

IRS Releases Substantially Revised Form 990 for Tax-Exempt Organizations

On December 20, 2007, the IRS released the [final version](#) of the Form 990 (Return of Organization Exempt From Income Tax) to be filed by tax-exempt organizations for tax years beginning in 2008. This is the first major revision of the Form 990 since 1979. The new Form 990 is based on a [discussion draft](#) the IRS released in June 2007, which generated many written comments.

The new Form 990 replaces the current nine-page form and its two schedules with an 11-page “core form” and 16 schedules, including separate schedules to be completed by schools and hospitals, as well as schedules about compensation, tax-exempt bonds, related organizations and unrelated partnerships, political and lobbying activities, and non-cash contributions. The core form includes a summary page intended to provide a snapshot of the filing organization’s activities and governance, revenue, expenses and net assets. The core form also contains a section on governance that asks for information about the organization’s policies and board structure.

An increased IRS focus on compensation issues is apparent in the new form. The core form requires all organizations to provide information about compensation of current and former officers, directors, trustees, key employees, and most highly compensated employees and independent contractors. In addition, if certain dollar thresholds are met, the organization must complete a separate compensation schedule that requires a detailed breakdown of types of compensation (including base compensation, bonus/incentive compensation and deferred compensation) and asks questions such as whether the organization provides first-class or companion travel; a housing allowance or a residence for personal use; health or social club dues; and tax indemnification or gross-up payments.

In response to numerous comments from health care organizations, the IRS will phase in the requirements of the new schedule for hospitals. Hospitals will only be required to complete identifying information about hospital facilities in the first filing year; the remaining questions about charity care, community benefit, bad debt, Medicare, collection practices, and joint ventures need not be answered on the 2008 form. Similarly, the schedule on tax-exempt bonds will only require identifying information about bond issues for the first filing year; it will not require completing additional questions about proceeds, private use and arbitrage. After the 2008 tax year, organizations will be required to complete all questions on these schedules.

While some of the questions on the new form are self-explanatory, the instructions will be critical to understanding the scope of the questions and will provide necessary definitions. The IRS has announced that it will release draft instructions for the new form in early 2008.



Calendar-year organizations will be required to file the new Form 990 during 2009, but most fiscal-year organizations will not be required to file the new Form 990 until 2010 (for their fiscal year that commenced in 2008). Due to the extensive additional reporting now required on the Form 990, particularly for larger organizations, it will be important to examine the new form carefully and begin the process of putting systems in place to gather the required information for the 2008 tax year.

Contact Information

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