

FORM 990 REDESIGN FOR TAX YEAR 2008 (FILED IN 2009)
FREQUENTLY ASKED QUESTIONS
August 22, 2011

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Q-1: *Why did the IRS redesign the form?*

A-1: Form 990 has not been significantly revised since 1979, and it is universally regarded as needing major revision. It has failed to keep pace with changes in the law and with the increasing size, diversity, and complexity of the tax-exempt sector. As a result, the current form fails to meet the Service's tax compliance interests and the transparency and accountability needs of the states, the general public, and local communities served by the organization.

Q-2: *How does an organization know which portions of the form or schedules it must complete?*

A-2: Each organization that files the new form must complete all portions of the core form (Parts I through XI), and provide certain narrative responses on Schedule O. By completing Part IV, Checklist of Required Schedules, the organization will be able to determine which additional schedules, if any, it must complete.

Q-3: *Why does the new form contain a section on governance?*

A-3: The new form requires each filing organization to provide certain information regarding the composition of its board or governing body, certain of its governance policies and practices, and the means by which it is held accountable to the public by making governance and financial information publicly available. Many of the questions request information on practices or policies that are not required by federal tax law. However, good governance and accountability practices provide safeguards to help ensure that the organization's

assets will be used consistently with its exempt purposes. This is a critical tax compliance consideration, especially for organizations that are subject to private benefit, excess benefit, and private inurement prohibitions. In addition, well-governed and well-managed organizations are more likely to be transparent with regard to their operations, finances, fundraising practices, and use of assets for exempt and unrelated purposes.

Q-4: *Why does the new form have so many schedules?*

A-4: The number of schedules increased from two – Schedule A, *Organization Exempt under Section 501(c)(3), Supplementary Information*, and Schedule B, *Schedule of Contributors* – to 16. This increase results from three factors:

- converting the current form’s “unstructured attachments” into six schedules (Schedules D, G, I, J, L, and N);
- separating existing parts of the form or Schedule A into four separate schedules (A, C, E, and R); and
- requiring new information reported in five schedules (Schedules F, H, K, M, and O).

Q-5: *What is the benefit of requiring more schedules?*

A-5: The new 2008 Form 990 promotes uniform and complete reporting of information previously requested in unstructured attachments. A major defect of the current Form 990 is the lack of formatted tables in the form itself or in schedules for an organization to use to report and display requested information. Instead, the current form relies on instructions that describe how an organization is to report information in “unstructured attachments” to the form. Frequently, information provided by organizations in these attachments is incomplete, or required attachments are missing.

Q-6: *How does the new form promote tax compliance?*

A-6: The transformation of unstructured attachments (see Q/A-7, above) in the 2007 Form 990 to formal schedules in the new 2008 form promotes uniform and complete reporting of requested information. Modifications to reporting of *compensation* and *related organization* activities will provide more complete information regarding complicated compensation and financial arrangements that may raise concerns about private inurement, excess benefit, and private benefit. The new schedules for *foreign activities*, *hospitals* and *tax-exempt bonds* will provide new information about how an organization conducts activities consistently with its exempt purpose. The schedule for *non-cash contributions* will allow the IRS to more closely scrutinize particular types of contributions for compliance with valuation and charitable deduction requirements.

Q-7: *How does the new form enhance transparency of an organization’s mission, financial information, and operations?*

A-7: The new form's *summary page* provides a snapshot of key financial, governance, and operating information, including a comparison of the current and prior years' revenues and expenses. The reordered *core form* provides a description of the organization's program service accomplishments immediately after the summary page, to provide context before the user proceeds to sections on tax compliance, governance, compensation, and financial statements. The *Checklist of Required Schedules* also provides a quick view of whether the filing organization is conducting activities that raise tax compliance concerns, such as lobbying or political campaign activities, transactions with interested persons, and major dispositions of assets, and indicates which schedules the organization is required to file with the form.

Q-8: *May those organizations that are members of a group that has a group ruling continue to file as part of a group return?*

A-8: Yes, the present filing eligibility requirements for group returns have not changed. Appendix E, *Group Returns—Reporting on Behalf of the Group*, explains how group return filers should complete the form and schedules.

Q-9: *Will the new form satisfy an organization's state reporting requirements?*

A-9: State reporting requirements are determined by the individual states, many of which require certain tax-exempt organization to file a Form 990 or Form 990-EZ. Accordingly, organizations should check with their respective states to determine their state filing obligations. Appendix I, *Use of Form 990 or 990-EZ to Satisfy State Reporting Requirements*, address various differences between IRS and state filing requirements.

Q-10: *Where can I learn more about the new form?*

A-10: The form, schedules, instructions, and related background information are available on the IRS Web site, IRS.gov/eo. Information on the web site includes a five-page document titled "Background Paper—Summary of Form 990 Redesign Process," a longer document titled "Background Paper--Form 990, Moving From the Old to the New," and five "mini-course" audio programs that provide an overview of the redesigned Form and schedules. Also available on www.irs.gov/eo is a one-hour video program, Tax Talk Today, which highlights major changes to the form and offers helpful hints on how to complete it.