TAX TIPS
A MATTER OF FORM

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TAX TIPS - A Matter of Form

Spring 2009 marked the first time that many nonprofits had to file the redesigned IRS Form 990. Following its first major revision in decades, Form 990 asks probing questions about a nonprofit's finances, leadership, activities and governance.

GET IT RIGHT

The implications of incorrect or incomplete Form 990 reporting are serious. IRS penalties aside, your organization's Form 990 is available to the general public and will likely receive scrutiny.

Each year, more than 500,000 Form 990s or Form 990-EZs are filed with the IRS. In turn, state regulators, the media, researchers and policymakers mine this publicly available information.

In fact, prospective donors as well as the interested public can view a nonprofit's most recent Form 990 on GuideStar (http://guidestar.org). In addition, Charity Navigator (http://charitynavigator.org) pulls information from the 990 and ranks a nonprofit's fundraising and administrative efficiency.

SPOT THE CHANGES

Some of the most notable changes to the new Form 990 are in Schedule J, Compensation Information. Detailed compensation information is now required, including a person-by-person breakout of base salary, bonuses, other compensation, deferred compensation and select nontaxable benefits (i.e., housing, education, life insurance, etc.).

Parts IV and VI and Schedule J, which look at board policies and executive perquisites, require narrative explanations for "yes" responses. Questions include everything from whether you offer reimbursements for first-class travel and health club memberships to whether there are any interlocking business or family relationships with other organizations.

A FOCUS ON GOVERNANCE

Be prepared to answer some probing questions about your organization's governance, policies and practices, including whether your organization has the following:

- A written conflict of interest policy
- A whistleblower policy
- A written document retention and destruction policy
- A policy for disclosing conflicts of interest

PREPARE NOW

If you're filing a revised Form 990 for the first time, take time now to become familiar with the full set of forms, including all schedules and instructions.

Determine what additional documentation your organization may need.

Review your governance polices and practices, and implement and/or revise as needed.

Conduct a "dry run" completion of the new form and review the results with a critical eye (as if you were a member of the public reviewing the form).

Despite any challenges, there are benefits. Form 990 is your chance to share with an increasingly curious public exactly how your organization operates — from finances and policies to governance.

If you haven't already, take the time to develop, implement or revise your governance policies and practices in anticipation of who may be viewing your Form 990 on GuideStar or on your organization's own Web site.

Accurate and complete preparation of Form 990 is a key factor in maintaining public image. *Contact our office for help understanding and complying with the new Form 990 disclosure requirements.*

Which Form To File

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2008 TAX YEAR*(Filed in 2009 or 2010)*
Gross receipts normally ≤ \$25,000 - 990-N (e-postcard)
Gross receipts > \$25,000 and < \$ 1 million, and total assets < \$2.5 million - 990-EZ or 990
Gross receipts ≥ \$1 million, total assets ≥ \$2.5 million – 990

2009 TAX YEAR*(Filed in 2010 or 2011)*
Gross receipts normally ≤ \$25,000 - 990-N
Gross receipts > \$25,000 and < \$500,000, and total assets < \$1.25 million - 990-EZ or 990
Gross receipts ≥ \$500,000, or total assets ≥ \$1.25 million - 990

2010 TAX YEAR AND LATER*(Filed in 2011 and later)*
Gross receipts normally ≤ \$50,000 - 990-N
Gross receipts > \$50,000 and < \$200,000, and total assets < \$500,000 - 990-EZ or 990
Gross receipts ≥ \$200,000, or total assets ≥ \$500,000 - 990