

## 2011 Form 990 and 990-EZ —Significant Changes

The IRS Form 990, *Return of Organization Exempt From Income Tax*, was redesigned effective for 2008 tax years (returns filed in 2009 and later). The 2011 Forms 990 and 990-EZ, schedules, and instructions [hyperlink to list of Forms and schedules] have been revised to modify and clarify certain reporting requirements. The chart below summarizes some of the more significant changes to the Form 990, Form 990-EZ, schedules, and instructions for Tax Year 2011.

See the [complete 2011 Forms 990 and 990-EZ, schedules and instructions](#). For video, audio and written materials on how to complete the Form 990 and other forms for exempt organizations, go to [Form 990 Resources and Tools for Exempt Organizations](#).

**Note:** Form 1065, Schedule K-1 reporting of information on joint ventures and other partnerships is optional for Tax Year 2011.

<b>Form 990 and Instructions</b>	
General Instructions	<ul style="list-style-type: none"> <li>● Clarify that an organization should make reasonable efforts to obtain information from third parties needed to complete Form 990.</li> <li>● Clarify that governmental units and affiliates of governmental units described in Rev. Proc. 95-48 must file a Form 990-series return if they are also section 509(a)(3) supporting organizations.</li> </ul>
Instructions for <i>Heading</i> , Items A-M	<ul style="list-style-type: none"> <li>● Clarify that an organization required to file a Form 990-series return for a given tax year must do so even if it has not yet filed a Form 1023 or 1024 with the IRS.</li> <li>● Clarify that the name and address of the principal officer and the web site address should be current as of the date of filing.</li> </ul>
Instructions for Part II, <i>Signature Block</i>	<ul style="list-style-type: none"> <li>● Provide that paid preparers must enter their preparer's taxpayer identification number (PTIN) in Part II but may sign returns by rubber stamp, mechanical device, or computer software program.</li> </ul>
Instructions for Part IV, <i>Checklist of Required Schedules</i>	<ul style="list-style-type: none"> <li>● Provide that an organization must complete Schedule F, Part I if it had foreign investments during the tax year valued at \$100,000 or more.</li> <li>● Clarify when the organization should complete Schedule F, Part II or III based on grants outside the United States and inside the U.S. for foreign activity.</li> </ul>

<p>Instructions for Part VI, <i>Governance, Management, and Disclosure</i></p>	<ul style="list-style-type: none"> <li>● Clarify that a governing body consists of one or more persons.</li> <li>● Provide examples concerning when Board chair compensation is considered officer/employee compensation and when it is considered director compensation.</li> <li>● Eliminate the requirement that a business transaction or relationship involving an officer, director, trustee, or key employee of the organization must be reported simply because that person was a key employee of another organization with which the organization or another officer, director, trustee, or key employee conducted business.</li> <li>● Request whether any governance decisions of the organization are reserved to, or subject to approval by, persons other than the governing body.</li> <li>● Clarify that adoption of a policy by the governing body includes adoption by a committee authorized by the governing body to do so.</li> <li>● Clarify that an organization that merely informs its governing body members that a copy of the Form 990 is available upon request has not provided a copy.</li> </ul>
<p>Instructions for Part VII, <i>Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors</i></p>	<ul style="list-style-type: none"> <li>● Clarify that, except where the person is both an officer and director/trustee of the organization, organizations should check only one “Position” box for each person listed in the compensation table.</li> <li>● Provide that reportable compensation for officers and employees includes compensation reported in Form W-2, box 1 or 5 (whichever amount is greater).</li> <li>● Clarify that for short year returns in which no calendar year ends, leave columns (D), (E), and (F) of Section A blank, unless the return is a final return.</li> <li>● Clarify that amounts deferred from the tax year to a date that is not more than 2 ½ months after the end of the tax year should not be reported in column (F) of Section A.</li> <li>● Clarify that the annual increase or decrease in actuarial value of a defined benefit plan should be reported in column (F) of Section A, but any decrease should be disregarded when determining whether the individual’s total compensation was more than \$150,000, for purposes of line 4.</li> <li>● Remind non-501(c)(3) organizations to report any former highest compensated employees in Section A, as the transition rule has expired.</li> <li>● Clarify that independent contractor compensation should be reported for the calendar year ending with or within the tax year.</li> </ul>

<p>Instructions for Part VIII, <i>Statement of Revenue</i></p>	<ul style="list-style-type: none"> <li>● Clarify that net losses from uncollectible pledges, refunds of contributions and service revenue, or reversal of grant expenses should be reported as “Other changes in net assets or fund balances” on Part XI, line 5, and to explain in Schedule O.</li> <li>● Remind organizations that the value of donated services or the use of donated materials, equipment, or facilities may not be reported on line 1.</li> <li>● Clarify that contributions of conservation easements and other qualified conservation contributions must be reported consistently with how the organization reports revenue from such contributions in its books, records, and financial statements.</li> <li>● Clarify whether and how to report contributions of certificates for facilities and services.</li> <li>● Remind organizations that Medicare and Medicaid payments, and other government payments made to pay or reimburse the organization for medical services provided to individuals who qualify under a government program for the services provided, and who select the service provider, should be reported on line 2.</li> <li>● Clarify that the organization should report its distributive shares of investment income, royalties, and rental income from joint ventures, using information from Form 1065, Schedule K-1, provided by the joint venture or partnership. <ul style="list-style-type: none"> <li>○ This change is optional for Tax Year 2011.</li> </ul> </li> </ul>
<p>Instructions for Part IX, <i>Statement of Functional Expenses</i></p>	<ul style="list-style-type: none"> <li>● Provide that an organization must check the new checkbox in the Part IX heading if Schedule O contains a response to any question in Part IX.</li> <li>● Clarify that patronage dividends paid by 501(c)(12) organizations to their members should be reported on line 4.</li> <li>● Clarify that payments to contractors for information technology services should be reported on line 14.</li> <li>● Clarify that expenses for medical supplies incurred by health care organizations should be reported on line 24.</li> <li>● Clarify how joint costs should be reported and when the SOP 98-2 box should be checked.</li> </ul>
<p>Instructions for Part X, <i>Balance Sheet</i></p>	<ul style="list-style-type: none"> <li>● Clarify that the organization should report its distributive shares of assets in any entities treated as partnerships for federal tax purposes on line 12, in accordance with its ending capital account in such partnerships as reported on Schedule K-1. <ul style="list-style-type: none"> <li>○ This change is optional for Tax Year 2011</li> </ul> </li> </ul>

<p><i>Glossary</i></p>	<ul style="list-style-type: none"> <li>● Revises definition of “Control” to clarify that a “managing partner” is a partner designated as such under the partnership agreement or regularly engaged in the management of the partnership.</li> <li>● Revises definition of “Grants and other assistance,” to exclude certain payments by voluntary employees’ beneficiary associations.</li> <li>● Revises definition of “Significant disposition of net assets” to exclude grants or other assistance made in the ordinary course of the organization’s exempt activities to accomplish its exempt purposes.</li> <li>● “Term endowment” is renamed “Temporarily restricted endowment” and includes both endowment funds established by donor-restricted gifts for a specified period and all other temporarily restricted net assets held in a donor-restricted endowment, including certain income from permanent endowments.</li> </ul>
<p>Appendix F, <i>Disregarded Entities and Joint Ventures</i></p>	<ul style="list-style-type: none"> <li>● Clarify that the organization should report its distributive shares of investment income, royalties, and rental income from joint ventures, using information from Form 1065, Schedule K-1, provided by the joint venture or partnership. <ul style="list-style-type: none"> <li>○ This change is optional for Tax Year 2011.</li> </ul> </li> </ul>
<p>Appendix K, <i>Contributions</i></p>	<ul style="list-style-type: none"> <li>● Clarifies that for text message contributions, the donor’s phone bill meets the section 170(f)(17) recordkeeping requirement of a reliable written record if it shows the name of the donee organization and the date and amount of contribution.</li> </ul>

<b>Form 990-EZ and Instructions</b>	
<p>General Instructions</p>	<ul style="list-style-type: none"> <li>● Clarify that governmental units and affiliates of governmental units described in Rev. Proc. 95-48 must file a Form 990-series return if they are also section 509(a)(3) supporting organizations.</li> </ul>
<p>Instructions for <i>Heading, Item B</i></p>	<ul style="list-style-type: none"> <li>● Clarify that an organization required to file a Form 990-series return for a given tax year must do so even if it has not yet filed a Form 1023 or 1024 with the IRS.</li> </ul>
<p>Instructions for <i>Heading, Item I</i></p>	<ul style="list-style-type: none"> <li>● Clarify that the web site address should be current as of the date of filing.</li> </ul>

<p>Instructions for Part I, <i>Revenue, Expenses, and Changes in Net Assets or Fund Balances</i></p>	<ul style="list-style-type: none"> <li>● Clarify that distributable shares of investment income from partnerships should be reported on line 4.</li> <li>● Clarify that distributable shares of assets in partnerships should be reported on line 24 in accordance with its ending capital account in such partnerships as reported on Schedule K-1. <ul style="list-style-type: none"> <li>○ This change is optional for Tax Year 2011.</li> </ul> </li> </ul>
<p>Instructions for Part IV, <i>List of Officers, Directors, Trustees, and Key Employees</i> (and Part VI, line 50)</p>	<ul style="list-style-type: none"> <li>● Clarify that only <i>reportable compensation</i> listed on Forms W-2 and 1099 must be reported in column (c).</li> <li>● Provide that compensation should be reported for the calendar year ending with or within the organization's tax year.</li> <li>● Eliminate pre-2008 method for reporting compensation.</li> <li>● Clarify that amounts paid by a common paymaster or a payroll or reporting agent for services performed for the organization should be reported as if paid directly by the organization.</li> <li>● Provide a new \$10,000-per-item exclusion from reporting for items of "other compensation."</li> <li>● Clarify that for a short year return in which no calendar year ends, leave columns (c), (d), and (e) blank, unless the return is a final return.</li> </ul>
<p>Part V, line 35c (new line regarding 6033(e) notice, reporting, and proxy tax requirements)</p>	<ul style="list-style-type: none"> <li>● Distinguishes the unrelated business income reporting trigger for Form 990-T (lines 35a-b) from the 6033(e) notice, reporting and proxy tax reporting trigger for Schedule C, Part III (line 35c).</li> </ul>
<p>Instructions for Part V, line 36 (liquidation, termination, dissolution, significant disposition of net assets)</p>	<ul style="list-style-type: none"> <li>● Provide new examples of situations that are not considered significant dispositions of net assets, for purposes of Schedule N, Part II.</li> </ul>
<p>Instructions for Part VI, line 49 (related organizations)</p>	<ul style="list-style-type: none"> <li>● Revise definition of "related organization" to include parents, subsidiaries, brother/sister organizations, and section 509(a)(3) supporting and supported organizations.</li> </ul>
<p>Instructions for Part VI, line 51 (independent contractors)</p>	<ul style="list-style-type: none"> <li>● Provide that compensation should be reported for the calendar year ending with or within the organization's tax year.</li> </ul>
<p>Instructions for Signature Block</p>	<ul style="list-style-type: none"> <li>● Provide that paid preparers must enter their preparer's taxpayer identification number (PTIN), but may sign returns by rubber stamp, mechanical device, or computer software program.</li> </ul>
<p>Appendix H, <i>Contributions</i></p>	<ul style="list-style-type: none"> <li>● Discusses certain federal tax rules that apply to tax-exempt organizations and donors with respect to charitable contributions and other contributions.</li> </ul>

<b>Form 990/990-EZ Schedule Changes</b>	
Instructions for Schedule A, <i>Public Charity Status and Public Support</i>	<ul style="list-style-type: none"> <li>• Clarify that the organization must report any qualified conservation contributions and contributions of conservation easements consistently with how it reports revenue from such contributions in its books, records, and financial statements.</li> <li>• Remind organizations that any donations of services or of the use of materials, equipment, or facilities should not be reported as gifts, grants, or contributions on Part II, line 1 or Part III, line 1, but that certain donated services and facilities from a governmental unit are reported on Part II, line 3 or Part III, line 5.</li> <li>• Distinguish support received from a governmental unit from gross receipts for the performance of exempt functions received from a government unit.</li> <li>• Clarify that if the organization's current tax year or any of its four prior tax years were short years, explain in Part IV.</li> </ul>
Schedule B, <i>Schedule of Contributors</i>	<ul style="list-style-type: none"> <li>• Eliminates duplicate pages of Parts I, II, and III; clarify that Parts I, II, and III may be duplicated as needed to list all contributors.</li> <li>• Instructions clarify that the organization must report any qualified conservation contributions and contributions of conservation easements consistently with how it reports revenue from such contributions in its books, records, and financial statements.</li> </ul>
Schedule C, <i>Political Campaign and Lobbying Activities</i>	<ul style="list-style-type: none"> <li>• Clarifies that 501(c)(3) organizations that made the 501(h) election and are part of an affiliated group must list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures.</li> <li>• Clarifies that 501(c)(3) organizations that did not make the 501(h) election must provide in Part IV a detailed description of the lobbying activity for each 'Yes' response to lines 1a through 1i.</li> </ul>
Schedule D, <i>Supplemental Financial Statements</i>	<ul style="list-style-type: none"> <li>• Instructions clarify that contributions of conservation easements and other qualified conservation contributions must be reported consistently with how the organization reports revenue from such contributions in its books, records, and financial statements</li> <li>• Instructions provide an explanation of when a conservation easement is <i>modified, transferred, released, extinguished, or terminated</i> by the organization.</li> <li>• "Term endowment" is renamed "Temporarily restricted endowment" and includes both endowment funds established by donor-restricted gifts for a specified period and all other temporarily restricted net assets held in a donor-restricted endowment, including certain income from permanent endowments.</li> <li>• Clarifies that the percentages in lines 2a, 2b, and 2c of Part V should equal 100%</li> </ul>
Instructions for Schedule F, <i>Statement of Activities Outside the United States</i>	<ul style="list-style-type: none"> <li>• Provide that an organization must complete Schedule F, Part I if it had foreign investments during the tax year valued at \$100,000 or more during the tax year.</li> </ul>

	<ul style="list-style-type: none"> <li>● Revise definition of “Grants and other assistance” to exclude certain payments by VEBA’s.</li> <li>● Clarify that expenses incurred for certain services provided in the United States that include recipients both inside and outside the United States should not be reported in Part I.</li> <li>● Clarify that funds transferred into non-interest bearing foreign accounts to be used for program services are not reportable as investments in Part I, but are reportable as expenditures in Part I once they are used for program services outside the U.S..</li> <li>● Clarify that grants and other assistance to U.S. organizations or individuals for the understood purpose of engaging directly or indirectly in foreign activity should be reported in Parts II and III.</li> </ul>
Schedule H, <i>Hospitals</i>	<ul style="list-style-type: none"> <li>● Provides that organizations may use a measure other than total revenue per facility to determine size for purposes of Sections A and C.</li> <li>● Provides that organizations that use criteria other than Federal Poverty Guidelines (FPG) to determine eligibility for free or discounted care may explain in Part VI.</li> <li>● Clarifies that Lines 19-21 of Section B apply to charges to individuals eligible for assistance under the facility’s financial assistance policy.</li> </ul>
Instructions for Schedule I, <i>Grants and Other Assistance in the United States</i>	<ul style="list-style-type: none"> <li>● Revise definition of “Grants and other assistance” to exclude certain payments by VEBA’s.</li> </ul>
Instructions for Schedule J, <i>Compensation Information</i>	<ul style="list-style-type: none"> <li>● Clarify that the value of housing provided by the employer does not have to be reported as compensation to the extent that such value is a working condition fringe.</li> <li>● Clarify that cell phones provided to employees primarily for business purposes are a working condition fringe and not reportable as compensation.</li> </ul>
Schedule K, <i>Supplemental Information on Tax-Exempt Bonds</i>	<ul style="list-style-type: none"> <li>● Asks whether the organization routinely engages counsel to review any research agreements relating to bond-financed property.</li> <li>● Asks whether the organization has established written procedures to ensure timely identification and correction of violations of federal tax requirements.</li> </ul>
Instructions for Schedule L, <i>Transactions With Interested Persons</i>	<ul style="list-style-type: none"> <li>● Provide that a business transaction between the organization and an entity more than 35% owned by current or former officers, directors, trustees, or key employees is not reportable in Part IV if the entity is a 501(c)(3) organization, a 501(c) organization of the same subsection as the filing organization, or a governmental unit.</li> <li>● Eliminate the requirement that a business transaction between the organization and another entity must be reported simply because a current or former officer, director, trustee, or key employee of the organization was a key employee of the other entity.</li> </ul>
Instructions for Schedule M, <i>Noncash Contributions</i>	<ul style="list-style-type: none"> <li>● Clarify that the organization must report any qualified conservation contributions and contributions of conservation easements consistently with how it reports revenue from such contributions in its books, records, and financial statements.</li> </ul>

<p>Instructions for Schedule N, Liquidation, Termination, Dissolution, or Significant Disposition of Net Assets</p>	<ul style="list-style-type: none"> <li>● Clarify that if an organization has terminated and disposed of its assets, then Form 990, Part X, line 16 (Total assets) and line 26 (Total liabilities) should equal -0-.</li> <li>● Revise definition of “Significant disposition of net assets” to exclude grants or other assistance made in the ordinary course of the organization’s exempt activities to accomplish its exempt purposes.</li> </ul>
<p>Instructions for Schedule R, <i>Related Organizations</i></p>	<ul style="list-style-type: none"> <li>● Clarify how the “Direct controlling entity” should be reported.</li> <li>● Clarify that for VEBAs, related organizations include all sponsoring organizations of and contributing employers to the VEBA</li> <li>● Clarify that the amount in Form 1065, Schedule K-1, box 20 is not controlling with respect to the organization’s unrelated business income tax liability, and that the organization should consult with the partnership if it has reason to believe that the amount is incorrect.</li> <li>● Provide that organizations should report related split-interest trusts in Part IV by type, but do not need to report such trust’s specific name, address, or EIN or complete Part IV, columns (f), (g), or (h) for such trusts.</li> <li>● Request information regarding “Predominant income,” “Share of total income,” and “Percentage ownership.”</li> </ul>

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