

**AHLBECK & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

**THE NEW FORM 990: JUST WHEN YOU THOUGHT IT WAS SAFE***By Gerard A. Swick, CPA, JD, Principal*

By now you may have heard some horror stories involving the Internal Revenue Service (IRS) redesign of Form 990 Return of Organization Exempt from Income Tax. We have found no evidence, however, that either Stephen King or Wes Craven were involved in the redesign.

The new form is effective for tax years beginning after December 31, 2007. It requests extensive information about programs and operations and focuses on governance, management and disclosure in addition to the usual financial data. With concerns regarding transparency and accountability, the underlying question that the IRS is seeking to answer is whether the not-for-profit organization (NFP) is properly performing the functions for which it was granted an exemption in the first place. Note that Form 990-PF filed by private foundations is unaffected by these changes.

Since the 2008 Form 990 is more expansive, it is no longer just a financial document and your auditors will not have all of the information required to complete it. What should you do?

**CHOOSE YOUR FORM**

The dollar limits for filing the smaller, simpler Form 990-EZ have been increased substantially for 2008. NFPs with gross receipts less than \$1 million and total assets under \$2.5 million may use Form 990-EZ. For the 2009 tax year, these limits are cut in half, and they are reduced again for 2010. It should be noted that Form 990-EZ has also been redesigned. But the most notable changes involve the moving of items from the basic form to separate schedules. For example, if an

NFP has to report fundraising or gaming activities, it will file a separate Schedule G with either Form 990 or 990-EZ.

**GET A COPY OF THE FORM AND SCHEDULES**

The 2008 forms may be downloaded from the IRS at [www.irs.gov](http://www.irs.gov) under "Charities & Non-Profits." The official instructions for the forms are also available on the website, but are still in the final editing process. Some minor changes are likely before they are finalized.

**READ THE FORM**

Review the forms and schedules to identify new information to be reported (an 11 page core form with 16 schedules). Determine whether or not that information currently exists in your various databases or modifications must be made in order to capture it. Also be aware that different time frames may be involved. For example, even though the NFP operates on a fiscal year, compensation data must be reported on a calendar year basis.

 **Small Tax-Exempt Organizations**

*Most small tax-exempt organizations (with a few exceptions) whose gross receipts are normally \$25,000 or less must file Form 990-N (the e-Postcard) at [www.epostcard.form990.org](http://www.epostcard.form990.org).*

*Easy to complete with less than 10 questions, the first filings are due in 2008 for tax years ending on or after December 31, 2007.*

*There is no penalty for late filing, but the organization will automatically lose its tax-exempt status after 3 consecutive years of non-filing.*

## **INVOLVE OTHER FUNCTIONS**

Input to prepare the new Form 990 may come from various sources like the program director - for example, the number of volunteers - or even outside resources such as legal counsel to address changes to bylaws or policies. Additional personal information may be required from officers or board members, such as disclosing interests that could give rise to conflicts. For example, a spouse or child employed by a supplier to the NFP will have to be identified and reported on Schedule L Transactions with Interested Persons. Note also that the definition of interested parties is expanded to include ancestors and direct descendants of any age, siblings, and the spouses of any of these people.

Particular attention should be directed to Parts V, VI and VII. Part V contains questions about the filing of other IRS forms such as payroll tax returns and Form W-2G for gaming or raffle winners and unrelated business income. Other filings may be required depending upon the NFP's activities.

Part VI contains twenty questions about governing board membership and procedures, organization policies (such as conflict of interest, whistleblower and document destruction) and how required information is publicly disclosed. It also asks whether Form 990 was provided to the NFP's governing body before filing and the review process used by the NFP.

Part VII (and Schedule J) ask for more details regarding compensation and other benefits of current and former officers, directors and key employees.

## **CONTACT YOUR ACCOUNTANTS**

Use your auditor as a resource to provide forms, instructions, back-up materials and guidance as to acceptable answers.

They are aware that estimates are acceptable as answers to certain questions, that "Please explain" does not require more than one paragraph, and that a "No" answer is not necessarily wrong but may require elaboration. For instance, Question 1 in Part I concerns the organization's mission. This should reflect the reason for the tax exemption, e.g. "to operate a school for the benefit of...". There is plenty of room in Part III to provide detailed descriptions of programs and activities.

## **DON'T WORRY, BE HAPPY**

As we said at the outset, the IRS wants to know that the NFP is doing what it said it was going to do when it applied for the tax exemption. With the redesigned Form 990, it is important to understand the requirements to provide previously unreported information and determine whether or not new policies and procedures should be implemented. If your answers seem out of line with other NFPs, you may receive a request for additional information. We at Ahlbeck & Company can assist you in this process.

## **ABOUT AHLBECK & COMPANY**

We have served the not-for-profit industry for over 40 years and excel at going "beyond the accounting" to assist with issues unique to not-for-profit organizations.

For assistance with any of the items mentioned herein or any other not-for-profit issues, contact a professional at Ahlbeck & Company.

Ahlbeck & Company offers a diverse menu of services. We are more than an accounting firm. We are your business partner, willing to assist in all aspects of your business needs. From governmental filings and tax compliance to operational efficiency, we can meet your needs.

*(as issued on our website [www.ahlbeck.com](http://www.ahlbeck.com))*

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