

**Exempt Organizations Annual Reporting Requirements –
Form 990, Part VII-IX and Schedule D (Financial Information)**

A. Questions for All Exempt Organizations

- 1. Should we report volunteer time as contributions in Form 990, Part VIII, line 1?**

No, volunteer time should not be reported as revenues or contributions in Part VIII, as public support in [Schedule A](#) or as non-cash contributions in [Schedule M](#). It may be described in Part III, *Statement of Program Service Accomplishments*.

- 2. Should we report in-kind contributions as contributions or gross receipts? If so, how should these contributions be valued?**

In-kind contributions of property (but not of services) should be reported in Part VIII, line 1g, on line 1 of Parts II and III of [Schedule A](#), in Part II of [Schedule B](#), and in column (c) of [Schedule M](#), if applicable. Form 990 filers may use any reasonable method to determine or estimate the value of these contributions. Schedule B sets forth special instructions for valuing marketable securities. Schedule M requires reporting of the method for determining revenue attributable to different categories of non-cash contributions.

- 3. Our organization hosts an annual fundraising dinner and charges \$100 per plate, which reflects the retail value of the meal. If those attending pay \$250 for the dinner, should we report that payment as a contribution on Form 990? As program service revenue?**

The organization should report \$100 of the \$250 payment on Part VIII, line 8a, as gross income from a fundraising event, and should report the additional \$150 on Part VIII, line 1c, as a contribution related to a fundraising event. It should not report any of the \$250 payment as program service revenue in line 2. Note that if the total of lines 1c and 8a exceeds \$15,000, the organization will have to complete Part I of [Schedule G](#), *Fundraising Activities*, and report information on certain of its professional fundraisers.

- 4. If our organization sells inventory as part of a program service, in furtherance of our tax-exempt purposes, may we report revenue from these sales in line 2, *Program Service Revenue*, Form 990, rather than on line 10, *Other Revenue - Gross sales of inventory*?**

Only hospitals, colleges and universities may report, as program service revenue, sales of inventory items otherwise reportable on line 10a. All other organizations filing Form 990 must report sales of inventory items on line 10a.

5. **Part VIII, lines 2 and 11 include a *Business Code* column. Does our organization need to complete this column for sources of revenue that are not businesses, or that are related to our tax-exempt purposes?**

Yes, the organization must report a business code for each source of revenue that it reports on Part VIII, lines 2 and 11, regardless of whether the program service or activity that generates the revenue constitutes a trade or business or is substantially related to the organization's tax-exempt purposes. These business codes are found in the [instructions](#) for the Form 990-T. If none of the listed codes accurately describe the activity, enter **900099**.

6. **For purposes of Form 990, Part IX, should we report compensation to officers, directors and key employees based on W-2 compensation paid in the calendar year, as we are required to do in Part VII?**

If the organization is a calendar year filer, it will report compensation for its officers, directors, trustees and key employees on a calendar year basis in both Part IX, line 5 and in Part VII, Section A. If the organization is a fiscal year filer, it will report compensation for its officers, directors, trustees and key employees on a fiscal year basis on Part IX, line 5, and on a calendar year basis in Part VII.

7. **What is the maximum amount that may be classified as miscellaneous expenses in Form 990, Part IX?**

There is no limit on the amount that may be included under line 24 – *Other Expenses*, if the amounts are given a descriptive label. However, the maximum amount that may be labeled as merely *miscellaneous* or *other* or some similar label is five percent of the total of all functional expenses listed on line 25.

8. **What are some examples of *other liabilities* to be reported in Part X, line 25, Form 990, which trigger reporting in Schedule D, Part X?**

Examples include federal income taxes payable, such as unrelated business income tax, and secured or unsecured payables to related organizations. If the organization reports any amount in Part X, line 25, it must list and describe these liabilities in [Schedule D](#), Part X. It must also provide verbatim the text of its [FIN 48 footnote](#) regarding liability for uncertain tax positions, if applicable.

9. Does the IRS require some version of an audit in conjunction with Form 990?

No. However, if the organization has received an audited financial statement for the year for which it is completing the return, and if that statement was prepared in accordance with generally accepted accounting principles, it must answer Yes to Form 990, Part IV, line 12 and complete Parts XI-XIII of [Schedule D](#), *Supplemental Financial Statements*. The organization also must report any FIN 48 footnote to its financial statements in Form 990, Schedule D, Part XIV, and answer questions about its audited financial statements in Form 990, Part XI.

10. Our organization was included in a consolidated financial statement for the tax year that was audited by an independent accountant. How should we answer Part XII, line 2b, Form 990, which asks whether our financial statements were audited by an independent accountant?

The organization should indicate on line 2b of Part XII that its financial statements were audited by an independent accountant, and on line 2d that its financial statements were issued on a consolidated basis.

11. Our organization hosts an annual fundraising dinner and charges \$100 per plate, which reflects the retail value of the meal. If those attending pay \$250 for the dinner, should we report that payment as a contribution on Form 990? As program service revenue?

The organization should report \$100 of the \$250 payment on Part VIII, line 8a, as gross income from a fundraising event, and should report the additional \$150 on Part VIII, line 1c, as a contribution related to a fundraising event. It should not report any of the \$250 payment as program service revenue in line 2. Note that if the total of lines 1c and 8a exceeds \$15,000, the organization will have to complete Part I of [Schedule G](#), *Fundraising Activities*, and report information on certain of its professional fundraisers.

B. Questions for Political Organizations

12. Does a political organization need to complete Part VIII of Form 990?

A political organization completes only column (A), reporting its gross receipts for all sources of revenue. A political organization does not complete columns (B) through (D), because the political organization is subject to tax under Code section 527 rather than under the [unrelated business income tax provisions](#) of section 511-514.

13. How does a political organization report its income in Part VIII of Form 990?

That an item of income is treated as a contribution for purposes of election law reporting does not necessarily mean it is reported as a contribution on Form 990. Instead, the political organization must determine the various types of income it has and report each type on the appropriate lines in Parts VIII and I of Form 990. For example, membership dues and assessments are reported on line 1b, Part VIII, of the 2011 return, whereas political fundraising or entertainment event income is generally reported as income from fundraising events on line 1c. Unlike [Form 1120-POL](#), all income of the political organization is reported on Form 990 (including contributions (line 1)) and taxable income (such as interest and dividends (Part VIII, lines 3-7 of the 2011 form)).

14. Does a political organization need to identify contributions as being from federated campaigns, membership dues, fundraising events, related organizations or government grants on Form 990?

No, a political organization may report all of its contributions on the total line (1h of the 2011 Form 990) without breaking out federated campaign contributions, membership dues, fundraising events, contributions from related organizations and government grants. It does need to identify contributions as cash or non-cash.

15. How does a political organization report its expenses in Part IX of Form 990?

A political organization reports all its expenses (including its political campaign expenses) in Part IX, Column A of Form 990. It does not need to allocate these expenses among columns B (program services), C (management and general) and D (fundraising expenses).

16. How does a political organization that makes contributions to candidates or other political organizations report them in Part IX of Form 990?

Contributions to candidates or other political organizations are reported as grants (line 2, Part IX of the 2011 form).

17. Does a political organization need to report joint costs in Part IX of Form 990?

No, a political organization does not need to report joint costs in Part IX of Form 990 because it is not required to allocate expenses between program services, management and general, and fundraising.

18. What does a political organization report in Part X of Form 990?

Part X of Form 990 is the basic balance sheet of the political organization at the beginning and the end of the year. The political organization reports its cash and other assets, any liabilities and its retained earnings.

19. How does a political organization report a loan on Form 990?

A political organization reports a loan with repayment obligations in Part X of Form 990 as an account payable (line 17 on the 2011 form) or as a loan from an officer, etc. (line 5).

Date Posted: June 4, 2012