

IRS RELEASES REDESIGNED FORM 990 FOR TAX YEAR 2008

In late December 2007, the IRS released a redesigned Form 990, the tax form used by public charities, hospitals, and other tax-exempt organizations. The new form must be used beginning in tax year 2008 (returns filed in 2009) unless transitional relief is available. The redesigned form is intended to change the way non-profit organizations report information on finances, fundraising activities, governance, executive and board compensation, and program services. The IRS sought to promote transparency and increase compliance but also to reduce the reporting burden on tax-exempt organizations.

In June 2007, the IRS released a Discussion Draft of the new Form 990 to the public and invited comments on the Draft. The Discussion Draft produced over 3,000 pages of written response from nonprofit leaders, accountants, attorneys and state regulators containing comments and suggestions on how to make the form more workable. The new form incorporates many of the recommendations made to the Discussion Draft. Included in revisions to the Discussion Draft is the elimination of ratios that would have compared compensation of top officers with total expenses, fund raising expenses with total contributions and operating expenses with an organization's net assets.

The new form contains an 11 page "core" form required by all non-profit organizations and 16 supporting schedules. The number of schedules required by an organization will vary depending on its activities. The form contains a checklist for the schedules intended to clarify which schedules are required by an organization based on its activities. In addition, the form provides more opportunity for an organization to describe in narrative form its tax-exempt accomplishments, mission and activities throughout the entire document.

The IRS will allow transitional relief for smaller organizations by phasing in the requirement to file the new form over a three-year period. Qualifying organization will be allowed to file the 3 page Form 990-EZ in lieu of Form 990. In order to qualify for relief, an organization must have gross receipts and total assets that are below a stated level. For 2008 tax year, organizations with gross receipts less than \$1.0 million and total assets less than \$2.5 million may file Form 990-EZ. For tax year 2009 and 2010 these figures are lowered to \$500,000/\$1.25 million and \$200,000/\$500,000 respectively.