

## CLIENT REPORT:

### New Form 990: General Information

Dear Client:

As a result of a recent explosion not only in the number and types of tax-exempt organizations but also in the abuses that some of these entities engage in, the IRS has redesigned Forms 990, the tax-exempt organization annual information return. The Form 990 instructions also have been revised for 2008 and have just become available. The new form, which must be used starting for the 2008 tax year (returns filed in 2009), requires considerably more information to be reported to the IRS. This, in turn will enable the IRS to more closely monitor day-to-day operations.

The most significant changes to the Form 990 include new governance questions and revisions to the reporting of an organization's compensations of officers, directors, trustees, key employees, and highest compensated employees. For example, Part VI of the core form is a new section that asks questions about the organization's governance structure, policies and disclosure practices. Another example is Part VII of the core form, which includes new definitions of officer and key employee applicable to all organizations, and the extension of reporting compensation paid to the top five highest compensated employees.

**Core Form.** The 2008 Form 990 consists of an 11 page core form that must be completed by each Form 990 filer. The core form consists of the following parts: Part I, a snapshot of the organization's activities, and current and prior years' financial information; Part II, a signature block for the organization's officer and paid preparer; Part III, organizational exempt achievements; Part IV, a checklist to assist an organization in determining which schedules it must complete and file with the IRS in addition to the Form 990; Part V, information relating to the organization's compliance with other federal tax reporting and substantiation requirements; Part VI, information regarding the organization's governing body, policies, and disclosure practices; Part VII, reporting of compensation paid to officers, directors, trustees, key employees, highest compensated employees and independent contractors by the organization and its related organizations, and certain other compensation; Parts VIII, IX, and X, the financial statements of the organization for federal tax reporting purposes; and Part XI, the organization's accounting methods.

**Schedules.** In addition, the form contains 16 schedules which are designed to require reporting of information only from those organizations that conduct particular activities. New Schedules include those for reporting foreign activities (Schedule F); hospitals (Schedule H); tax exempt bonds (Schedule K); non-cash contributions (Schedule M); and related organizations (Schedule R). Organizations conducting activities outside the United States must file Schedule F, Statement of Activities Outside the United States. Schedule H, Hospitals, is completed by organizations that operate one or more facilities licensed or registered as a hospital under state law. Organizations with outstanding tax-exempt bond liabilities must file Schedule K, Supplemental Information for Tax Exempt Bonds. Schedule M, Non-Cash Contributions, is to be filed by organizations receiving contributions other than cash. Organizations are to provide information about their relationships with other exempt and taxable organizations on Schedule R, Related Organizations and Unrelated Partnerships. Note: All parts of Schedules H and K are not required to be completed for the 2008 tax year.

**Transition relief.** Transition relief has also been provided to allow certain exempt organizations time to adjust to the new form. For the 2008 tax year (returns filed in 2009), organizations with gross receipts equal to or less than \$1.0 million and total assets equaling or less than \$2.5 million will be able to use Form 990-EZ instead of the Form 990. For the 2009 tax year (returns filed in 2010), entities will be able to use Form 990-EZ if gross receipts equal or are less than \$500,000 and total assets equal or are less than \$1.25 million. The filing thresholds will be set permanently at \$200,000 gross receipts and \$500,000 total assets beginning with the 2010 tax year. Also, starting with the 2010 tax year, the IRS will increase the filing threshold for organizations required to file Form 990-N (the e-postcard) from \$25,000 to \$50,000.

This is a brief overview of the new Form 990. Some of the information previously required by the form has been eliminated or revised, but by in large, the new form asks for considerably more information than was previously required by the prior form. Please contact our office at your earliest convenience so that we can carefully review the new form and its instructions to make sure your organization not only satisfies the new reporting requirements but, more importantly, that it also conforms to all the new rules reflected by these reporting requirements.

Sincerely yours,

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