

FORM 990 REDESIGN FOR TAX YEAR 2008 (FILED IN 2009)
FREQUENTLY ASKED QUESTIONS
November 19, 2008

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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: *When will the new form be effective?*

A-2: The new form will be effective for 2008 tax year returns filed beginning in 2009 (the 2008 calendar year or fiscal year beginning in 2008). However, special transition rules apply for 2008 and 2009. Most organizations with gross receipts less than \$1,000,000 and total assets less than \$2,500,000 may choose to file the new Form 990 or a Form 990-EZ for the 2008 tax year. Similarly, most organizations with gross receipts less than \$500,000 and total assets less than \$1,250,000 may choose to file the new Form 990 or a Form 990-EZ for the 2009 tax year. Beginning with the 2010 tax year, the Form 990-EZ thresholds will be permanently set at less than \$200,000 gross receipts and less than \$500,000

total assets. In addition, special transition rules are available for organizations that must file the form's new hospital and tax-exempt bond schedules.

Q-3: *How does an organization know which portions of the form or schedules it must complete?*

A-3: 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-4: *What are the most significant changes to the 2007 form?*

A-4: The new form is a significant redesign in format and content compared to the 2007 form. Major changes include a front page summary that provides a snapshot of key financial and operating information, a governance section, and revised compensation and related organization reporting. In order to increase reporting compliance, the new form replaces existing "unstructured attachments" (see Q/A-6, below) with formal schedules. Other schedules were added for reporting of foreign activities, non-cash contributions, hospitals, and tax-exempt bonds, to collect information not required by the current form.

Q-5: *Why does the new form contain a section on governance?*

A-5: 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-6: *Why does the new form have so many schedules?*

A-6: 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-7: *What is the benefit of requiring more schedules?*

A-7: The new 2008 Form 990 promotes uniform and complete reporting of information previously requested in unstructured attachments. A major defect of the 2007 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 2007 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-8: *How does the new form promote tax compliance?*

A-8: 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-9: *How does the new form enhance transparency of an organization’s mission, financial information, and operations?*

A-9: 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, expenses, assets, and liabilities. 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-10: *Is the new form more burdensome than the 2007 form?*

A-10: Organizations with complicated compensation arrangements, related entity structures, and activities that raise compliance concerns can expect to see an increase in the time and effort required to complete the form. This increase could be significant in some cases. However, the new form may not increase burden for many smaller organizations. The new 2008 Form is more user-friendly and streamlined, and the instructions contain several new tools to help filers complete the form more easily; for instance, a glossary of key terms, the Checklist of Required Schedules, a compensation table, a sequencing list with a recommended order for completing the form, appendices designed to assist different types of filers, and more examples and illustrations to help clarify how to answer various questions.

Q-11: *Will organizations be able to use the 2007 form, rather than the new form, for the 2008 tax year?*

A-11: No. The 2007 Form 990 will be used only for the 2007 tax year (returns filed in 2008), but will not be available for use beginning with the 2008 tax year.

Q-12: May those organizations that are members of a group that has a group ruling continue to file as part of a group return?

A-12: Yes, the present filing eligibility requirements for group returns have not changed. Appendix E (core form instructions), *Group Returns—Reporting on Behalf of the Group*, explains how group return filers should complete the form and schedules.

Q-13: *Will the new form satisfy an organization's state reporting requirements?*

A-13: State reporting requirements are determined by the individual states, many of which require certain tax-exempt organizations 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 (core form instructions), *Use of Form 990 or 990-EZ to Satisfy State Reporting Requirements*, addresses various differences between IRS and state filing requirements.

Q-14: *Where can I learn more about the new form?*

A-14: 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.

Q-15:What can I do now to prepare for the 2009 filing season?

A-15: Each organization should consider taking steps before the end of its 2008 tax year in order to be fully prepared for the new form's changes. These steps include reviewing the new Form 990-EZ filing amounts (see [Q/A-2](#)) to determine whether the organization may file the short form instead of the new Form 990 for the 2008 tax year. Other steps include reviewing the draft form, schedules and instructions available on the IRS web site (see [Q/A-14](#), above) to become familiar with the new form, schedules and instructions. Organizations may want to begin identifying those schedules they may be required to complete, and their related organizations, officers, directors, trustees, and key employees, which require special reporting. The organization's management and governing body should consider reviewing Part VI, Governance, Management, and Disclosure, in order to become familiar with that part's new governance reporting, and to determine whether the organization wishes to make any changes to its existing governance policies and practices before the end of its 2008 tax year.