checks.

(B) Request made in writing. If a tax-exempt organization charges a fee for copying and postage, it must accept payment by certified check, money order, and either personal check or credit card for requests made in writing. The organization can accept other forms of payment.

Avoidance of unexpected fees. Where a tax-exempt organization doesn't require prepayment and a requester doesn't enclose payment with a request, an organization must receive consent from a requester before providing copies for which the fee charged for copying and postage exceeds $20.

Documents to be provided by regional and district offices. Except as otherwise provided, a regional or district office of a tax-exempt organization must satisfy the same rules as the principal office about allowing public inspection and providing copies of its application for tax exemption and annual information returns.

A regional or district office isn't required, however, to make its annual information return available for inspection or to provide copies until 30 days after the date the return is required to be filed (including any extension of time that is granted for filing such return) or is actually filed, whichever is later.

Documents Provided by Local and Subordinate Organizations

Applications for tax exemption. Except as otherwise provided, a tax-exempt organization that didn't file its own application for tax exemption (because it is a local or subordinate organization covered by a group exemption letter) must, upon request, make available for public inspection, or provide copies of, the application submitted to the IRS by the central or parent organization to obtain the group exemption letter and those documents which were submitted by the central or parent organization to include the local or subordinate organization in the group exemption letter.

However, if the central or parent organization submits to the IRS a list or directory of local or subordinate organizations covered by the group exemption letter, the local or subordinate organization is required to provide only the application for the group exemption ruling and the pages of the list or directory that specifically refer to it. The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day. See Regulations section 301.6104(d)-1(f) for further information.

Annual information returns. A local or subordinate organization that doesn't file its own annual information return (because it is affiliated with a central or parent organization that files a group return) must, upon request, make available for public inspection, or provide copies of, the group returns filed by the central or parent organization.

However, if the group return includes separate schedules for each local or subordinate organization included in the group return, the local or subordinate organization receiving the request can omit any schedules relating only to other organizations included in the group return.

The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day.

In a case where the requester seeks inspection, the local or subordinate organization can mail a copy of the applicable documents to the requester within the same time period instead of allowing an inspection. In such a case, the organization can charge the requester for copying and actual postage costs only if the requester consents to the charge.

If the local or subordinate organization receives a written request for a copy of its annual information return, it must fulfill the request by providing a copy of the group return in the time and manner specified in *Request for copies in writing*, earlier.

The requester has the option of requesting from the central or parent organization, at its principal office, inspection or copies of group returns filed by the central or parent organization. The central or parent organization must fulfill such requests in the time and manner specified in *Special Rules Relating to Public Inspection* and *Special Rules Relating to Copies*, earlier.

Failure to comply. Any person who doesn't comply with the public inspection requirements will be assessed a penalty of $20 for each day that inspection wasn't permitted, up to a maximum of $10,000 for each return. The penalties for failure to comply with the public inspection requirements for applications are the same as those for annual returns, except that the $10,000 limitation doesn't apply (sections 6652(c)(1)(C) and (D)). Any person who willfully fails to comply with the public inspection

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requirements for annual returns or exemption applications will be subject to an additional penalty of $5,000 (section 6685).

Making Applications and Returns Widely Available

A tax-exempt organization isn't required to comply with a request for a copy of its application for tax exemption or an annual information return if the organization has made the requested document widely available (see below).

An organization that makes its application for tax exemption and/or annual information return widely available must nevertheless make the document available for public inspection as required under Regulations section 301.6104(d)-1(a).

A tax-exempt organization makes its application for tax exemption and/or an annual information return widely available if the organization complies with the Internet posting requirements and the notice requirements given next.

Internet posting. A tax-exempt organization can make its application for tax exemption and/or an annual information return widely available by posting the document on a World Wide Web page that the tax-exempt organization establishes and maintains or by having the document posted, as part of a database of similar documents of other tax-exempt organizations, on a World Wide Web page established and maintained by another entity. The document will be considered widely available only if:

- The World Wide Web page through which it is available clearly informs readers that the document is available and provides instructions for downloading it;
- The document is posted in a format that, when accessed, downloaded, viewed, and printed in hard copy, exactly reproduces the image of the application for tax exemption or annual information return as it was originally filed with the IRS, except for any information permitted by statute to be withheld from public disclosure; and
- Any individual with access to the Internet can access, download, view, and print the document without special computer hardware or software required for that format (other than software that is readily available to members of the public without payment of any fee) and without payment of a fee to the tax-exempt organization or to another entity maintaining the World Wide Web page.

Reliability and accuracy. In order for the document to be widely available through an Internet posting, the entity maintaining the World Wide Web page must have procedures for ensuring the reliability and accuracy of the document that it posts on the page and must take reasonable precautions to prevent alteration, destruction, or accidental loss of the document when posted on its page. In the event that a posted document is altered, destroyed, or lost, the entity must correct or replace the document.

Notice requirement. If a tax-exempt organization has made its application for tax exemption and/or an annual information return widely available, it must notify any individual requesting a copy where the documents are available (including the address on the World Wide Web, if applicable). If the request is made in person, the organization must provide such notice to the individual immediately. If the request is made in writing, the notice must be provided within 7 days of receiving the request.

Tax-Exempt Organization Subject to Harassment Campaign

If the Office of Associate Chief Counsel (Tax Exempt and Government Entities) (TEGE) determines that the organization is being harassed, a tax-exempt organization isn't required to comply with any request for copies that it reasonably believes is part of a harassment campaign.

Whether a group of requests constitutes a harassment campaign depends on the relevant facts and circumstances such as:

- A sudden increase in requests,
- An extraordinary number of requests by form letters or similarly worded correspondence,
- Hostile requests,
- Evidence showing bad faith or deterrence of the organization's exempt purpose,
- Prior provision of the requested documents to the purported harassing group, and
- A demonstration that the organization routinely provides copies of its documents upon request.

A tax-exempt organization can disregard any request for copies of all or part of any document beyond the first two received within any 30-day period or the first four received within any 1-year period from the same individual or the same address, regardless of whether the Office of Associate Chief Counsel (TEGE) has determined that the organization is subject to a harassment campaign.

A tax-exempt organization can apply for a determination that it is the subject of a harassment campaign and that compliance with requests that are part of the campaign wouldn't be in the public interest by submitting a signed application to the Office of Associate Chief Counsel (TEGE). See Rev. Proc. 2016-1, 2016-1 I.R.B. 1.

In addition, the organization can suspend compliance with any request it reasonably believes to be part of the harassment campaign until it receives a response to its application for a harassment campaign determination. However, if the Office of Associate Chief Counsel (TEGE) determines that the organization didn't have a reasonable basis for requesting a determination that it was subject to a harassment campaign or reasonable belief that a request was part of the campaign, the officer, director, trustee, employee, or other responsible individual of the organization remains liable for any penalties for not providing the copies in a timely fashion. See Regulations section 301.6104(d)-3.

Appendix E: Section 4958 Excess Benefit Transactions

The intermediate sanction regulations are important to the exempt organization community as a whole, and for ensuring compliance in this area. The rules provide a roadmap by which an organization can steer clear of situations that may give rise to inurement.

Under section 4958, any disqualified person who benefits from an excess benefit transaction with an applicable tax-exempt organization is liable for a 25% tax on the excess benefit. The disqualified person is also liable for a 200% tax on the excess benefit if the excess benefit isn't corrected by a certain date. Also, organization managers who participate in an excess benefit transaction knowingly, willfully, and without reasonable cause are liable for a 10% tax on the excess benefit, not to exceed $20,000 for all participating managers on each transaction.

Applicable Tax-Exempt Organization

These rules only apply to certain applicable section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. An *applicable tax-exempt organization* is a section 501(c)(3), 501(c)(4), or 501(c)(29) organization that is tax exempt under section 501(a), or was such an organization at any time during a 5-year period ending on the day of the excess benefit transaction.

An applicable tax-exempt organization doesn't include:

- A private foundation as defined in section 509(a),

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• A governmental entity that is exempt from (or not subject to) taxation without regard to section 501(a) or relieved from filing an annual return under Regulations section 1.6033-2(g)(6), and
• Certain foreign organizations.

An organization isn't treated as a section 501(c)(3), 501(c)(4), or 501(c)(29) organization for any period covered by a final determination that the organization wasn't tax exempt under section 501(a), so long as the determination wasn't based on private inurement or one or more excess benefit transactions.

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Disqualified Person

The vast majority of section 501(c)(3), 501(c)(4), or 501(c)(29) organization employees and independent contractors won't be affected by these rules. Only the few influential persons within these organizations are covered by these rules when they receive benefits, such as compensation, fringe benefits, or contract payments. The IRS calls this class of covered individuals disqualified persons.

A *disqualified person*, regarding any transaction, is any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization. This would include, for example, voting members of the governing body, and persons holding the power of:
• Presidents, chief executive officers, or chief operating officers; and
• Treasurers and chief financial officers.

A disqualified person also includes certain family members of a disqualified person, and 35% controlled entities of a disqualified person.

The following persons are considered disqualified persons for the following organizations, along with certain family members and 35% controlled entities associated with them.
• For a transaction involving a donor advised fund, a donor or donor advisor of that donor advised fund.
• A donor advised fund sponsoring organization, an investment advisor of the sponsoring organization.
• A supported organization of a section 509(a)(3) supporting organization, and the disqualified persons of the section 509(a)(3) supporting organization.

See the Instructions for Form 4720, Schedule I for more information regarding these disqualified persons.

Who isn't a disqualified person? The rules also clarify which persons aren't considered to be in a position to exercise substantial influence over the affairs of an organization. They include:
• An employee who receives benefits that total less than the highly compensated amount ($115,000 in 2012–2014, $120,000 in 2015 and 2016) and who doesn't hold the executive or voting powers just mentioned; isn't a family member of a disqualified person; and isn't a substantial contributor;
• Tax-exempt organizations described in section 501(c)(3); and
• Section 501(c)(4) organizations engaging in transactions with other section 501(c)(4) organizations.

Who else can be considered a disqualified person? Other persons not described above can also be considered disqualified persons, depending on all the relevant facts and circumstances.

Facts and circumstances tending to show substantial influence.
• The person founded the organization.
• The person is a substantial contributor to the organization under the section 507(d)(2)(A) definition, only taking into account contributions to the organization for the past 5 years.
• The person's compensation is primarily based on revenues derived from activities of the organization that the person controls.
• The person has or shares authority to control or determine a substantial portion of the organization's capital expenditures, operating budget, or compensation for employees.
• The person manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.
• The person owns a controlling interest (measured by either vote or value) in a corporation, partnership, or trust that is a disqualified person.
• The person is a nonstock organization controlled directly or indirectly by one or more disqualified persons.

Facts and circumstances tending to show no substantial influence.
• The person is an independent contractor whose sole relationship to the organization is providing professional advice (without having decision-making authority) for transactions from which the independent contractor won't economically benefit.
• The person has taken a vow of poverty.
• Any preferential treatment the person receives based on the size of the person's donation is also offered to others making comparable widely solicited donations.
• The direct supervisor of the person isn't a disqualified person.
• The person doesn't participate in any management decisions affecting the organization as a whole or a discrete segment of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.

What about persons who staff affiliated organizations? In the case of multiple affiliated organizations, the determination of whether a person has substantial influence is made separately for each applicable tax-exempt organization. A person can be a disqualified person for more than one organization in the same transaction.

Excess Benefit Transaction

An *excess benefit transaction* generally is a transaction in which an economic benefit is provided by an applicable tax-exempt organization, directly or indirectly, to or for the use of any disqualified person, and the value of the economic benefit provided by the applicable tax-exempt organization exceeds the value of the consideration (including the performance of services) received for providing such benefit, but see the special rules later for donor advised funds and supporting organizations. An excess benefit transaction also can occur when a disqualified person embezzles from the exempt organization.

To determine whether an excess benefit transaction has occurred, all consideration and benefits exchanged between a disqualified person and the applicable tax-exempt organization, and all entities it controls, are taken into account.

For purposes of determining the value of economic benefits, the value of property, including the right to use property, is the fair market value (FMV). FMV is the price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property, or the right to use property, and both having reasonable knowledge of relevant facts.

Donor advised funds. For a donor advised fund, an excess benefit transaction includes a grant, loan, compensation, or similar payment from the fund to a:
• Donor or donor advisor,
• Family member of a donor or donor advisor,
• 35% controlled entity of a donor or donor advisor, or
• 35% controlled entity of a family member of a donor or donor advisor.

For these transactions, the excess benefit is defined as the amount of the grant, loan, compensation, or similar payment. For additional information, see the instructions for Form 4720.

Supporting organizations. For any supporting organization defined in section 509(a)(3), an excess benefit transaction includes grants, loans, compensation, or similar payment provided by the supporting organization to a:

- Substantial contributor,
- Family member of a substantial contributor,
- 35% controlled entity of a substantial contributor, and
- 35% controlled entity of a family member of a substantial contributor.

Additionally, an excess benefit transaction includes any loans provided by the supporting organization to a disqualified person (other than an organization described in section 509(a)(1), (2), or (4)).

A *substantial contributor* is any person who contributed or bequeathed an aggregate of more than $5,000 to the organization, if that amount is more than 2% of the total contributions and bequests received by the organization before the end of the tax year of the organization in which the contribution or bequest is received by the organization from such person. In the case of a trust, a substantial contributor also means the creator of the trust.

The excess benefit for substantial contributors and parties related to those contributors includes the amount of the grant, loan, compensation, or similar payment. For additional information, see the Instructions for Form 4720.

When does an excess benefit transaction usually occur? An excess benefit transaction occurs on the date the disqualified person receives the economic benefit from the organization for federal income tax purposes. However, when a single contractual arrangement provides for a series of compensation payments or other payments to a disqualified person during the disqualified person's tax year, any excess benefit transaction for these payments occurs on the last day of the disqualified person's tax year.

In the case of the transfer of property subject to a substantial risk of forfeiture, or in the case of rights to future compensation or property, the transaction occurs on the date the property, or the rights to future compensation or property, isn't subject to a substantial risk of forfeiture. Where the disqualified person elects to include an amount in gross income in the tax year of transfer under section 83(b), the excess benefit transaction occurs on the date the disqualified person receives the economic benefit for federal income tax purposes.

Section 4958 applies only to post-September 1995 transactions. Section 4958 applies the general rules to excess benefit transactions occurring on or after September 14, 1995. Section 4958 doesn't apply to any transaction occurring under a written contract that was binding on September 13, 1995, and at all times before the transaction occurs. The special rules relevant to transactions with donor advised funds and supporting organizations apply to transactions occurring after August 17, 2006, except that taxes on certain transactions between supporting organizations and their substantial contributors apply to transactions occurring on or after July 25, 2006.

What is Reasonable Compensation?

Reasonable compensation is the valuation standard that is used to determine if there is an excess benefit in the exchange of a disqualified person's services for compensation.

Reasonable compensation is the value that would ordinarily be paid for like services by like enterprises under like circumstances. This is the section 162 standard that will apply in determining the reasonableness of compensation. The fact that a bonus or revenue-sharing arrangement is subject to a cap is a relevant factor in determining the reasonableness of compensation.

For determining the reasonableness of compensation, all items of compensation provided by an applicable tax-exempt organization in exchange for the performance of services are taken into account in determining the value of compensation (except for certain economic benefits that are disregarded, as discussed later in *What benefits are disregarded*, later). Items of compensation include the following.

- All forms of cash and noncash compensation, including salary, fees, bonuses, severance payments, and deferred and noncash compensation.
- The payment of liability insurance premiums for, or the payment or reimbursement by, the organization of taxes or certain expenses under section 4958, unless excludable from income as a de minimis fringe benefit under section 132(a)(4). (A similar rule applies in the private foundation area.) Inclusion in compensation for purposes of determining reasonableness under section 4958 doesn't control inclusion in income for income tax purposes.
- All other compensatory benefits, whether or not included in gross income for income tax purposes.
- Taxable and nontaxable fringe benefits, except fringe benefits described in section 132.
- Foregone interest on loans.

Written intent required to treat benefits as compensation. An economic benefit isn't treated as consideration for the performance of services unless the organization providing the benefit clearly indicates its intent to treat the benefit as compensation when the benefit is paid.

An applicable tax-exempt organization (or entity that it controls) is treated as clearly indicating its intent to provide an economic benefit as compensation for services only if the organization provides written substantiation that is contemporaneous with the transfer of the economic benefits under consideration. Ways to provide contemporaneous written substantiation of its intent to provide an economic benefit as compensation include:

- The organization produces a signed written employment contract;
- The organization reports the benefit as compensation on an original Form W-2, 1099, 990, or 990-EZ, or on an amended form filed before the start of an IRS examination; or
- The disqualified person reports the benefit as income on the person's original Form 1040 or on an amended form filed before the start of an IRS examination.

Exception. To the extent the economic benefit is excluded from the disqualified person's gross income for income tax purposes, the applicable tax-exempt organization isn't required to indicate its intent to provide an economic benefit as compensation for services. (For example, employer provided health benefits, and contributions to qualified plans under section 401(a).)

What benefits are disregarded? The following economic benefits are disregarded for purposes of section 4958.

- Nontaxable fringe benefits, for example, an economic benefit that is excluded from income under section 132.
- Benefits to volunteers, for example, an economic benefit provided to a volunteer for the organization if the benefit is provided to the general public in exchange for a membership fee or contribution of $75 or less per year.
- Benefits to members or donors, for example, an economic benefit provided to a member of an organization due to the payment of a membership fee, or to a donor as a result of a deductible contribution, if a significant number of nondisqualified persons make similar payments or contributions and are offered a similar economic benefit.

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• Benefits to a charitable beneficiary, for example, an economic benefit provided to a person solely as a member of a charitable class that the applicable tax-exempt organization intends to benefit as part of the accomplishment of its exempt purpose.
• Benefits to a governmental unit, for example, a transfer of an economic benefit to or for the use of a governmental unit, as defined in section 170(c)(1), if exclusively for public purposes.

Is there an exception for initial contracts? Section 4958 doesn't apply to any fixed payment made to a person under an initial contract. This is a very important exception, since it would potentially apply, for example, to all initial contracts with new, previously unrelated officers and contractors.

An *initial contract* is a binding written contract between an applicable tax-exempt organization and a person who wasn't a disqualified person immediately before entering into the contract.

A *fixed payment* is an amount of cash or other property specified in the contract, or determined by a fixed formula that is specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property.

A *fixed formula* can, in general, incorporate an amount that depends upon future specified events or contingencies, as long as no one has discretion when calculating the amount of a payment or deciding whether to make a payment (such as a bonus).

Treatment as new contract. A binding written contract, providing that it can be terminated or canceled by the applicable tax-exempt organization without the other party's consent (except as a result of substantial non-performance) and without substantial penalty, is treated as a new contract, as of the earliest date that any termination or cancellation would be effective. Also, a contract in which there is a material change, which includes an extension or renewal of the contract (except for an extension or renewal resulting from the exercise of an option by the disqualified person), or a more than incidental change to the amount payable under the contract, is treated as a new contract as of the effective date of the material change. Treatment as a new contract can cause the contract to fall outside the initial contract exception, and it thus would be tested under the FMV standards of section 4958.

Rebuttable Presumption of Reasonableness

Payments under a compensation arrangement are presumed to be reasonable and the transfer of property (or right to use property) is presumed to be at FMV, if the following three conditions are met.

1. The transaction is approved by an authorized body of the organization (or an entity it controls) which is composed of individuals who don't have a conflict of interest concerning the transaction.

2. Before making its determination, the authorized body obtained and relied upon appropriate data as to comparability. There is a special safe harbor for small organizations. If the organization has gross receipts of less than $1 million, appropriate comparability data includes data on compensation paid by three comparable organizations in the same or similar communities for similar services.

3. The authorized body adequately documents the basis for its determination concurrently with making that determination. The documentation should include:

a. The terms of the approved transaction and the date approved;

b. The members of the authorized body who were present during debate on the transaction that was approved and those who voted on it;

c. The comparability data obtained and relied upon by the authorized body and how the data was obtained;

d. Any actions by a member of the authorized body having a conflict of interest; and

e. Documentation of the basis for the determination before the later of the next meeting of the authorized body or 60 days after the final actions of the authorized body are taken, and approval of records as reasonable, accurate and complete within a reasonable time thereafter.

Special rebuttable presumption rule for nonfixed payments. As a general rule, in the case of a nonfixed payment, no rebuttable presumption arises until the exact amount of the payment is determined, or a fixed formula for calculating the payment is specified, and the three requirements creating the presumption have been satisfied. However, if the authorized body approves an employment contract with a disqualified person that includes a nonfixed payment (for example, discretionary bonus) with a specified cap on the amount, the authorized body can establish a rebuttable presumption as to the nonfixed payment when the employment contract is entered into by, in effect, assuming that the maximum amount payable under the contract will be paid, and satisfying the requirements giving rise to the rebuttable presumption for that maximum amount.

An IRS challenge to the presumption of reasonableness. The IRS can refute the presumption of reasonableness only if it develops sufficient contrary evidence to rebut the probative value of the comparability data relied upon by the authorized body. This provision gives taxpayers added protection if they faithfully find and use contemporaneous persuasive comparability data when they provide the benefits.

Organizations that don't establish a presumption of reasonableness. An organization can still comply with section 4958 even if it didn't establish a presumption of reasonableness. In some cases, an organization may find it impossible or impracticable to fully implement each step of the rebuttable presumption process described above. In such cases, the organization should try to implement as many steps as possible, in whole or in part, to substantiate the reasonableness of benefits as timely and as well as possible. If an organization doesn't satisfy the requirements of the rebuttable presumption of reasonableness, a facts and circumstances approach will be followed, using established rules for determining reasonableness of compensation and benefit deductions in a manner similar to the established procedures for section 162 business expenses.

Section 4958 Taxes

Tax on disqualified persons. An excise tax equal to 25% of the excess benefit is imposed on each excess benefit transaction between an applicable tax-exempt organization and a disqualified person. The disqualified person who benefited from the transaction is liable for the tax. If the 25% tax is imposed and the excess benefit transaction isn't corrected within the tax period, an additional excise tax equal to 200% of the excess benefit is imposed.

If a disqualified person makes a payment of less than the full correction amount, the 200% tax is imposed only on the unpaid portion of the correction amount. If more than one disqualified person received an excess benefit from an excess benefit transaction, all such disqualified persons are jointly and severally liable for the taxes.

To avoid the imposition of the 200% tax, a disqualified person must correct the excess benefit transaction during the tax period. The tax period begins on the date the transaction occurs and ends on the earlier of the date the statutory notice of deficiency is issued or the section 4958 taxes are assessed.

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This 200% tax can be abated if the excess benefit transaction subsequently is corrected during a 90-day correction period.

Tax on organization managers. An excise tax equal to 10% of the excess benefit may be imposed on the participation of an organization manager in an excess benefit transaction between an applicable tax-exempt organization and a disqualified person. This tax, which can't exceed $20,000 for any single transaction, is only imposed if the 25% tax is imposed on the disqualified person, the organization manager knowingly participated in the transaction, and the manager's participation was willful and not due to reasonable cause. There is also joint and several liability for this tax. An organization manager may be liable for the tax on both disqualified persons and on organization managers in appropriate circumstances.

An *organization manager* is any officer, director, or trustee of an applicable tax-exempt organization, or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization, regardless of title. An organization manager isn't considered to have participated in an excess benefit transaction where the manager has opposed the transaction in a manner consistent with the fulfillment of the manager's responsibilities to the organization. For example, a director who votes against giving an excess benefit would ordinarily not be subject to this tax.

A person participates in a transaction knowingly if the person has actual knowledge of sufficient facts so that, based solely upon such facts, the transaction would be an excess benefit transaction. Knowing doesn't mean having reason to know. The organization manager ordinarily won't be considered knowing if, after full disclosure of the factual situation to an appropriate professional, the organization manager relied on the professional's reasoned written opinion on matters within the professional's expertise or if the manager relied on the fact that the requirements for the rebuttable presumption of reasonableness have been satisfied. Participation by an organization manager is willful if it is voluntary, conscious, and intentional. An organization manager's participation is due to reasonable cause if the manager has exercised responsibility on behalf of the organization with ordinary business care and prudence.

Correcting an Excess Benefit Transaction

A disqualified person corrects an excess benefit transaction by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. The organization isn't required to rescind the underlying agreement; however, the parties may need to modify an ongoing contract for future payments.

A disqualified person corrects an excess benefit by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit; the interest rate can be no lower than the applicable federal rate. There is an anti-abuse rule to prevent the disqualified person from effectively transferring property other than cash or cash equivalents.

Exception. For a correction of an excess benefit transaction described in *Donor advised funds* (discussed earlier), no amount repaid in a manner prescribed by the Secretary can be held in a donor advised fund.

Property. With the agreement of the applicable tax-exempt organization, a disqualified person can make a payment by returning the specific property previously transferred in the excess benefit transaction. The return of the property is considered a payment of cash (or cash equivalent) equal to the lesser of:

- The FMV of the property on the date the property is returned to the organization, or
- The FMV of the property on the date the excess benefit transaction occurred.

Insufficient payment. If the payment resulting from the return of the property is less than the correction amount, the disqualified person must make an additional cash payment to the organization equal to the difference.

Excess payment. If the payment resulting from the return of the property exceeds the correction amount described earlier, the organization can make a cash payment to the disqualified person equal to the difference.

Churches and Section 4958

The regulations make it clear that the IRS will apply the procedures of section 7611 when initiating and conducting any inquiry or examination into whether an excess benefit transaction has occurred between a church and a disqualified person.

Revenue Sharing Transactions

Proposed intermediate sanction regulations were issued in 1998. The proposed regulations had special provisions covering "any transaction in which the amount of any economic benefit provided to or for the use of a disqualified person is determined in whole or in part by the revenues of one or more activities of the organization. . ." — so-called revenue-sharing transactions. Rather than setting forth additional rules on revenue-sharing transactions, the final regulations reserve this section. Consequently, until the Service issues new regulations for this reserved section on revenue-sharing transactions, these transactions will be evaluated under the general rules (for example, the FMV standards) that apply to all contractual arrangements between applicable tax-exempt organizations and their disqualified persons.

Revocation of Exemption and Section 4958

Section 4958 doesn't affect the substantive standards for tax exemption under section 501(c)(3), 501(c)(4), or 501(c)(29), including the requirements that the organization be organized and operated exclusively for exempt purposes, and that no part of its net earnings inure to the benefit of any private shareholder or individual. The legislative history indicates that in most instances, the imposition of this intermediate sanction will be in lieu of revocation. The IRS has indicated that the following factors will be considered (among other facts and circumstances) in determining whether to revoke an applicable tax-exempt organization's exemption status where an excess benefit transaction has occurred.

- The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred.
- The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes.
- Whether the organization has been involved in multiple excess benefit transactions with one or more persons.
- Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions.
- Whether the excess benefit transaction has been corrected, or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

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Other Forms That May Be Required

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Schedule A (Form 990 or 990-EZ)	Public Charity Status and Public Support
Schedule B (Form 990, 990-EZ, or 990-PF)	Schedule of Contributors
Schedule C (Form 990 or 990-EZ)	Political Campaign and Lobbying Activities
Schedule E (Form 990 or 990-EZ)	Schools
Schedule G (Form 990 or 990-EZ)	Supplemental Information Regarding Fundraising or Gaming Activities
Schedule L (Form 990 or 990-EZ)	Transactions With Interested Persons
Schedule N (Form 990 or 990-EZ)	Liquidation, Termination, Dissolution, or Significant Disposition of Assets
Schedule O (Form 990 or 990-EZ)	Supplemental Information to Form 990 or 990-EZ
Forms W-2 and W-3	Wage and Tax Statement; and Transmittal of Wage and Tax Statements
Form W-9	Request for Taxpayer Identification Number and Certification
Form 720	Quarterly Federal Excise Tax Return
Form 926	Return by a U.S. Transferor of Property to a Foreign Corporation
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return
Form 941	Employer's QUARTERLY Federal Tax Return. Used to report social security, Medicare, and income taxes withheld by an employer and social security and Medicare taxes paid by an employer
Form 943	Employer's Annual Federal Tax Return for Agricultural Employees
Form 990-T	Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of $1,000 or more from business unrelated to the organization's exempt purpose. The Form 990-T is also filed to pay the section 6033(e)(2) proxy tax. For Form 990, see Part V, line 3, and its instructions; for Form 990-EZ, see Part V, line 35, and its instructions
Form 990-W	Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations
Form 1023	Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code
Form 1023-EZ	Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code
Form 1024	Application for Recognition of Exemption Under Section 501(a)
Form 1040	U.S. Individual Income Tax Return
Form 1041	U.S. Income Tax Return for Estates and Trusts. Required of section 4947(a)(1) nonexempt charitable trusts that also file Form 990 or 990-EZ. However, if such a trust doesn't have any taxable income under Subtitle A of the Code, it can file Form 990 or 990-EZ, and doesn't have to file Form 1041 to meet its section 6012 filing requirement. If this condition is met, complete Form 990 or 990-EZ, and don't file Form 1041
Form 1096	Annual Summary and Transmittal of U.S. Information Returns
Form 1098 series	Information returns to report mortgage interest, student loan interest, qualified tuition and related expenses received, and a contribution of a qualified vehicle that has a claimed value of more than $500
Form 1099 series	Information returns to report acquisitions or abandonments of secured property, proceeds from broker and barter exchange transactions, cancellation of debt, dividends and distributions, certain government and state qualified tuition program payments, taxable distributions from cooperatives, interest payments, payments of long-term care and accelerated death benefits, miscellaneous income payments, distributions from an HSA, Archer MSA or Medicare Advantage MSA, original issue discount, distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc., and proceeds from real estate transactions. Also, use certain of these returns to report amounts that were received as a nominee on behalf of another person

Form 1120-POL	U.S. Income Tax Return for Certain Political Organizations
Form 1128	Application To Adopt, Change, or Retain a Tax Year
Form 2848	Power of Attorney and Declaration of Representative
Form 3115	Application for Change in Accounting Method
Form 3520	Annual Return To Report Transaction With Foreign Trusts and Receipt of Certain Foreign Gifts
Form 4506	Request for Copy of Tax Return
Form 4506-A	Request for Public Inspection or Copy of Exempt or Political Organization IRS Form
Form 4562	Depreciation and Amortization
Form 4720	Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code
Form 5471	Information Return of U.S. Persons With Respect To Certain Foreign Corporations
Form 5500	Annual Return/Report of Employee Benefit Plan. Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file the Form 5500. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year. Available at: *www.efast.dol.gov/welcome.html*.
Form 5578	Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax
Form 5768	Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation
Form 7004	Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns
Form 8038	Information Return for Tax-Exempt Private Activity Bond Issues
Form 8282	Donee Information Return. Required of the donee of charitable deduction property who sells, exchanges, or otherwise disposes of donated property within 3 years after receiving it. The form is also required of any successor donee who disposes of charitable deduction property within 3 years after the date that the donor gave the property to the original donee. It doesn't matter who gave the property to the successor donee. It may have been the original donee or another successor donee
Form 8274	Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes
Form 8283	Noncash Charitable Contributions
Form 8300	Report of Cash Payments Over $10,000 Received in a Trade or Business. Used to report cash amounts in excess of $10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162). However, if the organization receives a charitable cash contribution in excess of $10,000, it isn't subject to the reporting requirement since the funds weren't received in the course of a trade or business
Form 8328	Carryforward Election of Unused Private Activity Bond Volume Cap
Form 8718	User Fee for Exempt Organization Determination Letter Request
Form 8821	Tax Information Authorization
Form 8822-B	Change of Address or Responsible Party — Business. Used to notify the IRS of a change in mailing address that occurs after the return is filed
Form 8868	Application for Extension of Time to File an Exempt Organization Return
Form 8871	Political Organization Notice of Section 527 Status
Form 8872	Political Organization Report of Contributions and Expenditures
Form 8886	Reportable Transaction Disclosure Statement
Form 8886-T	Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction
Form 8899	Notice of Income From Donated Intellectual Property. Used to report net income from qualified intellectual property to the IRS and the donor
Form 8963	Report of Health Insurance Provider Information
Form SS-4	Application for Employer Identification Number
FinCEN Form 114	Report of Foreign Bank and Financial Accounts (FBAR) (formerly TD F 90-22.1)

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Helpful Publications

Publication 15	(Circular E), Employer's Tax Guide
Publication 15-A	Employer's Supplemental Tax Guide
Publication 463	Travel, Entertainment, Gift, and Car Expenses
Publication 525	Taxable and Nontaxable Income
Publication 526	Charitable Contributions
Publication 538	Accounting Periods and Methods
Publication 557	Tax-Exempt Status for Your Organization
Publication 561	Determining the Value of Donated Property
Publication 598	Tax on Unrelated Business Income of Exempt Organizations
Publication 892	How to Appeal an IRS Decision on Tax-Exempt Status
Publication 910	IRS Guide to Free Tax Services
Publication 946	How To Depreciate Property
Publication 947	Practice Before the IRS and Power of Attorney
Publication 1771	Charitable Contributions—Substantiation and Disclosure Requirements
Publication 1779	Independent Contractor or Employee
Publication 1828	Tax Guide for Churches and Religious Organizations
Publication 3079	Tax-Exempt Organizations and Gaming
Publication 3386	Tax Guide for Veterans' Organizations
Publication 3833	Disaster Relief, Providing Assistance Through Charitable Organizations
Publication 4220	Applying for 501(c)(3) Tax-Exempt Status
Publication 4221-PC	Compliance Guide for 501(c)(3) Public Charities
Publication 4221-PF	Compliance Guide for 501(c)(3) Private Foundations
Publication 4302	A Charity's Guide to Vehicle Donation
Publication 4303	A Donor's Guide to Vehicle Donation
Publication 4386	Compliance Checks
Publication 4573	Group Exemptions
Publication 4630	The Exempt Organizations Products and Services Catalog

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Appendix G: Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements

Some states and local government units will accept a copy of Form 990 or 990-EZ in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected. If the organization uses Form 990 or 990-EZ to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following discussions.

Determine State Filing Requirements

The organization can consult the appropriate officials of all states and other jurisdictions in which it does business to determine their specific filing requirements. Doing business in a jurisdiction can include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; (d) maintaining a checking account; or (e) owning or renting property there.

Monetary Tests May Differ

Some or all of the dollar limitations applicable to Form 990 or 990-EZ when filed with the IRS may not apply when using Form 990 or 990-EZ in place of state or local report forms. Examples of the IRS dollar limitations that don't meet some state requirements are the normally $50,000 gross receipts minimum that creates an obligation to file with the IRS and the $100,000 minimum for listing independent contractors in Form 990, Part VII, Section B, or Form 990-EZ, Part VI, line 51.

Additional Information May Be Required

State or local filing requirements may require the organization to attach to Form 990 or 990-EZ one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in net assets; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional

information doesn't have to be submitted with the Form 990 or 990-EZ filed with the IRS.

Even if the Form 990 or 990-EZ that the organization files with the IRS is accepted by the IRS as complete, a copy of the same return filed with a state won't fully satisfy that state's filing requirement if (1) required information isn't provided, including any of the additional information discussed previously; or (2) the state determines that the form wasn't completed by following the applicable Form 990 or 990-EZ instructions or supplemental state instructions. In such case, the state may ask the organization to provide the missing information or to submit an amended return.

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Use of Audit Guides May Be Required

To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, grants, similar amounts, and functional expenses be reported according to the AICPA industry audit and accounting guide, Not-for-Profit Organizations (New York, NY, AICPA, 2003), supplemented, as applicable, by Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (Washington, DC, National Health Council, Inc., 1998, 4th edition).

Donated Services and Facilities

Even though donated services and facilities may be reported as items of revenue and expense in certain circumstances, many states and the IRS don't permit the inclusion of those amounts in Form 990, Parts VIII and IX; Form 990-EZ, Part I; or (except for such donations by a governmental unit) in Schedule A (Form 990 or 990-EZ). The optional reporting of donated services and facilities is discussed in the instructions for Part III for Forms 990 and 990-EZ.

Amended Returns

If the organization submits supplemental information or files an amended Form 990 or 990-EZ with the IRS, it must also send a copy of the information or amended return to any state with which it filed a copy of Form 990 or 990-EZ originally to meet that state's filing requirement. If a state requires the organization to file an amended Form 990 or 990-EZ to correct conflicts with the Form 990 or 990-EZ instructions, the organization must also file an amended return with the IRS.

Method of Accounting

Most states require that all amounts be reported based on the accrual method of accounting. See also *General Instruction C*.

Appendix H: Contributions

This Appendix discusses certain federal tax rules that apply to exempt organizations and donors for contributions. See also Pub. 526 and Pub. 1771.

Schedule B (Form 990, 990-EZ, or 990-PF). Many organizations that file Form 990, 990-EZ, or 990-PF must file Schedule B to report on tax-deductible and non-tax-deductible contributions. See Schedule B and its instructions to determine whether Schedule B must be filed. See also the Schedule B instructions for the public inspection rules applicable to that form.

Solicitation of nondeductible contribution. See the instructions to Form 990, Part V, line 6, for rules on public notice of nondeductibility when soliciting nondeductible contributions.

Keeping fundraising records for tax-deductible contributions. A section 501(c) organization that is eligible to receive tax-deductible contributions under section 170(c) must keep sample copies of its fundraising materials, such as:

- Dues statements,
- Fundraising solicitations,
- Tickets,
- Receipts, or
- Other evidence of payments received in connection with fundraising activities.

IF....	THEN....
The organization advertises its fundraising events,	It must keep samples of the advertising copy.
The organization uses radio, television, or Internet to solicit contributions,	It must keep samples of scripts, transcripts, printouts of emails and Web pages, or other evidence of solicitations in such media.
The organization uses outside fundraisers,	It must keep samples of the fundraising materials used by the outside fundraisers.

For each fundraising event, the organization must keep records to show the portion of any payment received from patrons that isn't deductible; that is, the retail value of the goods or services received by the patrons. See *Disclosure statement for quid pro quo contributions*, later.

Noncash contributions.

Form 990 schedules. An organization may be required to file Schedule M (Form 990), Noncash Contributions, to report certain noncash (property) contributions; see the instructions for Schedule M on who must file. Also, an organization that files Schedule B must report certain information on noncash contributions.

Dispositions of donated property. If an organization receives a charitable contribution of property and within 3 years sells, exchanges, or otherwise disposes of the property, the organization may need to file Form 8282, Donee Information Return. See Form 990, Part V, lines 7c and 7d.

Donated property over $5,000. If the organization received from a donor a partially completed Form 8283, Noncash Charitable Contributions, the donee organization generally should complete the Form 8283 and return it so the donor can get a charitable contribution deduction. The organization should keep a copy for its records. See Form 8283 for more details.

Qualified intellectual property. An organization described in section 170(c) (except a private foundation) that receives or accrues net income from a qualified intellectual property contribution must file Form 8899, Notice of Income From Donated Intellectual Property. See Form 990, Part V, line 7g. The organization must file Form 8899 for any tax year that includes any part of the 10-year period beginning on the date of contribution but not for any tax years in which the legal life of the qualified intellectual property has expired or the property failed to produce net income.

A donee organization reports all income from donated qualified intellectual property as income other than contributions (for example, royalty income from a patent). A donee isn't required to report as contributions on Form 990 (including schedules) any of the additional deductions claimed by donors under section 170(m)(1). See Pub. 526.

Motor vehicles, boats, and airplanes. Special rules apply to charitable contributions of motor vehicles, boats, or airplanes with a claimed value of more than $500. See Form 990, Part V, line 7h; section 170(f)(12); Pub. 4302, A Charity's Guide to Vehicle Donation; and the Instructions for Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes.

Substantiation and disclosure requirements for charitable contributions.

Recordkeeping for cash, check, or other monetary charitable gifts. To deduct a contribution of a cash, check, or

other monetary gift (regardless of the amount), a donor must maintain a bank record or a written communication from the donee organization showing the donee's name, date, and amount of the contribution. See section 170(f)(17). In the case of a lump-sum contribution (rather than a contribution by payroll deduction) made through the Combined Federal Campaign or a similar program such as a United Way Campaign, the written communication must include the name of the donee organization that is the ultimate recipient of the charitable contribution.

Acknowledgment to substantiate charitable contributions. A donee organization should be aware that a donor of a charitable contribution of $250 or more (including a contribution of unreimbursed expenses) can't take an income tax deduction unless the donor obtains the organization's acknowledgment to substantiate the charitable contribution. See section 170(f)(8) and Regulations section 1.170A-13(f). A charitable organization that receives a payment made as a contribution is treated as the donee organization for this purpose even if the organization (according to the donor's instructions or otherwise) distributes the amount received to one or more charities.

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The organization's acknowledgment must:

1. Be written;
2. Be contemporaneous;
3. State the amount of any cash it received;
4. State:

a. Whether the organization gave the donor any intangible religious benefits (no valuation needed), and

b. Whether the organization gave the donor any goods or services in return for the donor's contribution (a quid pro quo contribution); and

5. Describe goods or services the organization:

a. Received (no valuation needed), and

b. Gave (good faith estimate of value needed).

If the organization accepts a contribution in the name of one of its activities or programs, then indicate the organization's name in the acknowledgment as well as the program's name. For example: "Thank you for your contribution of $300 to (organization's name) made in the name of our Special Relief Fund program. No goods or services were provided in exchange for your contribution."

Similarly, if a domestic organization owns and controls a domestic disregarded entity, and the disregarded entity receives a contribution, then indicate the organization's name in the acknowledgment as well as the relationship with the disregarded entity. For example: "Thank you for your contribution of $300 to (organization's name) made in the name of (name of disregarded entity), which is treated as a disregarded entity of (organization's name) for federal tax purposes. No goods or services were provided in exchange for your contribution." See Notice 2012-52, 2012-35 I.R.B. 317.

Exception. The written acknowledgment need not include a good faith estimate of value for goods or services given to the donor if they are the following.

1. Goods or services with insubstantial value.
2. Certain membership benefits.
3. Goods or services described in (1) or (2) given to the employees of a donor organization or the partners of a donor partnership.
4. Intangible religious benefits.

These exceptions are defined next.

Disclosure statement for quid pro quo contributions. If the organization receives a quid pro quo contribution of more than $75, the organization must provide a disclosure statement to the donor. See section 6115.

The organization's disclosure statement must:

1. Be written;
2. Estimate in good faith the value of the organization's goods or services given in return for the donor's contribution;
3. Describe, but need not value, certain goods or services given to the donor's employees or partners; and
4. Inform the donor that a charitable contribution deduction is limited as follows:

Donor's contribution
Less
The organization's money, goods, and services given in return
Equals
Donor's deductible charitable contribution.

Exceptions. No disclosure statement is required if the organization gave only the following.

1. Goods or services with insubstantial value.
2. Certain membership benefits.
3. Goods or services described in (1) or (2) given to the employees of a donor organization or the partners of a donor partnership.
4. Intangible religious benefits.

These exceptions are defined below. See also Regulations sections 1.170A-1, 1.170A-13, and 1.6115-1.

Certain goods or services disregarded for substantiation and disclosure purposes.

Goods or services with insubstantial value. Generally, under section 170, the deductible amount of a contribution is determined by taking into account the FMV, not the cost to the charity, of any benefits that the donor received in return. However, the cost to the charity may be used in determining whether the benefits are insubstantial. See below.

Cost basis. If a taxpayer makes a payment of $53 or more to a charity and receives only token items in return, the items have insubstantial value if they:

- Bear the charity's name or logo, and
- Have an aggregate cost to the charity of $10.60 or less (low-cost article amount of section 513(h)(2)).

FMV basis. If a taxpayer makes a payment to a charitable organization in a fundraising campaign and receives benefits with an FMV of not more than 2% of the amount of the payment, or $106, whichever is less, the benefits received have insubstantial value in determining the taxpayer's contribution.

TIP *The dollar amounts given above are applicable to tax year 2016 under Rev. Proc. 2015-53. They are adjusted annually for inflation.*

When a donee organization provides a donor only with goods or services having insubstantial value under Rev. Proc. 2015-53 (and any successor documents), the contemporaneous written acknowledgment may indicate that no goods or services were provided in exchange for the donor's payment.

Certain membership benefits. Other goods or services that are disregarded for substantiation and disclosure purposes are annual membership benefits offered to a taxpayer in exchange for a payment of $75 or less per year that consist of the following.

1. Any rights or privileges that the taxpayer can exercise frequently during the membership period such as:

a. Free or discounted admission to the organization's facilities or events, and

b. Free or discounted parking.

2. Admission to events that are:

a. Open only to members; and

b. Within the *low-cost article* limitation, per person.

Example 1. E offers a basic membership benefits package for $75. The package gives members the right to buy tickets in advance, free parking, and a gift shop discount of 10%. E's $150 preferred membership benefits package also includes a $20 poster. Both the basic and preferred membership packages are for a 12-month period and include about 50 productions. E offers F, a patron of the arts, the preferred membership benefits in return for a payment of $150 or more. F accepts the preferred membership benefits package for $300. E's written acknowledgment satisfies the substantiation requirement if it describes the poster, gives a good faith estimate of its FMV ($20), and disregards the remaining membership benefits.

Example 2. In *Example 1*, if F received only the basic membership package for its $300 payment, E's acknowledgment need state only that no goods or services were provided.

Example 3. G Theater Group performs four plays. Each play is performed twice. Non-members can purchase a ticket for $15. For a $60 membership fee, however, members are offered free admission to any of the performances. H makes a payment of $350 and accepts this membership benefit. Because of the limited number of performances, the membership privilege can't be exercised frequently. Therefore, G's acknowledgment must describe the free admission benefit and estimate its value in good faith.

Certain goods or services provided to donor's employees or partners. Certain goods or services provided to employees of donor organizations or partners of donor partnerships may be disregarded for substantiation and disclosure purposes. Nevertheless, the donee organization's disclosure statement must describe such goods or services. A good faith estimate of value isn't needed.

Example. Museum J offers a basic membership benefits package for $40. It includes free admission and a 10% gift shop discount. Corporation K makes a $50,000 payment to J and in return, J offers K's employees free admission, a t-shirt with J's logo that costs J $4.50, and a 25% gift shop discount. Because the free admission is a privilege that can be exercised frequently and is offered in both benefit packages, and the value of the t-shirts is insubstantial, Museum J's disclosure statement need not value or mention the free admission benefit or the t-shirts. However, because the 25% gift shop discount to K's employees differs from the 10% discount offered in the basic membership benefits package, J's disclosure statement must describe the 25% discount, but need not estimate its value.

Definitions

Substantiation. It is the responsibility of the donor:

- To value a donation, and
- To obtain an organization's written acknowledgment substantiating the donation.

There is no prescribed format for the organization's written acknowledgment of a donation. Letters, postcards, or computer-generated forms may be acceptable. The acknowledgment must, however, provide sufficient information to substantiate the amount of the deductible contribution. The organization may either:

- Provide separate statements for each contribution of $250 or more, or
- Furnish periodic statements substantiating contributions of $250 or more.

Separate contributions of less than $250 aren't subject to the requirements of section 170(f)(8), regardless of whether the sum of the contributions made by a taxpayer to a donee organization during a tax year equals $250 or more.

Contemporaneous. A written acknowledgment is contemporaneous if the donor obtains it on or before the earlier of:

- The date the donor files the original return for the tax year in which the contribution was made, or
- The due date (including extensions) for filing the donor's original return for that year.

Substantiation of payroll contributions. An organization may substantiate an employee's contribution by deduction from its payroll by:

- A pay stub, Form W-2, or other document showing a contribution to a donee organization; together with
- A pledge card or other document from the donee organization that shows its name. For contributions of $250 or more, the document must state that the donee organization provides no goods or services for any payroll contributions.

The amount withheld from each payment of wages to a taxpayer is treated as a separate contribution.

Substantiation of payments to a college or university for the right to purchase tickets to athletic events. The right to purchase tickets for an athletic event is valued at 20% of the payment.

Example. When a taxpayer pays $312.50 for the right to purchase tickets for an athletic event, the right is valued at $62.50. The remaining $250 is a charitable contribution that the taxpayer must substantiate.

Substantiation of matched payments. If a taxpayer's payment to a donee organization is matched by another payer, and the taxpayer receives goods or services in consideration for its payment and some or all of the matching payment, those goods or services will be treated as provided in consideration for the taxpayer's payment and not in consideration for the matching payment.

Disclosure statement. An organization must provide a written disclosure statement to donors who make a *quid pro quo contribution* in excess of $75 (section 6115). This requirement is separate from the written substantiation acknowledgment a donor needs for deductibility purposes. While, in certain circumstances, an organization may be able to meet both requirements with the same written document, an organization must be careful to satisfy the section 6115 written disclosure statement requirement in a timely manner because of the penalties involved.

Quid pro quo contribution. A *quid pro quo contribution* is a payment that is made both as a contribution and as a payment for goods or services provided by the donee organization.

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

Good faith estimate. An organization may use any reasonable method in making a good faith estimate of the value of goods or services provided by that organization in consideration for a taxpayer's payment to that organization. A good faith estimate of the value of goods or services that aren't generally available in a commercial transaction may be determined by reference to the FMV of similar or comparable goods or services. Goods or services may be similar or comparable even though they don't have the unique qualities of the goods or services that are being valued.

Goods or services. Goods or services include:

- Cash,
- Property,

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- Services,
- Benefits, and
- Privileges.

In consideration for. A donee organization provides goods or services in consideration for a taxpayer's payment if, at the time the taxpayer makes the payment to the donee organization, the taxpayer receives, or expects to receive, goods or services in exchange for that payment.

Goods or services a donee organization provides in consideration for a payment by a taxpayer include goods or services provided in a year other than the year in which the donor makes the payment to the donee organization.

Intangible religious benefits. Intangible religious benefits are provided only by organizations organized exclusively for religious purposes. Examples include:

- Admission to a religious ceremony; and
- De minimis tangible benefits, such as wine provided in connection with a religious ceremony.

Penalties. A charity that knowingly provides a false substantiation acknowledgment to a donor may be subject to the penalties under section 6701 and/or section 7206(2) for aiding and abetting an understatement of tax liability.

Charities that fail to provide the required disclosure statement for a quid pro quo contribution of more than $75 will incur a penalty of $10 per contribution, not to exceed $5,000 per fundraising event or mailing. The charity may avoid the penalty if it can show that the failure was due to reasonable cause (section 6714).

Time For Filing May Differ

The deadline for filing Form 990 or 990-EZ with the IRS differs from the time for filing reports with some states.

Public Inspection

The Form 990 or 990-EZ information made available for public inspection by the IRS may differ from that made available by the states, such as Schedule B (Form 990, 990-EZ, or 990-PF).

Photographs of Missing Children

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

How To Get Tax Help

Getting answers to your tax law questions. On IRS.gov, get answers to your tax questions anytime, anywhere.

- Go to *www.irs.gov/Help-&-Resources* for a variety of tools that will help you with your taxes.
- Enter "ITA" in the search box on IRS.gov for the Interactive Tax Assistant, a tool that will ask you questions on a number of tax law topics and provide answers. You can print the entire interview and the final response.
- Access tax law information in your electronic filing software.
- Apply for an **Employer Identification Number (EIN)**. Go to IRS.gov and enter *Apply for an EIN* in the search box.
- Read the Internal Revenue Code, regulations, or other official guidance.
- Read Internal Revenue Bulletins.

Tax forms and publications. You can download or print all of the forms and publications you may need on *www.irs.gov/formspubs*. Otherwise, you can go to *www.irs.gov/orderforms* to place an order and have forms mailed to you. You should receive your order within 10 business days.

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

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 business days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Email Subscription

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

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Paperwork Reduction Act Notice. We ask for the information on these instructions to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times are:

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Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
990-EZ	33 hr., 57 min.	11 hr., 33 min.	14 hr., 28 min.	32 min.
Schedule A (Form 990 or 990-EZ)	39 hr., 56 min.	6 hr., 51 min.	7 hr., 48 min.	- - - - -
Schedule B (Form 990, 990-EZ, or 990-PF)	5 hr., 58 min.	1 hr., 35 min.	1 hr., 45 min.	- - - - -
Schedule C (Form 990 or 990-EZ)	14 hr., 49 min.	1 hr., 23 min.	1 hr., 41 min.	- - - - -
Schedule E (Form 990 or 990-EZ)	5 hr., 30 min.	53 min.	1 hr., 1 min.	- - - - -
Schedule G (Form 990 or 990-EZ)	24 hr., 23 min.	24 min.	48 min.	- - - - -
Schedule L (Form 990 or 990-EZ)	6 hr., 27 min.	1 hr., 17 min.	1 hr., 27 min.	- - - - -
Schedule N (Form 990 or 990-EZ)	7 hr., 39 min.	42 min.	51 min.	- - - - -
Schedule O (Form 990 or 990-EZ)	43 min.	- - - - -	- - - - -	- - - - -

Comments and suggestions. We welcome your comments about these instructions and your suggestions for future editions.

You can send us comments from *www.irs.gov/formspubs*. Click on “More Information” and then on “Give us feedback.”

Or you can write to:

Internal Revenue Service
Tax Forms and Publications Division
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

Do not send the form to this address. Instead, see *General Instruction D.*

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