

1995



Department of the Treasury Internal Revenue Service

return is complete and accurate and fully describes the organization's programs and accomplishments.

Section 501(c)(3), 501(e), (f), and (k) exempt organizations and section 4947(a)(1) nonexempt charitable trusts must also attach a completed Schedule A (Form 990), Organization Exempt Under Section 501(c)(3), to their Form 990-EZ (or Form 990).

Smaller organizations applying to participate in the Combined Federal Campaign may submit a completed Form 990-EZ (instead of Form 990) to the Office of Personnel Management (OPM).

However, these organizations must also submit to OPM, attached to the Form 990-EZ, pages 1 and 2 of Form 990 with the following completed: Part I, lines 1a-1d and 13-15; Part II, all lines. These organizations should not send this Form 990 attachment to IRS.

Purpose of Form

Form 990-EZ, an annual information return, is a shortened version of Form 990, Return of Organization Exempt From Income Tax. It is designed for use by small tax-exempt organizations and nonexempt charitable trusts to provide the IRS with the information required by section 6033.

The Form 990-EZ may also be used to transmit elections that are required to be submitted to the IRS, such as the election to capitalize costs under section 266.

A. Who Must File

Section 501(a), (e), (f), and (k) organizations

Except for those types of organizations listed in General Instruction C, an annual return on Form 990 (or Form 990-EZ) is required from every organization exempt from tax under section 501(a). This includes foreign organizations and cooperative service organizations described in sections 501(e) and (f), and child care organizations described in section 501(k).

Gross receipts and total assets requirements

Organizations whose annual gross receipts are normally more than \$25,000 must file Form 990 (or Form 990-EZ). An organization may file Form 990-EZ instead of Form 990 if it meets BOTH of the following requirements: Its gross receipts during the year were less than \$100,000 AND its total assets (line 25, column (B) of Form 990-EZ) at the end of the year were less than \$250,000. If the organization fails to meet either of these conditions, it may not file Form 990-EZ. Instead, the organization must file Form 990. See the gross receipts discussion in General Instruction C.

Section 4947(a)(1) nonexempt charitable trusts

Any nonexempt charitable trust (described in section 4947(a)(1)) not treated as a private foundation is also required to file Form 990 (or Form 990-EZ) if its gross receipts are normally more than \$25,000. See General Instruction A for Form 990-EZ gross receipts and total assets requirements. See General Instruction D for exceptions to filing Form 1041, U.S. Income Tax Return for Estates and Trusts.

Instructions for Form 990-EZ Short Form Return of Organization Exempt From Income Tax

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) nonexempt charitable trust For organizations with gross receipts of less than \$100,000 and total assets of less than \$250,000 at the end of the year.

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

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws.

The times needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

Table with 5 columns: Form, Recordkeeping, Learning about the law or the form, Preparing the form, Copying, assembling, and sending the form to the IRS. Rows include 990-EZ and Schedule A (Form 990).

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. DO NOT send the form to this address. Instead, see When and Where To File on page 4.

Contents Page
• Changes To Note . . . . . 1
• General Instructions . . . . . 1-8
A Who Must File . . . . . 1
B Exempt Organization Reference Chart . . . . . 2
C Organizations Not Required To File . . . . . 2
D Forms and Publications To File or Use . . . . . 2
E Use of Form 990-EZ To Satisfy State Reporting Requirements . . . . . 3
F Other Forms as Partial Substitutes for Form 990-EZ . . . . . 4
G Accounting Period Covered . . . . . 4
H When and Where To File . . . . . 4
I Extension of Time To File . . . . . 5
J Amended Return/Final Return . . . . . 5
K Penalties . . . . . 5
L Public Inspection of Completed Exempt Organization Returns and Approved Exemption Applications . . . . . 5
M Disclosures Regarding Certain Information and Services Furnished . . . . . 6
N Disclosures Regarding Certain Transactions and Relationships . . . . . 6
O Erroneous Backup Withholding . . . . . 6
P Group Return . . . . . 6
Q Organizations in Foreign Countries and U.S. Possessions . . . . . 6
R Substantiation, Disclosure, and Lobbying Rules . . . . . 6
• Specific Instructions . . . . . 8
• Part I—Revenue, Expenses, and Changes in Net Assets or Fund Balances . . . . . 9
• Part II—Balance Sheets . . . . . 13
• Part III—Statement of Program Service Accomplishments . . . . . 13
• Part IV—List of Officers, Directors, Trustees, and Key Employees . . . . . 13
• Part V—Other Information . . . . . 14

Changes To Note

- The Financial Accounting Standards Board issued Statements of Financial Accounting Standards (SFAS) 116, Accounting for Contributions Received and Contributions Made, and (SFAS) 117, Financial Statements of Not-for-Profit Organizations, in June 1993. These standards are generally effective for fiscal years beginning after December 15, 1994, but small organizations can delay implementing the standards for one year. Organizations that make any changes to comply with these standards need not file Form 3115, Application for Change in Accounting Method, unless any change affects taxable income.
• Reporting contributions received and grants and allocations made (on lines 1 and 10), in accordance with SFAS 116, is acceptable for Form 990-EZ purposes, but not required by IRS.
• The allocation of costs to lobbying activities and influencing legislation discussed in Regulations sections 1.162-28 and 1.162-29 are covered in General Instruction R.
• The instructions for line 35, Section 6033(e)(3) exception for nondeductible dues, were amended because of Rev. Proc. 95-35, 1995-32 I.R.B. 51, and Rev. Proc. 95-35A, 1995-40 I.R.B. 38.

General Instructions

Note: An organization's completed Form 990-EZ (except for the schedule of contributors) is available for public inspection as required by section 6104. Some members of the public rely on Form 990-EZ as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the

**If an organization's exemption application is pending**

If the organization's application for exemption is pending, check the box in item F in the heading of the return and complete the return.

**If the organization received a Form 990 Package**

If the organization received a Form 990 Package with a preaddressed label, we ask that the organization file anyway even if it is not required to do so. Attach the label to the name and address space on the return (see Specific Instructions). Check the box in item J in the heading of the Form 990-EZ to indicate that the organization's gross receipts are normally not more than \$25,000; sign the return; and send it to the service center for the organization's area. The organization does not have to complete Parts I through V of the return. Following this instruction will help us to update our records, and we will not have to contact the organization later to ask why no return was filed. If the organization files a return this way, it will not be mailed a Form 990 Package in later years and need not file Form 990 (or Form 990-EZ) again until its gross receipts normally exceed the \$25,000 minimum or it terminates or undergoes a substantial contraction as described in the instructions for line 36.

Exempt organizations that filed Form 990-EZ but are no longer required to file because they meet a specific exemption (other than exemption 12 in General Instruction C) should advise their key District office so their filing status can be updated. Exempt organizations that are not sure of their key District office may call the IRS toll-free number (1-800-829-1040). Exempt organizations that stop filing Form 990-EZ without notifying their key District office may receive service center correspondence inquiring about their returns. These organizations should refer to the specific reason for having stopped filing when responding to these inquiries.

**Failure to file and its effect on contributions**

Organizations that are eligible to receive tax-deductible contributions are listed in **Publication 78**, Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986. An organization may be removed from this listing if our records show that it is required to file Form 990 (or Form 990-EZ), but it does not file a return or advise us that it is no longer required to file. However, contributions to such an organization may continue to be deductible by the general public until the IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

**B. Exempt Organization Reference Chart**

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) & (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)
Mutual Insurance Companies or Associations . . . . .	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 6/25/59) . . . . .	501(c)(18)
Organizations of Past or Present Members of the Armed Forces . . . . .	501(c)(19) & (23)
Black Lung Benefit Trusts . . . . .	501(c)(21)
Withdrawal Liability Payment Funds . . . . .	501(c)(22)
Title Holding Corporations or Trusts . . . . .	501(c)(25)
Religious and Apostolic Associations . . . . .	501(d)
Cooperative Hospital Service Organizations . . . . .	501(e)
Cooperative Service Organizations of Operating Educational Organizations . . . . .	501(f)
Child Care Organizations . . . . .	501(k)

**C. Organizations Not Required To File**

**Note:** Organizations not required to file this form with the IRS may wish to use it to satisfy state reporting requirements. For details, see General Instruction E.

The following types of organizations exempt from tax under section 501(a) do not have to file Form 990 (or Form 990-EZ) with the IRS:

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group), or an internally supported, church-controlled organization described in Rev. Proc. 86-23, 1986-1 C.B. 564.
2. A school below college level affiliated with a church or operated by a religious order.
3. 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.
4. An exclusively religious activity of any religious order.
5. A state institution whose income is excluded from gross income under section 115.
6. An organization described in section 501(c)(1). Section 501(c)(1) organizations are corporations organized under an Act of Congress that are:
  - Instrumentalities of the United States, and
  - Exempt from Federal income taxes.
7. A private foundation exempt under section 501(c)(3) and described in section 509(a). (Required to file **Form 990-PF**, Return of Private Foundation.)
8. A black lung benefit trust described in section 501(c)(21). (Required to file **Form 990-BL**, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.)

9. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. (See **Form 5500**, Annual Return/Report of Employee Benefit Plan.)

10. A religious or apostolic organization described in section 501(d). (Required to file **Form 1065**, U.S. Partnership Return of Income.)

11. A foreign organization whose annual gross receipts from sources within the U.S. are normally \$25,000 or less (Rev. Proc. 94-17, 1994-1 C.B. 579). See the discussion on the \$25,000 gross receipts test in 12c. See also General Instruction A if the organization received a Form 990 Package.

12. An organization whose annual gross receipts are normally \$25,000 or less is not required to file; however, see General Instruction A if the organization received a Form 990 Package.

**a. Calculating gross receipts.**—The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses. Gross receipts are the sum of lines 1, 2, 3, 4, 5a, 6a, 7a, and 8 of Part I. Gross receipts can also be calculated by adding back the amounts on lines 5b, 6b, and 7b to the total revenue reported on line 9.

**Example.** On line 9 of its Form 990-EZ for 1995, Organization M reported \$50,000 as total revenue. M added back the costs and expenses it had deducted on lines 5b (\$2,000); 6b (\$1,500); and 7b (\$500) to its total revenue of \$50,000 and determined that its gross receipts for the tax year were \$54,000.

**b. Gross receipts when acting as 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 collecting them, the local chapter should not include the premiums in its gross receipts. The parent lodge should report them instead. The same treatment applies in other situations in which one organization collects funds merely as an agent for another.

**c. \$25,000 gross receipts test.**—An organization's gross receipts are considered normally to be \$25,000 or less if the organization is:

- (1) Up to a year old and has received, or donors have pledged to give, \$37,500 or less during its first tax year;
- (2) Between 1 and 3 years old and averaged \$30,000 or less in gross receipts during each of its first 2 tax years; or
- (3) Three years old or more and averaged \$25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

13. A governmental unit or affiliate of a governmental unit described in Rev. Proc. 95-48, 1995-47 I.R.B. 13.

**D. Forms and Publications To File or Use**

These forms and publications are available at many IRS offices or by calling **1-800-TAX-FORM** (1-800-829-3676).

If you have a computer and a modem, you can use them to get tax forms and publications. If you subscribe to an on-line service, ask if IRS information is available and, if so, how to access it. You can also get

information through IRIS, the Internal Revenue Information Service, on FedWorld, a government bulletin board. Tax forms, instructions, publications, and other IRS information are available through IRIS.

IRIS is accessible directly by calling 1-703-321-8020. On the Internet, you can telnet to fedworld.gov or, for file transfer protocol services, connect to ftp.fedworld.gov. If you are using the World Wide Web, connect to http://www.ustreas.gov.

FedWorld's help desk offers technical assistance on accessing IRIS (not tax help) during regular business hours at 1-703-487-4608. The IRIS menus offer information on available file formats and software needed to read and print files. You must print the forms to use them; the forms are not designed to be filled out on-screen.

Tax forms, instructions, and publications are also available on CD-ROM, including prior-year forms starting with the 1991 tax year. For ordering information and software requirements, contact the Government Printing Office's Superintendent of Documents (1-202-512-1800) or Federal Bulletin Board (1-202-512-1387).

**Schedule A (Form 990).**—Organization Exempt Under Section 501(c)(3) (Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Nonexempt Charitable Trust. Filed with Form 990-EZ for a section 501(c)(3) organization that is not a private foundation (and including an organization described in section 501(e), 501(f), or 501(k)). Also filed with Form 990-EZ for a section 4947(a)(1) nonexempt charitable trust that is not treated as a private foundation. An organization is not required to file Schedule A (Form 990) if its gross receipts are normally \$25,000 or less. See the gross receipts discussion in General Instruction C.

**Forms W-2 and W-3.**—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

**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.

If certain excise, income, social security, and Medicare taxes that must be collected or withheld are not collected or withheld, or these taxes are not paid to the IRS, a trust fund recovery penalty may apply. The trust fund recovery penalty may be imposed on all persons (including volunteers) who the IRS determines were responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. The penalty is equal to the unpaid trust fund tax. See the instructions for **Pub. 15 (Circular E)**, Employer's Tax Guide, for more details, including the definition of responsible persons.

**Form 990-T.**—Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of \$1,000 or more from business unrelated to the organization's exempt purpose; also filed to pay the section 6033(e)(2) proxy tax (see line 35 and its instructions).

**Form 990-W.**—Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

**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 Form 990-EZ). However, if such a trust does not have any taxable income under Subtitle A of the Code, it can file Form 990 (or Form 990-EZ) and need not file Form 1041 to meet its section 6012 filing requirement. If this condition is met, complete Form 990-EZ and do not file Form 1041. A section 4947(a)(1) nonexempt charitable trust that normally has gross receipts of not more than \$25,000 (see the gross receipts discussion in General Instruction C) and has no taxable income under Subtitle A must complete only the following items in the heading of Form 990-EZ:

#### Item

**A.** Tax year (fiscal year or short period, if applicable);

**B.** Applicable checkboxes;

**C.** Name and address;

**D.** Employer identification number; and

**I.** Section 4947(a)(1) nonexempt charitable trust box. (Also, complete line 42 and the signature block on page 2 of the return.)

**Form 1096.**—Annual Summary and Transmittal of U.S. Information Returns.

**Form 1099 Series.**—Information returns for reporting payments such as dividends, interest, miscellaneous income (including medical and health care payments and nonemployee compensation), original issue discount, patronage dividends, real estate transactions, acquisition or abandonment of secured property, discharge of indebtedness, and distributions from annuities, pensions, profit-sharing plans, and retirement plans.

**Form 1120-POL.**—U.S. Income Tax Return for Certain Political Organizations.

**Form 1128.**—Application To Adopt, Change, or Retain a Tax Year.

**Form 2758.**—Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns.

**Form 4506-A.**—Request for Public Inspection or Copy of Exempt Organization Tax Form.

**Form 4720.**—Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code. Section 501(c)(3) organizations that file Form 990 (or Form 990-EZ), as well as the managers of these organizations, use this form to report their tax on political expenditures and certain lobbying expenditures.

**Form 5500 or 5500-C/R.**—Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series forms specified below. 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.

Plans with 100 or more participants must file **Form 5500**, Annual Return/Report of Employee Benefit Plan.

Plans with fewer than 100 participants must file **Form 5500-C/R**, Return/Report of Employee Benefit Plan.

**Form 5768.**—Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.

**Form 8282.**—Donee Information Return. Required of the donee of "charitable deduction property" who sells, exchanges, or

otherwise disposes of the property within 2 years after receiving the property.

Also, the form is required of any successor donee who disposes of charitable deduction property within 2 years after the date that the donor gave the property to the original donee. It does not matter who gave the property to the successor donee. It may have been the original donee or another successor donee.

**Form 8300.**—Report of Cash Payments Over \$10,000 Received in a Trade or Business. Used to report cash amounts in excess of \$10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162). However, if the organization receives a charitable cash contribution in excess of \$10,000, it is not subject to the reporting requirement since the funds were not received in the course of a trade or business.

**Form 8822.**—Change of Address. Used to notify the IRS of a change in mailing address that occurs after the return is filed.

**Publication 525.**—Taxable and Nontaxable Income.

**Publication 598.**—Tax on Unrelated Business Income of Exempt Organizations.

**Publication 910.**—Guide to Free Tax Services.

**Publication 1391.**—Deductibility of Payments Made to Charities Conducting Fund-Raising Events.

**Publication 1771.**—Charitable Contributions Substantiation and Disclosure Requirements.

## E. Use of Form 990-EZ To Satisfy State Reporting Requirements

Some states and local government units will accept a copy of Form 990-EZ and Schedule A (Form 990) 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-EZ to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following:

### Determine state filing requirements

The organization should consult the appropriate officials of all states and other jurisdictions in which the organization does business to determine their specific filing requirements. "Doing business" in a jurisdiction may 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-EZ when filed with the IRS may not apply when using Form 990-EZ in place of state or local report forms. Examples of the IRS dollar limitations that do not meet some state requirements are the \$25,000 gross receipts minimum that creates an obligation to file with the IRS (see the gross receipts discussion in General Instruction C), and the \$50,000 minimum for listing professional fees in Part II of Schedule A (Form 990).

### Additional information may be required

State or local filing requirements may require the organization to attach to Form 990-EZ one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in net assets; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990-EZ filed with the IRS.

Even if the Form 990-EZ the organization files with the IRS is accepted by the IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if required information is not provided, including any of the additional information discussed above, or if the state determines that the form was not completed by following the applicable Form 990-EZ instructions or supplemental state instructions. If so, the organization may be asked to provide the missing information or to submit an amended return.

### Use of audit guides may be required

To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, grants, etc., on line 1 in Part I and program service expenses in Part III be reported according to the AICPA industry audit guide, *Audits of Voluntary Health and Welfare Organizations* (New York, NY, AICPA, 1988), as supplemented by *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations* (Washington, DC, National Health Council, Inc., 1988, 3rd edition), and by *Accounting and Financial Reporting—A Guide for United Ways and Not-for-Profit Human Service Organizations* (Alexandria, VA, United Way Institute, 1989).

### Donated services and facilities

Even though reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by the three publications named above, many states and the IRS do not permit the inclusion of those amounts in Part I of Form 990-EZ. The instructions in Part III discuss the optional reporting of donated services and facilities.

### Amended returns

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

If a state requires the organization to file an amended Form 990-EZ to correct conflicts with Form 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 Specific Instructions, item G.

### Time for filing may differ

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

### Public inspection

The Form 990-EZ information made available for public inspection by the IRS may differ from that made available by the states. See the **Caution** for line 1, instruction D.

### State registration number

Enter the applicable state or local jurisdiction registration or identification number in item E (in the heading of the return) for each jurisdiction in which the organization files Form 990-EZ in place of the state or local form. If filing in several jurisdictions, prepare as many copies as needed with item E blank. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

An organization need not put any state or local jurisdiction registration or identification number on the Form 990-EZ filed with the IRS.

### F. Other Forms as Partial Substitutes for Form 990-EZ

Except as provided below, the IRS will not accept any form as a substitute for one or more parts of Form 990-EZ.

#### Labor organizations (section 501(c)(5))

A labor organization that files **Form LM-2**, Labor Organization Annual Report, or the shorter **Form LM-3**, Labor Organization Annual Report, with the U.S. Department of Labor (DOL) can attach a copy of the completed DOL form to provide some of the information required by Form 990-EZ. This substitution is not permitted if the organization files a DOL report that consolidates its financial statements with those of one or more separate subsidiary organizations.

#### Employee benefit plans (section 501(c)(9), (17), or (18))

An employee benefit plan may be able to substitute Form 5500, or Form 5500-C/R, for part of Form 990-EZ. The substitution can be made if the organization filing Form 990-EZ and the plan filing Form 5500 or 5500-C/R meet all the following tests:

1. The Form 990-EZ filer is organized under section 501(c)(9), (17), or (18);
2. The Form 990-EZ filer and Form 5500 filer are identical for financial reporting purposes and have identical receipts, disbursements, assets, liabilities, and equity accounts;
3. The employee benefit plan does not include more than one section 501(c) organization, and the section 501(c) organization is not a part of more than one employee benefit plan; and
4. The organization's accounting year and the employee plan year are the same. If they are not, you may want to change the organization's accounting year, as explained in General Instruction G, so it will coincide with the plan year.

#### Allowable substitution areas

Whether the organization files Form 990-EZ for a labor organization or for an employee benefit plan, the areas of Form 990-EZ for which other forms can be substituted are the same. These areas are:

- Lines 10 through 16 of Part I (but complete lines 17 through 21).
- Part II (but complete lines 25 through 27, columns (A) and (B)).

If the organization substitutes Form LM-2 or LM-3 for any of the Form 990-EZ parts or line items mentioned above, it must attach a reconciliation sheet to show the relationship between the amounts on the DOL forms and the amounts on Form 990-EZ. This is particularly true of the relationship of disbursements shown on the DOL forms and the total expenses on line 17, Part I, of Form 990-EZ. The organization must make this reconciliation because the cash disbursements section of the DOL forms includes nonexpense items. If the organization substitutes Form LM-2, be sure to complete a separate schedule of expenses.

### G. Accounting Period Covered

Use the 1995 Form 990-EZ to report on the 1995 calendar year accounting period. A calendar year accounting period begins on January 1 and ends on December 31.

If the organization has established a fiscal year accounting period, use the 1995 Form 990-EZ to report on the organization's fiscal year that began in 1995 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 (item A) the date the organization's fiscal year began in 1995 and the date the fiscal year ended in 1996.

Use the 1995 Form 990-EZ to report on a short accounting period (less than 12 months) that began in 1995 and ended November 30, 1996, or earlier.

In general, for the organization to change its accounting period, it must timely file a return on Form 990-EZ for the short period resulting from the change. At the top of the short period return, write "Change of Accounting Period." If the organization changed its accounting period within the 10-calendar-year period that includes the beginning of the short period, and it had a Form 990-EZ (or Form 990) filing requirement at any time during that 10-year period, it must also attach a Form 1128 to the short-period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

### H. When and Where To File

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

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

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

If the principal office is located in

Send the return to the Internal Revenue Service Center below

Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee	Atlanta, GA 39901-0027
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, Wyoming	Austin, TX 73301-0027
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999-0027
Alaska, California, Hawaii, Idaho, Nevada, Oregon, Washington	Fresno, CA 93888-0027
Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont	Holtsville, NY 00501-0027
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin	Kansas City, MO 64999-0027
Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, any U.S. possession, or foreign country	Philadelphia, PA 19255-0027

## I. Extension of Time To File

Use Form 2758 to request an extension of time to file a Form 990-EZ (or Form 990). Generally, the IRS will not grant an extension of time for more than 90 days unless sufficient need for an extended period is clearly shown. In no event will an extension of more than 6 months be granted to any domestic organization.

## J. Amended Return/Final Return

To change the organization's return for any year, file a new return including any required attachments. Use the revision of Form 990-EZ applicable to the year being amended. The amended return must provide all the information called for by the form and instructions, not just the new or corrected information. Check the "Amended Return" box, in the heading of the return, or, if the version of the form being used does not have such a box, write "Amended Return" at the top of the return.

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

The organization must also send a copy of the information or amended return to any state with which it filed a copy of Form 990-EZ originally to meet that state's filing requirement.

Use Form 4506-A to obtain a copy of a previously filed return. You can obtain blank forms for prior years by calling **1-800-TAX-FORM** (1-800-829-3676).

If the return is a final return, see the specific instructions for line 36, Part V, Other Information.

## K. Penalties

### Against the organization

Under section 6652(c), a penalty of \$10 a day, not to exceed the smaller of \$5,000 or 5% of the gross receipts of the organization for the year, may be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause. The penalty begins on the due date for filing the Form 990-EZ. The penalty may also be charged if the organization files an incomplete return or furnishes incorrect information. To avoid having to supply missing information later, be sure to complete all applicable line items; answer "Yes," "No," or "N/A" (not applicable) to each question on the return; make an entry (including a zero when appropriate) on all **total** lines; and enter "None" or "N/A" if an entire part does not apply.

### Against responsible person(s)

If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter with 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, not to exceed \$5,000, unless he or she shows that not complying was due to reasonable cause. If more than one person is responsible, they are jointly and individually liable for the penalty.

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). There are also penalties for failure to comply with public disclosure requirements as discussed in General Instruction L. States may impose additional penalties for failure to meet their separate filing requirements.

## L. Public Inspection of Completed Exempt Organization Returns and Approved Exemption Applications

### Through the IRS

Forms 990, 990-EZ, and certain other completed exempt organization returns are available for public inspection and copying upon request. Approved applications for exemption from Federal income tax are also available. However, the IRS may not disclose portions of an application relating to any trade secrets, etc., nor can the IRS disclose the schedule of contributors required as an attachment for line 1 of Forms 990 and 990-EZ (section 6104).

A request for inspection must be in writing and must include the name and address (city and state) of the organization that filed the return or application. A request to inspect a return should indicate the type (number) of the return and the year(s) involved. The request should be sent to the District Director (Attention: Disclosure Officer) of the district in which the requester desires to inspect the return or application. If inspection at the IRS National Office is desired, the request should be sent to the Commissioner of Internal Revenue, Attention: Freedom of Information Reading Room, 1111 Constitution Avenue, NW, Washington, DC 20224.

Use Form 4506-A to request a copy or to inspect an exempt organization return. There is a fee for photocopying.

## Through the organization

### Annual return

An organization must, during the 3-year period beginning with the due date (including extensions, if any), of the Form 990 (or Form 990-EZ), make its return available for public inspection upon request. All parts of the return and all required schedules and attachments, other than the schedule of contributors to the organization, must be made available. Inspection must be permitted during regular business hours at the organization's principal office and at each of its regional or district offices having three or more employees. This provision applies to any organization that files Form 990 (or Form 990-EZ), regardless of the size of the organization and whether or not it has any paid employees.

If the organization does not maintain a permanent office, it must provide a reasonable location for a requester to inspect the organization's annual returns. The organization may mail the information to a requester. However, the organization can charge for copying and postage only if the requester gives up the right to a free inspection (Notice 88-120, 1988-2 C.B. 454).

If an organization furnishes additional information to the IRS to be made part of its return, as a result of an examination or correspondence from the service center processing the return, it must also make that information part of the return it provides for public inspection.

Any person who does not comply with the public inspection requirement shall be assessed a penalty of \$10 for each day that inspection was not permitted, up to a maximum of \$5,000 for each return. No penalty will be imposed if the failure is due to reasonable cause. Any person who willfully fails to comply shall be subject to an additional penalty of \$1,000 (sections 6652(c) and 6685).

### Exemption application

Any section 501(c) organization that submitted an application for recognition of exemption to the Internal Revenue Service after July 15, 1987, must make available for public inspection a copy of its application (together with a copy of any papers submitted in support of its application) and any letter or other document issued by the Internal Revenue Service in response to the application. An organization that submitted its exemption application on or before July 15, 1987, must also comply with this requirement if it had a copy of its application on July 15, 1987. For annual returns, the copy of the application and related documents must be made available for inspection during regular business hours at the organization's principal office and at each of its regional or district offices having at least three employees.

If the organization does not have a permanent office, it must provide a reasonable location for the inspection of both its annual returns and exemption application. The information may be mailed. See the reference to Notice 88-120 under **Annual return**. The organization need not disclose any portion of an application relating to trade secrets, etc., that would not also be disclosable by the IRS.

The penalties for failure to comply with this provision are the same as those under **Annual return** above, except that the \$5,000 limitation does not apply.

## M. Disclosures Regarding Certain Information and Services Furnished

A section 501(c) organization that offers to sell or solicits money for specific information or a routine service for any individual that could be obtained by such individual from a Federal government agency free or for a nominal charge **must** disclose that fact when making such offer or solicitation. Any organization that intentionally disregards this requirement will be subject to a penalty for **each day** on which the offers or solicitations are made. The penalty imposed for a particular day is the greater of \$1,000 or 50% of the total cost of the offers and solicitations made on that day.

## N. Disclosures Regarding Certain Transactions and Relationships

In their annual returns on Schedule A (Form 990), section 501(c)(3) organizations must disclose information regarding their direct or indirect transfers to, and other direct or indirect relationships with, other section 501(c) organizations (except other section 501(c)(3) organizations) or section 527 political organizations. This provision helps to prevent the diversion or expenditure of a section 501(c)(3) organization's funds for purposes not intended by section 501(c)(3). All section 501(c)(3) organizations must maintain records regarding all such transfers, transactions, and relationships. See the discussion of penalties in General Instruction K.

## O. Erroneous Backup Withholding

Recipients of dividend or interest payments generally must certify their correct taxpayer identification number to the bank or other payer on **Form W-9**, Request for Taxpayer Identification Number and Certification. If the payer does not get this information, it must withhold part of the payments as "backup withholding." If the organization was subject to erroneous backup withholding because the payer did not realize it was an exempt organization and not subject to this withholding, it can claim credit for the amount withheld. See the Instructions for Form 990-T if the organization had backup withholding erroneously withheld. Claims for refund must be filed within 3 years after the date the original return was due; 3 years after the date the organization filed it; or 2 years after the date the tax was paid, whichever is later.

## P. Group Return

If a parent organization wants to file a group return for two or more of its subsidiaries, it must use Form 990. The parent organization cannot use Form 990-EZ. See the Instructions for Form 990 for filing a group return.

An affiliated organization covered by a group ruling may file a separate return instead of being included in the group return.

## Q. Organizations in Foreign Countries and U.S. Possessions

Refer to General Instruction C for filing exemption for foreign organizations with \$25,000 or less in gross receipts from U.S. sources.

Report amounts in U.S. dollars and state what conversion rate you use. Combine amounts from within and outside the United States and report the total for each item. All information must be written in English.

## R. Substantiation, Disclosure, and Lobbying Rules

**1. Substantiation requirements for certain contributions.**—A donor that makes a charitable contribution of \$250 or more will not be allowed a Federal income tax deduction under section 170 unless the donor obtains, contemporaneously with giving the charitable contribution, a written acknowledgment (receipt) from the donee organization (section 170(f)(8)). Taxpayers (donors) may not rely solely on a cancelled check as substantiation for a donation of \$250 or more to a donee organization.

An acknowledgment is considered to be "contemporaneous" with a donor's contribution if it is obtained by the earlier of the date on which the donor files a tax return for the tax year in which the contribution was made or the due date, including extensions, for filing that return.

The acknowledgment the donee gives to the donor does not have to be in any particular form but it must show (a) the amount of cash contributed and (b) a description (but not value) of any property contributed, other than cash. Further, the acknowledgment must (c) describe and show the value, estimated in good faith by the donee, of any goods or services the donee gave in return for the contribution. A false substantiation acknowledgment may subject the donee organization to section 6701 penalties for aiding and abetting an understatement of tax liability. If the donor did not receive any goods or services from the donee organization in return for its contribution, the donee's written acknowledgment must state that fact.

If the donor received only goods and services of insubstantial value in return for its contribution, the donee's written acknowledgment need not state a value for such goods and services. See Rev. Procs. 90-12, 1990-1 C.B. 471, and 94-72, 1994-2 C.B. 811 (and any successor documents), and line 1 instructions for a discussion of benefits of nominal value.

If the donee organization provided goods or services consisting solely of intangible religious benefits, the donee must make a statement to that effect instead of providing an estimated valuation.

An "intangible religious benefit" must be (a) provided by an organization organized exclusively for religious purposes and (b) not generally sold in a commercial transaction.

The donee organization may either provide separate statements for each contribution of \$250 or more from a donor, or furnish periodic statements substantiating contributions of \$250 or more.

Separate payments are regarded as independent contributions and are not aggregated for purposes of measuring the \$250 threshold. If donations are made through payroll deductions, the deduction from each paycheck is regarded as a separate payment.

If the donation is made by means of withholding from a taxpayer's wages and payment by the taxpayer's employer to a donee organization, it may be substantiated by both—

1. A pay stub, Form W-2, or other document furnished by the employer that sets forth the amount withheld by the employer for the purpose of payment to a donee organization; and

2. A pledge card or other document prepared by or at the direction of the donee organization that includes a statement to the effect that the organization does not provide goods or services in whole or partial consideration for any contributions made to the organization by payroll deduction.

An organization described in section 170(c), or an organization that is a Principal Combined Fund Organization for purposes of the Combined Federal Campaign and acting in that capacity, that receives a payment made as a contribution is treated as the donee organization for purposes of section 170(f)(8), even if the organization distributes the amount received to one or more organizations described in section 170(c).

See also Publication 1771 and Regulations section 1.170A-13 that discuss the provisions of the law.

It is the responsibility of the donor to obtain, and keep as part of its records, a written acknowledgment substantiating its contribution. However, future regulations will provide guidance to organizations on how they can provide substantiation information directly to the IRS. If the donee organizations do so, donors will not have to substantiate their contributions separately.

Donors must continue to file **Form 8283**, Noncash Charitable Contributions, if their deduction for all noncash gifts is more than \$500.

**2. Disclosure requirements for quid pro quo contributions.**—If a charitable organization solicits or receives a contribution of more than \$75 for which the organization gives the donor something in return (a quid pro quo contribution), the organization must inform the donor, by written statement, that the amount of the contribution deductible for Federal income tax purposes is limited to the excess over the value of the goods or services received by the donor.

The written statement must also provide the donor with a good-faith estimate of goods or services given in return for the contribution. A written statement is not required if an organization gave the donor goods or services of insubstantial value. (See the instructions for line 1, A2, that discuss benefits of nominal value.)

A "quid pro quo contribution" is a payment that is given both as a contribution and as a payment for goods or services provided by the donee organization. A quid pro quo contribution does not include any payment to an organization, organized exclusively for religious purposes, solely for intangible religious benefits not generally sold in a commercial transaction (section 6115).

An organization that fails to make the required disclosure for each quid pro quo contribution will incur a penalty of \$10 for each such failure, not to exceed \$5,000 for a particular fundraising event or mailing, unless it can show reasonable cause for not providing such disclosure (section 6714).

**3. Special rules relating to lobbying and political activities.**—Certain organizations exempt under sections 501(c)(4), (5), and (6) must report their total lobbying, political expenses, and membership dues, or similar amounts. See line 35 and its instructions. At the time of assessment or payment of these

dues, etc., these organizations generally must give their members a written estimate showing the allocation of membership dues, etc., to the organization's lobbying and political expenses.

The term "dues" means the amount the organization requires a member to pay in order to be recognized by the organization as a member. Payments that are similar to dues include members' voluntary payments, assessments made by the organization to cover basic operating costs, and special assessments imposed by the organization to conduct lobbying and political activities. If the amount of lobbying and political expenses exceed the amount of dues, etc., for the year, the full amount of dues, etc., is considered allocable to the lobbying and political expenses. Any excess lobbying and political expenses are carried forward to the next tax year.

Members of an organization cannot take either a section 170 charitable deduction or a section 162 business expense deduction for the portion of their dues payment, etc., that is shown on the written estimate given to them as being allocable to the organization's lobbying and political expenses. See the instructions for allocating costs to lobbying activities and influencing legislation in item 4 below.

Disclosing the portion of dues, etc., allocable to lobbying and political expenses is not required for an organization that (a) incurs only de minimis amounts of in-house lobbying expenses (not more than \$2,000) and no other nondeductible lobbying or political expenses (such as political campaign or grassroots lobbying expenses); or (b) elects, instead of giving its members a written notice of allocation of lobbying and political expenses, to pay a proxy tax on those lobbying and political expenses incurred during the tax year; or (c) establishes that substantially all of its dues or similar amounts are not deductible by the persons paying them in computing their taxable income.

If the organization elects not to give its members an estimate of anticipated nondeductible lobbying and political expenses allocable to dues, etc., then the organization is subject to a proxy tax on its actual lobbying and political expenses allocable to dues for that year. The proxy tax is equal to the amount subject to the tax, multiplied by the highest corporate rate in effect for the tax year. The tax is reported on Form 990-T.

If the organization's actual nondeductible lobbying and political expenses allocable to dues for the year exceed its estimate of the allocable amount of such expenses in timely notices of dues disallowance to members, the organization must pay a proxy tax on the excess. The IRS may permit a waiver of this tax if the organization made a reasonable estimate and agrees to adjust its notice of lobbying and political expenses to members in the following year.

If an organization elects to pay the proxy tax rather than to provide its members with an estimate of dues allocable to lobbying and political expenses, all of the members' dues remain eligible for deduction to the extent otherwise deductible. See sections 162(e) and 6033(e).

As stated above, section 501(c)(3) organizations are not subject to the lobbying and political expense disclosure requirements. However, a contributor to a charity that engages in lobbying and political activities cannot take a section 170 or 162

deduction for a contribution if (a) the charity's lobbying and political activities are on matters of direct financial interest to the contributor's trade or business and (b) a principal purpose of the contribution is to avoid the general disallowance rule that would apply if the contributor conducted such lobbying and political activities directly (section 170(f)(9)).

For more details, see Rev. Proc. 95-35, 1995-32 I.R.B. 51, as amended by Rev. Proc. 95-35A, 1995-40 I.R.B. 38.

**4. Allocation of costs to lobbying activities and influencing legislation.**—The rules below, contained in Regulations sections 1.162-28 and 1.162-29, are effective for amounts paid or incurred on or after July 21, 1995. Organizations must adopt a reasonable interpretation of sections 162(e)(1)(A) and (D) for amounts paid or incurred before this date.

An organization subject to the lobbying disclosure rules of section 6033(e) must use a reasonable allocation method to determine what portion of its total costs were made for two types of nondeductible lobbying activities—**influencing legislation** and **influencing the actions of a covered executive branch official** through direct communication (sections 162(e)(1)(A) and (D)). Allocation of costs to these types of lobbying activities is not applicable to expenditures for de minimis in-house lobbying or for grassroots lobbying and political activities. These allocation rules do not apply to section 501(c)(3) organizations.

Reasonable methods of allocating costs to lobbying activities include, but are not limited to: (a) the ratio method, (b) the gross-up and alternative gross-up methods, and (c) a method applying the principles of section 263A. A method is not reasonable unless it is applied consistently, allocates a proper amount of costs to lobbying activities, and is consistent with certain special rules of Regulations sections 1.162-28 and 1.162-29. Tax-exempt organizations can use the ratio method and gross-up method even if some of their activities are conducted by volunteers. Labor hours and costs of personnel whose activities involve significant judgment with respect to lobbying activities ("lobbying personnel") are included in all methods. Labor hours and costs of clerical or support personnel (personnel other than "lobbying personnel") are disregarded under the alternative gross-up method and may be disregarded under the ratio method. Third-party costs are those paid to outside parties for conducting lobbying activities, dues paid another membership organization that were declared to be nondeductible lobbying expenses, and travel and entertainment costs for lobbying activities.

**Special rules and definitions.**—If less than 5% of a person's time is spent on lobbying activities, an organization may treat that person's time spent on lobbying activities as zero—but not if there is "direct contact lobbying" (de minimis rule). An organization must treat all hours spent by a person on, or in connection with, direct contact lobbying as labor hours allocable to lobbying activities.

An activity is "direct contact lobbying" if it is a meeting, telephone conversation, letter, or similar means of communication with a legislator (other than a local legislator) or covered executive branch official and otherwise qualifies as a lobbying activity. A person who engages in research, preparation, and other background activities related to direct contact lobbying, but who does not make direct contact with a legislator or

covered executive branch official, is not engaged in direct contact lobbying.

"Influencing legislation" means (a) any attempt to influence legislation through a lobbying communication; and (b) all activities, such as research, preparation, planning, and coordination, including deciding whether to make a lobbying communication, engaged in for a purpose of making or supporting a lobbying communication, even if not yet made.

A "lobbying communication" is any communication with any member or employee of a legislative body, or any other government official or employee who may participate in the formulation of the legislation that (a) refers to specific legislation and reflects a view on that legislation; or (b) clarifies, amplifies, modifies, or provides support for views reflected in a prior lobbying communication.

"Legislation" includes any action with respect to Acts, bills, resolutions, or other similar items by a legislative body. Specific legislation includes a specific legislative proposal that has not been introduced in a legislative body.

"Legislative bodies" are Congress, state legislatures, and other similar governing bodies, excluding local councils (and similar governing bodies), and executive, judicial, or administrative bodies.

"Purpose for engaging in an activity" is based on all the facts and circumstances. If an organization's lobbying communication was for a lobbying and a nonlobbying purpose, the organization must make a reasonable allocation of costs to influencing legislation.

If in a prior year, an organization treated costs incurred for a future lobbying communication as a lobbying cost to influence legislation, but after the organization filed a timely return it appears the lobbying communication will not be made under any foreseeable circumstance, the organization may apply these costs to reduce its current year's lobbying costs, but not below zero. The organization may carry forward any amount of the costs not used to reduce its current year's lobbying costs to subsequent years.

**Example. Ratio method.**—X Organization's three employees spent 3,000 hours in lobbying activities. The organization's total labor hours for all activities were 6,000. The organization had no third-party lobbying costs. Its total operational costs, excluding any third-party costs, were \$300,000. X Organization allocated its lobbying costs as follows:

Lobbying labor hrs.			
$\frac{3,000}{6,000}$	$\times$	\$300,000	$+ 0 = \$150,000$
Total labor hrs.	Total costs of operations	Allocable third-party costs	Costs allocable to lobbying activities

**Examples. Gross-up method and Alternative gross-up method.**—A and B are employees of Y Organization. A's activities involve significant judgment with respect to lobbying activities. B performs clerical and support activities for A. A's basic lobbying labor costs (excluding employee benefits) are \$50,000 and B's labor costs (excluding employee benefits) in support of A's activities are \$15,000. Allocable third-party costs are

\$100,000. Using the gross-up method to allocate its lobbying costs, Y Organization multiplies 175% times its basic labor costs (excluding employee benefits) for all of the lobbying of its personnel and adds its third-party lobbying costs as follows:

$$175\% \times \$65,000 + \$100,000 = \$213,750$$

Basic lobbying labor costs of A + B	Allocable third-party costs	Costs allocable to lobbying activities
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If Y Organization uses the alternative gross-up method to allocate its lobbying costs, Y multiplies 225% times its basic labor costs (excluding employee benefits) for all of the lobbying hours of its "lobbying personnel" and adds its third-party lobbying costs as follows:

$$225\% \times \$50,000 + \$100,000 = \$212,500$$

Basic lobbying labor costs of A	Allocable third-party costs	Costs allocable to lobbying activities
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The examples that demonstrate the **section 263A cost allocation method** are found in Regulations section 1.162-28(f). For this purpose, lobbying activities are considered a service department or function.

## Specific Instructions

### Completing the Heading of Form 990-EZ

The instructions that follow are keyed to items in the heading for Form 990-EZ.

#### Item A—Accounting period

Use the 1995 Form 990-EZ to report on a calendar year accounting period beginning January 1, 1995, and ending December 31, 1995.

Also, use the 1995 Form 990-EZ to report on an accounting period other than a calendar year (either a fiscal year that began in 1995 or a short period (less than 12 months) that began in 1995). You must show the month and day in 1995 that your fiscal year began or the short period began. You must also show the day, month, and year your fiscal year or short period ended. See General Instruction G.

#### Item B—Checkboxes

**Change of address.**—If the organization changed its address since the previous return was filed, check this box.

**Initial return.**—If this is the organization's initial return, check this box.

**Final return.**—If this is a final return, check this box. See also the instructions for line 36, Part V, Other Information.

**Amended return.**—If this is an amended return, check this box. See General Instruction J for more details on amending a return.

#### Item C—Name and address

If we mailed the organization a Form 990 Package with a preaddressed mailing label, attach the label in the name and address space on the organization's return. Using the label helps us avoid errors in processing the return. If any information on the label is wrong, draw a line through that part and correct it.

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

show the box number instead of the street address.

#### Item D—Employer identification number

The organization should have only one Federal employer identification number. If the organization has more than one and has not been advised which to use, notify the service center for its area (from the list in General Instruction H). State what numbers the organization has, the name and address to which each number was assigned, and the address of its principal office. The IRS will advise the organization which number to use.

**Note: Section 501(c)(9) voluntary employees' beneficiary associations must use their own employer identification number and not the number of their sponsor.**

#### Item E—State registration number

See General Instruction E.

#### Item F—Application pending

If the organization's application for recognition of exemption is pending, check this box and complete the return.

#### Item G—Accounting method

Indicate the method of accounting used in preparing this return. Unless instructed otherwise, the organization should generally use the same accounting method on the return to figure 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 used must clearly reflect income.

Any not-for-profit organization described in section 501(c) that changes its method of accounting to comply with SFAS 116 and 117 does not need to file **Form 3115**, Application for Change in Accounting Method, unless any change affects taxable income.

If the organization prepares a Form 990-EZ for state reporting purposes, it may file an identical return with the IRS even though the return does not agree with the books of account, unless the way one or more items are reported on the state return conflicts with the instructions for preparing Form 990-EZ for filing with the IRS.

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

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

The organization should keep with its records a reconciliation of any differences between its books of account and the Form 990-EZ it files.

Most states that accept Form 990-EZ in place of their own forms require that all amounts be reported based on the accrual method of accounting. See General Instruction E.

#### Item H—Group exemption number

If the organization is covered by a group exemption letter, enter the four-digit group

exemption number (GEN). Contact the central/parent organization if you are unsure of the GEN assigned.

#### Item I—Type of organization

If the organization is exempt under section 501(c), check the applicable box and insert, within the parentheses, the number that identifies the type of section 501(c) organization the filer is. See the chart in General Instruction B. If the organization is a section 4947(a)(1) nonexempt charitable trust, check the applicable box and note the discussion in General Instruction D for Schedule A (Form 990) and Form 1041 as well as the instructions for line 42.

#### Item J—Gross receipts of \$25,000 or less

Check this box if the organization's gross receipts are normally not more than \$25,000. However, if the organization received a Form 990 Package, see General Instruction A and the discussion on gross receipts in General Instruction C.

#### Item K—Calculating gross receipts

Only those organizations with gross receipts of less than \$100,000 and total assets of less than \$250,000 at the end of the year can use the Form 990-EZ. If the organization does not meet these requirements, it must file Form 990. See the gross receipts discussion in General Instruction C.

#### Public Inspection

All information the organization reports on or with its Form 990-EZ, including attachments, will be available for public inspection, except the schedule of contributors required for line 1, Part I. The organization's forms and attachments should be clear enough to photocopy legibly.

#### Signature

To make the return complete, an officer of the organization authorized to sign it must sign in the space provided. (For a corporation or association, this officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate or association officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation or association. For a trust, the authorized trustee(s) must sign.)

Generally, anyone who is paid to prepare the return must sign it in the Paid Preparer's Use Only area. The paid preparer must:

- Sign the return, by hand, in the space provided for the preparer's signature (signature stamps and labels are not acceptable).
- Enter the preparer's social security number or employer identification number only if the Form 990-EZ is for a section 4947(a)(1) nonexempt charitable trust that is not filing Form 1041.
- Complete the required preparer information.
- Give a copy of the return to the organization.

Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

#### Recordkeeping

The organization's records should be kept for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must

be kept for 3 years from the date the return is due or filed, whichever is later. Keep records that verify the organization's basis in property for as long as they are needed to figure the basis of the original or replacement property.

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

### Rounding Off To Whole Dollars

You may show money items as whole-dollar amounts. Drop any amount less than 50 cents and increase any amount from 50 through 99 cents to the next higher dollar.

### Completing All Lines

Unless the organization is permitted to use certain DOL forms or Form 5500 series returns as partial substitutes for Form 990-EZ, do not leave any applicable lines blank or attach any other forms or schedules instead of entering the required information on the appropriate line on Form 990-EZ. See General Instruction F.

### Assembling Form 990-EZ

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

- Form 990-EZ
- Schedule A (Form 990). (The requirement to attach Schedule A (Form 990) applies to ALL section 501(c)(3) organizations and ALL section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ.)
- Attachments to Form 990-EZ
- Attachments to Schedule A (Form 990)

### Attachments

Use the schedules on the official form unless more space is needed. If you use attachments, please:

1. Show the form number and tax year;
2. Show the organization's name and employer identification number;
3. Clearly identify the Part or line(s) to which the attachments relate;
4. Include the information required by the form and use the same format as the form;
5. Follow the same Part and line sequence as the form; and
6. Use the same size paper as the form.

## 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 General Instruction E.

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

#### A. What is included on line 1

Report amounts received as voluntary contributions; that is, payments, or the part of any payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization.

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. Report all related expenses on lines 12 through 16.

Reporting for line 1, in accordance with SFAS 116, *Accounting for Contributions Received and Contributions Made*, is acceptable for Form 990-EZ (or Form 990) purposes, but not required by IRS. However, see General Instruction E.

An organization that receives a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 1. Accruals of present value increments to the unpaid grant should also be reported on line 1 in future years.

**1. Contributions can arise from special events when an excess payment is received for items offered.**—Special events and activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games can produce both contributions and revenue. Report as a contribution both on line 1 and on line 6a (within the parentheses) any amount received through a special event that is greater than the retail value of the merchandise or services furnished by the organization to the contributor.

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

**Example.** An organization announces that anyone who contributes at least \$40 to the organization can choose to receive a book worth \$16 retail value. A person who gives \$40, and who chooses the book, is really purchasing the book for \$16 and also making a contribution of \$24. The contribution of \$24, which is the difference between the buyer's payment and the \$16 retail value of the book, would be reported on line 1 and again on the description line of 6a (within the parentheses). The revenue received (\$16 retail value of the book) would be reported in the amount column on line 6a. Any expenses directly relating to the sale of the book would be reported on line 6b. Any fundraising expenses relating to the contribution of \$24 would be reported on lines 12 through 16.

If a contributor gives more than \$40, that person would be making a larger contribution, the difference between the book's retail value of \$16 and the amount actually given. See also the instructions for line 6 and Publication 1391.

**Note:** *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 General Instruction R.*

**2. Contributions can arise from special events when items of only nominal value are given or offered.**—If an organization offers goods or services of only nominal value through a special event, or distributes free, unordered, low-cost items to patrons, report the **entire** amount received for such benefits as a contribution on line 1. Report all related expenses on lines 12 through 16.

Benefits have a nominal value when:

- a. The benefit's fair market value is not more than 2% of the payment, or \$66, whichever is less; or
- b. The payment is \$33 or more; the only benefits received are token items bearing the

organization's name or symbol; and the organization's cost (as opposed to fair market value) is \$6.60 or less for all benefits received by a donor during the calendar year. These amounts are adjusted annually for inflation. See Rev. Proc. 94-72 cited also in General Instruction R.

**3. Section 501(c)(3) organizations.**—These organizations must compute the amounts of revenue and contributions received from special events according to the above instructions when preparing their Support Schedule in Part IV-A of Schedule A (Form 990).

**4. 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 may 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 line 1 instruction B1 below).

**5. Contributions received through other fundraising organizations.**—Contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies (such as United Way) are included on line 1.

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

**7. 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.

**8. Contributions or grants from governmental units.**—A grant, or other payment from a governmental unit, is treated as a grant equivalent to a contribution if its primary purpose is to enable the recipient to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of providing the service or facility). (See also line 1 instruction B1 below.)

**9. 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 line 3, instruction C1).

#### B. What is not included on line 1

**1. Grants that are payments for services are not contributions.**—A grant is a payment for service, 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).

**2. Donations of services.**—Do not include the value of services donated to the organization, or items such as the free use of

materials, equipment, or facilities, as contributions on line 1. However, for the optional reporting of such amounts, see the instruction for donated services in Part III.

**3. Section 501(c)(9), (17), and (18) organizations.**—These organizations provide participants with life, sickness, accident, welfare and unemployment insurance, pension(s), or similar benefits, or a combination of these benefits. When such an organization receives payments from participants, or their employers, to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

#### C. How to value noncash contributions

To report contributions received in a form other than cash, use the market value as of the date of the contribution. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices (or the average between the bona fide bid and asked prices) on the contribution date. When market value cannot be readily determined, use an appraised or estimated value.

To determine the amount of any noncash contribution that is subject to an outstanding debt, subtract the debt from the property's fair market value. Record the asset at its full value and record the debt as a liability in the books of account. See also the **Note** for line 1, instruction D, below.

#### D. Schedule of contributors

(Not open to public inspection) See **Caution** below.

Attach a schedule listing each contributor who, during the year, gave the organization, directly or indirectly, money, securities, or other property worth \$5,000 or more. If no one contributed \$5,000 or more, you do not need to attach a schedule.

On the schedule, show each contributor's name and address and the total amount that each contributed. In the case of noncash contributions, also show the date received. Contributors include individuals, fiduciaries, partnerships, corporations, associations, trusts, or exempt organizations.

If an employer withholds contributions from employees' pay and periodically gives them to the organization, report only the employer's name and address and the total amount given unless you know that a particular employee gave enough to be listed separately.

In determining whether a contributor gave \$5,000 or more, total that person's gifts of \$1,000 or more. Do not include smaller gifts. If the contribution consists of property whose fair market value can be determined readily (such as market quotations for securities), describe the property and list its fair market value. Otherwise, describe the property and estimate its value. Show the date noncash contributions were received.

**Exception.** Section 501(c)(7), (8), or (10) organizations that received contributions or bequests exclusively for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (sections 170(c)(4), 2055(a)(3), 2522(a)(3)).

If an organization meets the terms of this exception, some information in its schedule will vary from that described above.

The schedule should list each person whose gifts total more than \$1,000 during the year. Give the donor's name, the amount given, the gift's specific purpose, and the specific use to which it was put. If an amount is set aside for a religious, charitable, etc., purpose described above, explain how the amount is held (for instance, whether it is mingled with amounts held for other purposes). If the organization transferred the gift to another organization, name and describe the recipient and explain the relationship between the two organizations. Also show the total of the gifts that were \$1,000 or less and were for a religious, charitable, etc., purpose.

**Note:** If the organization qualifies to receive tax-deductible charitable contributions and receives contributions of property (other than publicly traded securities) whose fair market value is more than \$5,000, the organization should receive a partially completed Form 8283 from the contributor. If the organization receives a Form 8283, it should complete and return it so the donor can get a charitable contribution deduction. The organization should keep a copy of the completed Form 8283 for its records. See also the reference to Form 8282 in General Instruction D.

**Caution:** If the organization files a copy of Form 990-EZ and attachments with any state, do not include, in the attachments for the state, the schedule of contributors discussed above unless the schedule is specifically required by the state with which the organization is filing the return. States that do not require the information might nevertheless make it available for public inspection along with the rest of the return.

#### 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.

**1. 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.

**2. 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 are scholarship loans and low-interest loans to charitable organizations, indigents, or victims of a disaster. Rental income received from an exempt function is another example of program-related investment income. See also the instructions for line 4.

**3. Unrelated trade or business activities.**—Unrelated trade or business activities (not including any special events or activities) that generate fees for services may also be

program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

**4. 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 instructions for line 1, A8, for reporting guidelines when payments are received from a government agency for providing a service, facility, or product for the primary benefit of the general public.

#### Line 3—Membership Dues and Assessments

Enter members' and affiliates' dues and assessments that are not contributions. See also General Instruction R.

##### A. What is included on line 3

**1. Dues and assessments received that compare reasonably with available benefits.**—When the organization receives dues and assessments that compare reasonably with membership benefits, report such dues and assessments on line 3.

**2. Organizations that generally match dues and benefits.**—Organizations described in section 501(c)(5), (6), or (7) generally provide benefits that have a reasonable relationship to dues, although benefits to members may 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 the organization sponsors; use of its facilities; and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard such intangible benefits as the right to attend meetings, vote or hold office in the organization, and the distinction of being a member of the organization.

##### C. What is not included on line 3

**1. Dues or assessments received that exceed the value of available membership benefits.**—Whether or not membership benefits are used, 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.

**2. 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 monetary value, those dues are a contribution to the organization includible on line 1.

#### Line 4—Investment Income

##### A. What is included on line 4

**1. Interest on savings and temporary cash investments.**—Enter 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.

**2. Dividends and interest from securities.**—Enter the amount of dividend and interest income from debt and equity securities (bonds and stocks) on this line. Include amounts received from payments on securities loans, as defined in section 512(a)(5).

**3. Gross rents.**—Include gross rental income received during the year from investment property.

**4. Other investment income.**—Include, for example, royalty income from mineral interests owned by the organization.

#### **B. What is not included on line 4**

**1. Capital gains dividends and unrealized gains and losses.**—Do not include on this line any capital gains dividends. They are reported on line 5. Also do not include unrealized gains and losses on investments carried at market value. See the instructions for line 20.

**2. 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.

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 reporting organization's exempt purpose. Exempt function income also arises when an organization rents to an **unaffiliated** exempt organization at less than fair rental value for the purpose of helping that unaffiliated organization carry out its exempt purpose. Report rental income received in these instances on line 2 and not on line 4.

Only for purposes of completing Form 990-EZ, treat income from renting property to **affiliated** exempt organizations as exempt function income and include such income on line 2 as program service revenue.

#### **Lines 5a–c—Gains (or Losses) From Sale of Assets Other Than Inventory**

##### **A. What is included on line 5**

Report on line 5a all sales of securities and sales of all other types of investments (such as real estate, royalty interests, or partnership interests) as well as sales of all other noninventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).

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. Report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts on lines 5a and 5c. Indicate the source on the schedule described below.

For this return, you may use the more convenient way to figure the organization's gain or loss from sales of securities by comparing the sales price with the average-cost basis of the particular security sold. However, generally, the average-cost basis is not used to figure the gain or loss from sales of securities reportable on Form 990-T.

##### **B. What is not included on line 5**

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

##### **C. Attached schedule**

**1. Nonpublicly traded securities and noninventory items.**—Attach a schedule to show the sale or exchange of nonpublicly traded securities and the sale or exchange of other assets that are not inventory items. The schedule should show security transactions separately from the sale of other assets. Show for these assets:

- Date acquired and how acquired,
- Date sold and to whom sold,
- Gross sales price,
- Cost, other basis, or if donated, value at time acquired (state which),
- Expense of sale and cost of improvements made after acquisition, and
- Depreciation since acquisition, if depreciable property.

**2. Publicly traded securities.**—For sales of publicly traded securities through a broker, you may total the gross sales price, the cost or other basis, and the expenses of sale, and report lump-sum figures in place of providing the detailed reporting required in the above paragraph.

Publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available.

##### **Lines 6a–c—Special Events and Activities**

On the appropriate line, enter the gross revenue, expenses, and net income (or loss) from all special events and activities, such as dinners, dances, carnivals, raffles, bingo games, other gambling activities, and door-to-door sales of merchandise. These activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds (other than contributions) to finance the organization's exempt activities.

This is done by offering goods or services that have more than a nominal value (compared to the price charged) for a payment that is more than the direct cost of those goods or services. See line 1 instructions A1 and A2 for a discussion on contributions reportable on line 1 and revenue reportable on line 6. See also General Instruction R.

Calling any required payment a "donation" or "contribution" on tickets, advertising, or solicitation materials does not change how these payments should be reported on Form 990-EZ.

The gross proceeds from gambling activities and other special events must be reported in the amount column on line 6a without reduction for cash or noncash prizes, cost of goods sold, compensation, fees, or other expenses.

##### **A. What is included on line 6**

**1. Gross revenue/contributions.**—When an organization receives payments for goods or services offered through a special event, enter:

a. As gross revenue, on line 6a (in the amount column) the retail value of the goods or services.

b. As a contribution, on both line 1 and line 6a (within the parentheses), any amount received that exceeds the retail value of the goods or services given.

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

**2. Raffles or lotteries.**—Report as revenue, on line 6a, any amount received from raffles or lotteries that require payment of a specified minimum amount for each entry, unless the prizes awarded have only nominal value. See line 6 instruction B1 and B2 below.

**3. Direct expenses.**—Report on line 6b only the direct expenses attributable to the goods or services the buyer receives from a special event. If you include an expense on line 6b, do not report it again on line 7b. Fundraising expenses attributable to contributions reported on the description line of 6a (within the parentheses) are reportable on lines 12 through 16.

##### **B. What is not included on line 6**

**1. Sales or gifts of goods or services of only nominal value.**—If the goods or services offered at the special event have only nominal value, include all of the receipts as contributions on line 1 and all of the related expenses on lines 12 through 16. See line 1, instruction A2, for a description of nominal benefits that are adjusted annually for inflation.

**2. Sweepstakes, raffles, and lotteries.**—Report as a contribution, on line 1, the proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for prizes.

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

**3. Activities that generate only contributions are not special events.**—An activity that generates only contributions, such as a solicitation campaign by mail, is not a special event. Any amount received should be included on line 1 as a contribution. Related expenses are reportable on lines 12 through 16.

##### **C. Attached schedule**

Attach a schedule listing the three largest special events conducted, as measured by gross receipts. Describe each of these events and indicate for each event: the gross receipts; the amount of contributions included in gross receipts (see line 6, instruction A1 above); the gross revenue (gross receipts less contributions); the direct expenses; and the net income (gross revenue less direct expenses).

Furnish the same information, in total figures, for all other special events held that are not among the largest three. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

An example of this schedule of special events might appear in columnar form as follows:

Special Events	All				Total
	(A)	(B)	(C)	Other	
Gross Receipts	\$xx	\$xx	\$xx	\$xx	\$xx
Less: Contributions	<u>\$xx</u>	<u>\$xx</u>	<u>\$xx</u>	<u>\$xx</u>	<u>\$xx</u>
Gross Revenue	\$xx	\$xx	\$xx	\$xx	\$xx
Less: Direct Expenses	<u>\$xx</u>	<u>\$xx</u>	<u>\$xx</u>	<u>\$xx</u>	<u>\$xx</u>
Net Income or (loss)	\$xx	\$xx	\$xx	\$xx	\$xx

If you use this format, report the total for Contributions on line 1 of Form 990-EZ and on line 6a (within the parentheses of the description line). Report the totals for Gross Revenue, in the amount column, on line 6a; Direct Expenses on line 6b; and Net Income or (loss) on line 6c.

#### D. Fundraising recordkeeping

Section 501(c) organizations that are eligible to receive tax-deductible contributions under section 170(c) of the Code must keep sample copies of their fundraising materials, such as dues statements or other fundraising solicitations, tickets, receipts, or other evidence of payments received in connection with fundraising activities. If organizations advertise their fundraising events, they must keep samples of the advertising copy. If they use radio or television to make their solicitations, they must keep samples of scripts, transcripts, or other evidence of on-air solicitations. If organizations retain outside fundraisers, they must keep samples of the fundraising materials used by the outside fundraisers. For each fundraising event, organizations must keep records to show that portion of any payment received from patrons which is not deductible; that is, the retail value of the goods or services received by the patrons. See also General Instruction R.

#### Lines 7a–c—Gross Sales of Inventory

**1. 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. Include all inventory sales except sales of goods at special events, which are reportable on line 6.

**2. Cost of goods sold.**—On line 7b, report the cost of goods sold related to sales of such inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a proportion of overhead expenses. Marketing and distribution expenses are not includible in cost of goods sold. Include those expenses on lines 12 through 16.

**3. Investments.**—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 8—Other Revenue

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

#### Line 9—Total Revenue

Add lines 1, 2, 3, 4, 5c, 6c, 7c, and 8 to determine the amount of total revenue.

You may also use the amount on this line to determine quickly whether the organization's gross receipts are less than \$100,000. If an organization's gross receipts are \$100,000 or more, it **must** file Form 990. See General Instruction C for information on calculating gross receipts.

#### Line 10—Grants and Similar Amounts Paid

Reporting for line 10, in accordance with SFAS 116, is acceptable for Form 990-EZ purposes, but not required by IRS. However, see General Instruction E.

An organization that makes a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 10. Accruals of present value increments to the unpaid grant should also be reported on line 10 in future years.

##### 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.

##### 1. 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 expense of the filing organization.

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

**Note:** *If the organization uses Form 990-EZ for state reporting purposes, be sure to distinguish between payments to affiliates and awards and grants. See General Instruction E.*

##### B. What is not included on line 10

**1. 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.

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

**3. Membership dues paid to another organization.**—Report membership dues that the organization pays to another organization for general membership benefits, such as regular services, publications, and materials on line 16, as "Other expenses."

##### C. Attached schedule

Attach a schedule to explain the amounts reported on line 10. Show on this schedule:

- Each class of activity,
- The donee's name and address,
- The amount given, and
- The relationship of the donee (in the case of grants to individuals) if the relationship is by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the

organization, such as a creator, donor, director, trustee, officer, etc.

Any grants reported on line 10 that were approved during the year but not paid by the due date for filing Form 990-EZ (including extensions) must be identified and listed separately in the line 10 schedule.

Give the name and address of each affiliate that received any payment reported on line 10. Specify both the amount and purpose of these payments.

Classify activities on this schedule in more detail than by using such broad terms as charitable, educational, religious, or scientific. For example, identify payments to affiliates; payments for nursing services; fellowships; or payments for food, shelter, or medical services for indigents or disaster victims. For payments to indigent families, do not identify the individuals.

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

- A description of the property,
- The book value of the property,
- How you determined the book value,
- How you determined the fair market value, and
- The date of the gift.

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

Educational institutions and agencies subject to the Family Educational Rights and Privacy Act (20 U.S.C. 1232g) are not required to list the names of individuals who were provided scholarships or other financial assistance where such disclosure would violate the privacy provisions of the law. Instead, such organizations should group each type of financial aid provided, indicate the number of individuals who received the aid, and specify the aggregate dollar amount.

#### Line 11—Benefits Paid To or For Members

For an organization that gives benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), enter the amounts paid for: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits. Do not include, on this line, the cost of employment-related benefits the organization gives its officers and employees. Report them on line 12.

#### Line 12—Salaries, Other Compensation, and Employee Benefits

Enter the total salaries and wages paid to all employees and the fees paid to officers, directors, and trustees. Include the total of the employer's share of the contributions the organization paid to qualified and nonqualified pension plans and the employer's share of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan. Complete the Form 5500 series return/report that is appropriate for the organization's plan.

Also include in the total the amount of Federal, state, and local payroll taxes for the year that are imposed on the organization as an employer. This includes the employer's share of social security and Medicare taxes,

Federal unemployment tax (FUTA), state unemployment compensation tax, and other state and local payroll taxes. Taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employees' share of social security and Medicare taxes) are part of the employees' salaries included on line 12. Report expenses paid or incurred for employee events such as a picnic or holiday party on this line.

### Line 13—Professional Fees and Other Payments to Independent Contractors

Enter the total amount of legal, accounting, auditing, other professional fees (such as fees for fundraising or investment services) and related expenses charged by outside firms and individuals who are not employees of the organization. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report and identify those expenses on line 16. Report fees paid to directors and trustees on line 12.

### Line 14—Occupancy, Rent, Utilities, and Maintenance

Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities, outside janitorial services, mortgage interest, real estate taxes and property insurance attributable to rental property, and similar expenses. Do not subtract from rental expenses reported on line 14 any rental income received from renting or subletting rented space. See instructions for line 2 and 4 to determine whether such income is reportable as exempt function income or investment income. However, report on line 14 any rental expenses for rental income reported on lines 2 and 4. If the organization records depreciation on property it occupies, enter the total for the year.

For an explanation of acceptable methods for computing depreciation, see **Pub. 946**, How to Depreciate Property.

### Line 15—Printing, Publications, Postage, and Shipping

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

### Line 16—Other Expenses

Include here such expenses as penalties, fines, and judgments; unrelated business income taxes; insurance and real estate taxes not attributable to rental property or reported as occupancy expenses; depreciation on investment property; travel and transportation costs; interest expense; and expenses for conferences, conventions, and meetings.

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

### Line 18—Excess or (Deficit) for the Year

Enter the difference between lines 9 and 17. If line 17 is more than line 9, enter the difference in parentheses.

### Line 19—Net Assets or Fund Balances at Beginning of Year

Enter the amount from the prior year's balance sheet or from Form 5500, 5500-C/R, or an approved DOL form if General Instruction F applies.

### Line 20—Other Changes in Net Assets or Fund Balances

Attach a statement explaining any changes in net assets or fund balances between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity; unrealized gains and losses on investments carried at market value; and any difference between fair market value and book value of property given as an award or grant.

## Part II—Balance Sheets

All organizations, except those that meet one of the exceptions in General Instruction F, must complete columns (A) and (B) of Part II of the return and may not submit a substitute balance sheet. Failure to complete Part II may result in penalties for filing an incomplete return. See General Instruction K.

Some states require more information. See General Instruction E for more information about completing a Form 990-EZ to be filed with any state or local government agency.

### Line 22—Cash, Savings, and Investments

Include all interest and non-interest bearing accounts such as petty cash funds, checking accounts, savings accounts, money market funds, commercial paper, certificates of deposit, U.S. treasury bills, and other government obligations. Also include the book value of securities held as investments, and all other investment holdings including land and buildings held for investment. Report the income from these investments on line 4.

### Line 23—Land and Buildings

Enter the book value (cost or other basis less accumulated depreciation) of all land and buildings owned by the organization and not held for investment.

### Line 24—Other Assets

Enter the total of other assets along with a description of those assets. Amounts to include here are (among others) receivable accounts, inventories, and prepaid expenses.

### Line 25—Total Assets

Enter the amount of total assets. If the end-of-year total assets entered in column (B) are \$250,000 or more, Form 990 must be filed instead of Form 990-EZ.

### Line 26—Total Liabilities

Enter the amount of total liabilities along with their description.

### Line 27—Net Assets or Fund Balances

Subtract line 26 (total liabilities) from line 25 (total assets) to determine net assets or fund balances. Enter this net asset or fund balance

amount on line 27. The amount entered in column (B) should 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 General Instruction E.

## Part III—Statement of Program Service Accomplishments

In the space provided, state the organization's primary exempt purpose.

Provide the information specified in the heading for Part III for each of the organization's three largest program services (as measured by total expenses incurred) or for each program service if the organization engaged in three or fewer of such activities.

If part of the total expenses of any program service consists of grants reported on line 10, show the amount of the grants in the space provided. Section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts **must** show the amount of grants to others.

Only section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts **must** enter the total expenses of each program service they reported in Part III. Completing the expense column in Part III is optional for all other organizations.

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. Describe program service accomplishments through measurements such as clients served, days of care, therapy sessions, or publications issued.

If the quantity of output is intangible services, as in a research activity, describe the objective of the activity for this time period as well as the overall longer-term goal.

Give reasonable estimates for any statistical information if exact figures are not readily available from the records the organization normally maintains. Indicate that the information provided is an estimate.

**Donated services.**—If the organization so chooses, show in the narrative section of Part III the value of any donated services or use of materials, equipment, or facilities received and utilized in connection with specific program services. Do not include these amounts in the expense column in Part III.

**Reporting other program services and expenses.**—Attach a schedule that lists the organization's other program services. The detailed information required in Part III for the three largest services is not required for the services listed on this schedule. However, section 501(c)(3) and (4) organizations as well as section 4947(a)(1) nonexempt charitable trusts should also report the expenses attributable to their program services.

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

List each person who was an officer, director, trustee, or key employee (defined below) of the organization at any time during the year even if they did not receive any compensation from the organization. Enter a zero in columns (C), (D), or (E) if no compensation, contributions, expenses and other allowances were paid during the reporting year, or deferred for payment to a future accounting period. Give the preferred address at which

officers, etc., want the Internal Revenue Service to contact them. Use an attachment if there are more than four persons to list in Part IV.

Show all forms of cash and noncash compensation received by each listed officer, etc., whether paid currently or deferred.

The organization may also provide an attachment to explain the entire 1995 compensation package for any person listed in Part IV.

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) but does not include the heads of separate departments or smaller units within an organization.

A chief financial officer and the officer in charge of administration or program operations are both key employees if they have the authority to control the organization's activities, its finances, or both. The "heads of separate departments" reference applies to persons such as the heads of the radiology department or coronary care unit of a hospital or the head of the chemistry or history or English department at a college. These persons are managers within their specific areas but not for the organization as a whole and, therefore, are not key employees.

#### Column (C)

For each person listed, report salary, fees, bonuses, and severance payments paid. Include current-year payments of amounts reported or reportable as deferred compensation in any prior year.

#### Column (D)

Include in this column all forms of deferred compensation and future severance payments (whether or not funded; whether or not vested; and whether or not the deferred compensation plan is a qualified plan under section 401(a)). Include also payments to welfare benefit plans on behalf of the officers, etc. Such plans provide benefits such as medical, dental, life insurance, severance pay, disability, etc. Reasonable estimates may be used if precise cost figures are not readily available.

Unless the amounts were reported in column (C), report, as deferred compensation in column (D), salaries and other compensation earned during the period covered by the return, but yet not paid by the date the organization files its return.

#### Column (E)

Enter both taxable and nontaxable fringe benefits (other than de minimis fringe benefits described in section 132(e)). Include amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. See Pub. 525 for more information.

Form 941 must be filed to report income tax withholding and social security and

Medicare taxes. The organization must also file Form 940 to report Federal unemployment tax, unless the organization is not subject to these taxes. See **Circular E**, Employer's Tax Guide, for more information. See also the trust fund recovery penalty discussion in General Instruction D for Form 941.

## Part V—Other Information

**Note:** *Section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts must also complete and attach a Schedule A (Form 990) to their Form 990-EZ (or Form 990). See the discussion in General Instruction D for Schedule A (Form 990).*

### Line 33—Change in Activities

Attach a statement to explain any significant changes in the kind of activities the organization conducts to further its exempt purpose. Include new or modified activities not listed as current or planned in the organization's application for recognition of exemption or not already made known to the IRS by a letter to its key district director or by an attachment to the organization's return for any earlier year. Also include any major program activities that are being discontinued.

### Line 34—Changes in Organizing or Governing Documents

Attach a conformed copy of any changes to the articles of incorporation, or association, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document.

A "conformed copy" is one that agrees with the original document and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for details. When a number of changes are made, attach a copy of the entire revised organizing instrument or governing document.

However, if your exempt organization changes its legal structure, such as from a trust to a corporation, you must file a new exemption application to establish that the new legal entity qualifies for exemption.

### Line 35—Unrelated Business Income and Lobbying Proxy Tax

#### Unrelated business income

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 year. Gross income is gross receipts less the cost of goods sold. See Pub. 598 for a description of unrelated business income and the Form 990-T filing requirements. **Form 990-T is not a substitute for Form 990-EZ.** Items of income and expense reported on Form 990-T must also be reported on Form 990-EZ when the organization is required to file both forms.

**Note:** *All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income if they expect their tax liability to be \$500 or more. Use Form 990-W to compute this tax.*

## Lobbying expenses

Check "Yes" to line 35a if the organization was subject to the notice and reporting requirements (and therefore potentially incurred liability for the proxy tax) for lobbying and political expenses incurred in the 1995 reporting year. If "Yes" is checked on line 35a, complete lines 85a-h on page 5 of Form 990, unless you satisfy **Exception 1** or **2** described below. Attach page 5 of Form 990, with lines 85a-h completed, to your Form 990-EZ. You need not complete any of the other lines on page 5 of Form 990. See the Form 990 instructions before completing lines 85a-h.

### The notice and reporting requirements (and the proxy tax) only apply to certain organizations exempt under sections 501(c)(4), (5), and (6).

Therefore, organizations that are not classified as tax-exempt under Code sections 501(c)(4), (5), and (6) should check "No" to line 35a unless they had unrelated business income as described above.

Note that most section 501(c)(4) and (5) organizations are exempt from the notice and reporting requirements (and the proxy tax) under **Exception 1**, described below.

If you check "No" to line 35a, you are certifying that the organization was not subject to the notice and reporting requirements and that the organization had no lobbying and political expenditures potentially subject to the proxy tax.

If you check "No" to line 35a and the organization actually had expenditures subject to the proxy tax, the underreported lobbying and political expenditures are subject to the section 6033(e) proxy tax for the 1995 reporting year only to the extent that the same expenditures (if actually reported) would have resulted in a proxy tax liability for that year. A waiver of proxy tax only applies to reported expenditures. The organization may also be subject to the \$10 per day penalty under section 6652(c) for filing an incomplete or inaccurate return.

An organization must pay the section 6033(e) tax on the amount reportable on line 85f of Form 990 unless it has the option to check "Yes" on line 85h of Form 990.

An organization may check "Yes" on line 85h only if:

1. It sent dues notices at the time of assessment or payment of dues that reasonably estimated the dues allocable to its nondeductible lobbying and political expenditures reported on line 85d; and
2. It agrees to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political activities for its next taxable year.

See the Form 990 instructions.

A reasonable estimate is determined by a facts and circumstances test; i.e., whether or not a good faith estimate was made at the time.

Even if an organization is classified as tax-exempt under sections 501(c)(4), (5), or (6), it will still be exempted from the notice and reporting requirements (and the proxy tax) if it meets either of the two exceptions below.

### Exception 1. Section 6033(e)(3) exception for nondeductible dues

Section 6033(e)(3) provides an exception for any organization substantially all of whose dues would not be deductible by members as

business expenses or employee business expenses whether or not the organization made any lobbying and political expenditures.

Specific guidelines regarding this exception are provided in Rev. Procs. 95-35 and 95-35A, which are fully cited in General Instruction R. These guidelines treat the following classes of organizations as meeting the section 6033(e)(3) exception:

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 other social welfare organizations.

3. Labor unions and other labor organizations described in section 501(c)(5), but not agricultural and horticultural organizations.

4. Section 501(c)(4), (5), and (6) organizations more than 90% of whose dues are received from section 501(c)(3) organizations, state governments, local governments, entities whose income is exempt from tax under section 115, or organizations described in 1 through 3, above.

5. Section 501(c)(4) and (5) organizations that receive more than 90% of their annual dues from persons, families, or entities who each pay annual dues of \$50 or less.

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

7. Any organization that keeps records to substantiate the claim in its Form 990-EZ (or Form 990) that 90% or more of its members cannot deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.

8. Any organization that is not a membership organization.

If your organization meets any of the above criteria, you do not need to complete and attach lines 85a-h of Form 990.

### Exception 2. \$2,000 in-house lobbying exception

Section 6033(e)(1) provides an exception for any organization whose only lobbying and political expenditures consisted of in-house lobbying expenditures for direct lobbying activities (defined below) and the total of such expenditures was \$2,000 or less.

An organization satisfies the \$2,000 in-house lobbying exception if (a) it made no political expenditures or foreign lobbying expenditures during the 1995 reporting year, (b) its only lobbying expenditures (if any) during the 1995 reporting year consisted of in-house direct lobbying expenditures aggregating \$2,000 or less, excluding any allocable overhead expenses, and (c) the organization did not receive a waiver for proxy tax owed for the prior year. Also excluded in determining whether the \$2,000 ceiling amount was exceeded are all direct lobbying expenditures of any local council or similar governing body, with respect to legislation or proposed legislation of direct interest to the organization or its members.

If the organization's in-house direct lobbying expenditures during the 1995 reporting year were \$2,000 or less, but the organization also paid or incurred other lobbying or political expenditures during the 1995 reporting year, or received a waiver for

proxy tax owed for the prior year, it should answer "No" to question 85b of Form 990 and complete lines 85c through 85h.

However, the \$2,000 or less of in-house direct lobbying expenditures should not be included in the total on line 85d.

"Direct lobbying" includes (a) attempting to influence legislation through communication with legislators, legislative branch officials and staff, and other government officials who may participate in the formulation of legislation and (b) attempting to influence the official actions or positions of covered Federal Executive Branch officials through direct communication with such officials, but does not include attempting to influence any local council or similar governing body with respect to legislation or proposed legislation of direct interest to the organization or its members.

Direct lobbying also does not include any attempt to influence any segment of the general public regarding legislative matters or referendums (grassroots lobbying).

"Other lobbying" includes grassroots and foreign lobbying as well as lobbying conducted by third parties and dues paid 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 research for, or preparation, planning or coordination of, legislative activities), but does not include any payments to other taxpayers engaged in lobbying or political activities as a trade or business. In-house expenditures also do not include any dues paid to another organization that are allocable to lobbying or political activities.

### Line 36—Liquidation, Dissolution, Termination, or Substantial Contraction

If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining what took place.

For a complete liquidation of a corporation or termination of a trust, check the "Final Return" box in the heading of the return. On the attached statement, show whether the assets have been distributed and the date. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing the names and addresses of all persons who received the assets distributed in liquidation or termination; the kinds of assets distributed to each one; and each asset's fair market value.

A "substantial contraction" is a partial liquidation or other major disposition of assets except transfers for full consideration or distributions from current income.

A "major disposition of assets" means any disposition for the tax year that is:

1. At least 25% of the fair market value of the organization's net assets at the beginning of the tax year; or

2. One of a series of related dispositions begun in earlier years that altogether add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions depends on the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

### Line 37—Expenditures for Political Purposes

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

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

#### 1. All section 501(c) organizations.—

Section 501(c) organizations must file Form 1120-POL if their political expenditures and their net investment income both exceed \$100 for the year.

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 (or Form 990) of the section 501(c) organization that establishes and maintains the fund. When answering questions 37a and 37b on its Form 990-EZ, this 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 (or Form 990).

**2. 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 an 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 an excise tax, unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

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

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

Use Form 4720 to figure and report the 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. 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, attach a schedule as described below. Report any interest expense on line 16 and any interest income on line 2, 4, or 8, depending on the nature of the receivable that created the interest income.

**1. When loans should be reported separately.**—In the required schedule, report each loan separately, even if more than one loan was made to or received from the same person, or the same terms apply to all loans made. Salary advances and other advances for the personal use and benefit of the recipient, and receivables subject to special terms or arising from nontypical transactions, must be reported as separate loans for each officer, director, trustee, and key employee.

**2. When loans should be reported as a single total.**—In the required schedule, report receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public (occurring in the normal course of the organization's operations) as a single total for all the officers, directors, trustees, and key employees. Report travel advances for official business of the organization as a single total.

**3. Schedule format.**—For each outstanding loan or other receivable that must be reported separately, the attached schedule should show the following information (preferably in columnar form):

- Borrower's name and title;
- Original amount;
- Balance due;

- Date of note;
- Maturity date;
- Repayment terms;
- Interest rate;
- Security provided by the borrower;
- Purpose of the loan; and
- Description and fair market value of the consideration furnished by the lender (for example, cash—\$1,000; or 100 shares of XYZ, Inc., common stock—\$9,000).

The above detail is not required for receivables or travel advances that may be reported as a single total. However, report and identify those totals separately in the attachment.

### Line 39—Section 501(c)(7) Organizations

**1. Gross receipts test.**—A section 501(c)(7) organization may 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) may be derived from public use of a social club's facilities.

For this purpose, "gross receipts" are the club's income from its usual activities. The term includes charges, admissions, membership fees, dues, assessments, investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments. Gross receipts do not include capital contributions (as defined in Regulations section 1.118-1), initiation fees, or unusual amounts of income such as income received from the club's selling its clubhouse. Although gross receipts usually do not include initiation fees, these should be included for college fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues.

If the 35% and 15% limits do not affect the club's exempt status, include the income from line 39b on the club's Form 990-T.

Investment income earned by a section 501(c)(7) organization is not tax-exempt income unless it is set aside to be used only

for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. The organization is required to file Form 990-T and report its investment income along with the organization's other unrelated business income if the combined amount of gross investment income and other unrelated business income exceeds \$1,000.

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

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

**a.** The social club is an auxiliary of a fraternal beneficiary society that is exempt under section 501(c)(8) and limits its membership to the members of a particular religion; or

**b.** The social club's membership limitation is a good faith attempt to further the teachings or principles of that religion, and the limitation is not intended to exclude individuals of a particular race or color.

If the club answered "Yes" to the question on line 39c and section 501(i) applies, indicate in an attached statement which of the above exceptions of section 501(i) applies.

### Line 40—List of States

List each state with which the organization is filing a copy of this return in full or partial satisfaction of state filing requirements.

### Line 42—Section 4947(a)(1) Nonexempt Charitable Trusts

Section 4947(a)(1) nonexempt charitable trusts that file Form 990-EZ instead of Form 1041 must complete this line. The trust should include exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.

