

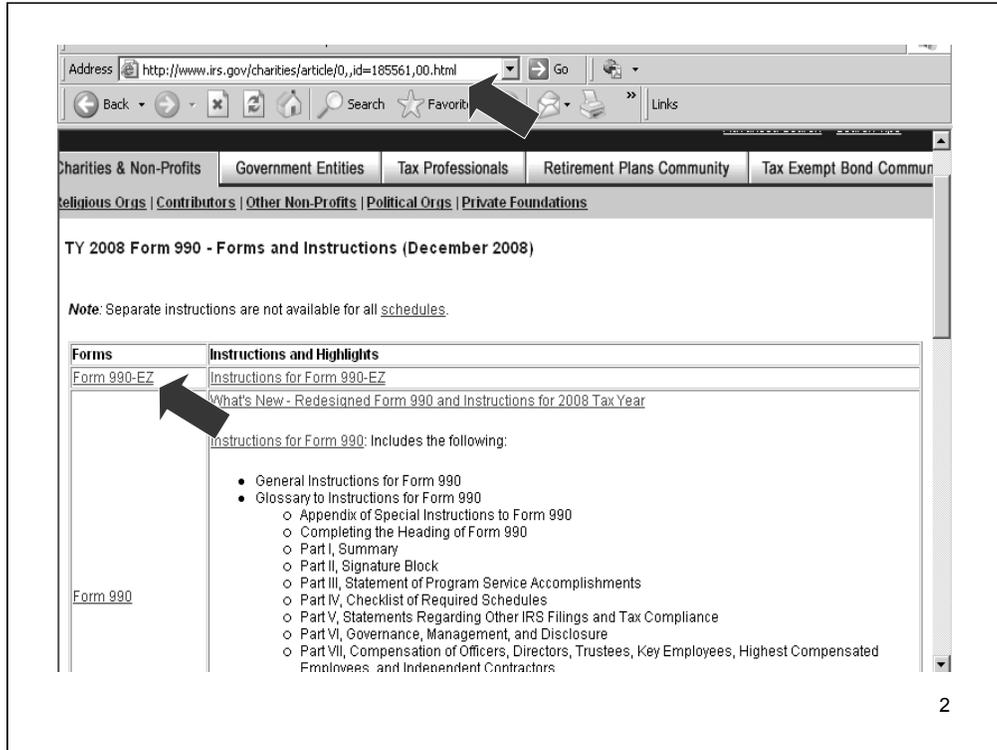
# *An Overview of Form 990-EZ*

Produced by IRS  
Exempt Organizations

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Welcome to *An Overview of Form 990-EZ*. This program is brought to you by the IRS Exempt Organizations.



Many of you may know that the 2008 Form 990 has been extensively redesigned.

To give smaller organizations time to adjust to the changes, the IRS established a three-year phase-in period, which will allow many organizations to file the Form 990-EZ instead of the new Form 990. The Form 990-EZ was revised too, but not as dramatically. The purpose of this course is to highlight the changes to the Form 990-EZ.

Before we get started, you may want to follow along with a copy of Form 990-EZ and the Schedules A, E, L, and N. To download the form and schedules, go to the address shown on the screen.

## Form 990-EZ

- Four-page core form – all filers complete
- Seven potential schedules

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Form 990-EZ now consists of a four-page core form that all filers must complete. Besides the core form, there are up to seven schedules that certain types of organizations or ones that conduct certain activities will complete.

## Form 990-EZ

- In the past there were:
- Two formal schedules – Schedule A and B
- Several unstructured attachments
- For 2008:
- Schedule A converted to three separate schedules
- Unstructured attachments became structured schedules

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That may sound like a lot of schedules for an “EZ” form, but it’s highly unlikely that any filer will complete all seven schedules. In the past, there were two formal schedules, Schedules A and B; plus several instances where a filer had to provide additional information in unstructured attachments. Schedule A has now been converted into three new schedules and the previous attachments are now separate schedules. So the change is really one of form (no pun intended) over substance. In the end, the organization is still providing the same information but now it’s done on structured schedules.

Before we discuss the changes to the form and some of the schedules, let’s talk about who can file the 990-EZ.

## Who Can File?

- For tax year 2008, organizations with
  - Gross receipts less than \$1million and total assets less than \$2.5 million
- For tax year 2009, organizations with
  - Gross receipts less than \$500,000 and total assets less than \$1.25 million
- For tax year 2010 on, organizations with
  - Gross receipts less than \$200,000 and total assets less than \$500,000

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For the 2008 tax year, which is filed in 2009 or 2010, an organization can file the 990-EZ if its gross receipts are less than \$1 million and its total assets are less than \$2.5 million.

For the 2009 tax year, which is filed in 2010 or 2011, the threshold is decreased to gross receipts of less than \$500,000 and total assets less than \$1.25 million. Then for tax year 2010 and later, the threshold becomes fixed at gross receipts less than \$200,000 and total assets less than \$500,000. This final threshold, which is double the original 2007 threshold, means that over half of all tax-exempt organizations will be eligible to file the 990-EZ.

## Changes to the Core Form

- New Part VI – lines 46 to 51
  - Completed by section 501(c)(3) organizations
  - Lines 46 or 47
    - Political activity or lobbying?
    - “Yes” – file Schedule C
  - Line 48
    - Operate a school?
    - “Yes” – file Schedule E

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Now that you know who can file the 990-EZ, let's talk about the changes to the form, starting with the core form. The most significant change was the addition of a new Part VI (lines 46 thru 51). These questions are about political campaign activity, private schools, transactions between 501(c)(3) organizations and other tax-exempt organizations, and compensation to independent contractors. Only section 501(c)(3) organizations will complete Part VI.

Let's look a little closer at each of these lines:

Lines 46 thru 49 are yes/no questions. Lines 46 and 47 ask whether your organization engaged in political campaign activity or lobbying activities. If you answer “yes” to either question, you must complete Schedule C, *Political Campaign and Lobbying Activities*.

Line 48 asks if you operate a school. If you answer “yes,” you must complete Schedule E, *Schools*.

## Changes to the Core Form

- Line 49 – transfers to exempt non-charitable related organizations
- Line 50 – highest paid employees other than officers, directors, trustees, and key employees
- Line 51- highest paid independent contractors

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Line 49 asks if you made any transfers to an exempt non-charitable related organization. To help you answer this question correctly, the instructions provide definitions of both “transfer” and “related organization.”

On line 50, report the compensation paid to your five highest paid employees other than officers, directors, trustees, and key employees. On line 51, report the compensation paid to your five highest paid independent contractors.

## Reporting Compensation

- Threshold for reporting compensation amounts on lines 50 and 51 is \$100,000
- Two options for reporting compensation:
  - Use information reported on Forms W-2 and 1099-MISC for calendar year ending with or within organization's tax year
  - Continue prior years' method
- Option selected must be used consistently and in future years

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There are two important changes related to reporting these compensation amounts. First, the threshold for reporting amounts on lines 50 and 51 has increased to \$100,000.

Second, there are two options for reporting compensation. These options apply to reporting the compensation of your officers, directors, trustees, and key employees, which is done in Part IV, as well as reporting the compensation of your five other highest compensated employees here on line 50 of Part VI. The first option is to use the information reported on Forms W-2 and 1099-MISC for the calendar year ending with or within your organization's tax year. The second option is to continue to use the compensation reporting method you used in prior years.

Whichever method you select for 2008, you must apply it consistently for all officers, directors, trustees, key employees, and for the five other highest compensated employees, and you must continue to use the same method in future years.

## Changes to the Core Form

- Line 44 – Did your organization maintain donor advised funds?
- Line 45 – Is any related organization a controlled entity of your organization?
- “Yes” to either 44 or 45 requires filing Form 990, not Form 990-EZ

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Another change to the 990-EZ is the addition of lines 44 and 45 at the end of Part V. Line 44 asks if your organization maintained any donor advised funds.

Line 45 asks if any related organization is a controlled entity of your organization. If you answer “yes” to either of these questions, you must file Form 990 instead of Form 990-EZ.

## Form 990-EZ Schedules

- Schedule A, Public Charity Status and Public Support
- Schedule B, Schedule of Contributors
- Schedule C, Political Campaign and Lobbying Activities
- Schedule E, Schools
- Schedule G, Supplemental Information Regarding Fundraising or Gaming Activities
- Schedule L, Transactions With Interested Persons
- Schedule N, Liquidation, Termination, Dissolution or Significant Disposition of Assets

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Now let's take a look at some of the schedules. If you file Form 990-EZ, you may need to complete one or more of the following schedules:

Schedule A, *Public Charity Status and Public Support*

Schedule B, *Schedule of Contributors*

Schedule C, *Political Campaign and Lobbying Activities;*

Schedule E, *Schools;*

Schedule G, *Supplemental Information Regarding Fundraising or Gaming Activities;*

Schedule L, *Transactions With Interested Persons;* and

Schedule N, *Liquidation, Termination, Dissolution or Significant Disposition of Assets.*

There are actually nine other Form 990 schedules, but the ones listed here are the only ones that apply to Form 990-EZ filers.

## Schedule A

- Information on public charity status and public support
- Fill out Schedule A if your organization is exempt under section 501(c)(3) of the Internal Revenue Code

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Let's start with Schedule A, which now focuses exclusively on public support and the public charity status of a section 501(c)(3) organization. All Form 990-EZ filers claiming 501(c)(3) public charity status must complete this schedule. If a 501(c)(3) organization is not a public charity, then it is a private foundation and must file Form 990-PF instead of Form 990-EZ.

## Schedule A – Part I

### Reason for Public Charity Status

- Check only ONE of the boxes from lines 1-11
- If the return is for one of the organization's first 5 tax years, check the box that corresponds to the public charity status stated in the organization's exemption letter
  - Not sure? Call Customer Account Services 1-877-829-5500
- If the return is for a later tax year, check the box that best reflects the organization's current public charity status

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In Part I, you should check one – but *only* one – of the boxes from lines 1 through 11 to indicate why your organization qualified as a public charity. If the return is for any of the organization's first five tax years as a section 501(c)(3) organization, check the box that corresponds to the public charity status stated in the organization's exemption letter. If you do not know that status, you can find out by calling Exempt Organizations Customer Account Services toll free at 1-877-829-5500. If the return is for a tax year after the organization's first five tax years, check the box that best reflects your organization's current public charity status, regardless of the status shown on the exemption letter. If you have more than one reason for public charity status, you should still check only one box. If you wish, you may explain those other reasons in Part IV of Schedule A.

## Schedule A – Parts II and III Support Schedules for Publicly-Supported Charities

- If you check box 5, 7, or 8 in Part 1, fill out Part II – Support schedule for organizations described in IRC 170(b)(1)(A)(vi) and 509(a)(1)
- If you check box 9 in Part 1, fill out Part III – Support schedule for organizations described in IRC 509(a)(2)

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There are now two separate support schedules for organizations whose public charity status is contingent on the level of public support they receive by way of contributions or exempt-function income. The support schedule in Part II is used to compute the public support of organizations that are classified or seek to be classified as publicly-supported charities or community trusts under sections 509(a)(1) and 170(b)(1)(A)(vi). Fill out this support schedule if you checked box 5, 7, or 8 in Part I. The support schedule in Part III is used to compute the public support of organizations that are classified or seek to be classified as publicly-supported organizations under section 509(a)(2). Fill out this support schedule if you checked box 9 in Part I.

## Completing the Support Schedule

- If the return is for one of the organization's first five tax years:
  - Fill in the public support and total support columns for the years that the organization has been in existence
  - Do not compute your public support percentage
- If the return is for a later year:
  - Fill in the public support and total support columns for the current year and four preceding years
  - Compute your public support percentage (and investment income percentage, if applicable)
- Use the same accounting method that was used to prepare core Form 990-EZ (whether cash or accrual)

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Both support schedules now feature a five-year (instead of a four-year) testing period, a period made up of the current tax year and the four preceding tax years. If the organization was not recognized as a section 501(c)(3) organization for the entire five-year period, report amounts only for the years in which it was so recognized. "New" organizations, meaning those that are filing a return for one of their first five tax years, must submit the public and total support information requested in lines 1-13 of Part II or lines 1-14 of Part III, but should not compute their public support percentage and, in the case of organizations described in section 509(a)(2), their investment income percentage. All other organizations filling out a support schedule must compute their support percentage and, if applicable, investment income percentage. If in completing Part II, you do not meet the 33 $\frac{1}{3}$  percent support test, but claim to meet the 10% facts-and-circumstances test, you must explain in Part IV how you meet that test. If you do not qualify under either support test in Part II, you should try to qualify under the support test in Part III, and vice versa.

In completing a support schedule, you should use the same accounting method you used to prepare the core Form 990-EZ, whether cash or accrual. This is a change from earlier versions of Schedule A which required that all reporting be on the cash method. If you used the accrual method to prepare your 2008 Form 990-EZ, do not transfer any of the amounts reported on your 2007 Schedule A to the 2008 Schedule A. Instead, report all amounts on 2008 Schedule A in conformity with the accrual method.

## Schedules B, C, or G

- Schedule B, Schedule of Contributors – unchanged
- For Schedules C or G, watch The Redesigned Form 990 – Part IV, on [stayexempt.org](http://stayexempt.org)

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Schedule B is virtually unchanged from 2007, so we won't be discussing it further here. We'll also not discuss Schedule C, which asks about an organization's political campaign and lobbying activities, or Schedule G, which asks about an organization's fundraising or gaming activities. If you want more information about either of these new schedules, watch "The Redesigned Form 990 – Part IV" at [stayexempt.org](http://stayexempt.org).

## Schedule E

- File Schedule E if:
  - Your organization is a private school, and
  - You answer “yes” to question 48 on Form 990-EZ
- Schedule E asks about your school’s racially nondiscriminatory policies
- For more information, see the instructions for Schedule E and Revenue Procedure 75-50

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Let’s take a quick look at Schedule E, *Schools*.

If your organization is a private school and you answer “yes” to question 48 on the 990-EZ, you must complete Schedule E. The schedule consists of yes/no questions about your school’s racially nondiscriminatory policies toward its students. Revenue Procedure 75-50 gives guidelines and recordkeeping requirements for determining if a tax-exempt school has a racially nondiscriminatory policy towards its students. The instructions for Schedule E contain relevant parts of the revenue procedure, which will help you answer the questions.

## Schedule L

- File Schedule L if you answer “yes” to question 38a or 40b on Form 990-EZ
- Complete Part II if you answer “yes” to 38a
- Complete Part I if you answer “yes” to 40b

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Now let's look at Schedule L, *Transactions with Interested Persons*.

If you answer “yes” to question 38a or 40b on the 990-EZ, you must complete Schedule L. If you answer “yes” to question 38a, which asks about loans to officers, directors, trustees, or key employees, you complete Part II of Schedule L. If you answer “yes” to question 40b, which asks about excess benefit transaction, you complete Part I. Parts III and IV are completed by organization that file Form 990, so you can skip those two Parts.

## Schedule N

- File Schedule N if you answered “yes” to question 36 on Form 990-EZ
- Complete Part I if your organization went out of business
- Complete Part II if your organization transferred more than 25% of its assets

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The last schedule we'll talk about is Schedule N, *Liquidation, Termination, Dissolution, or Significant Disposition of Assets*.

You complete Schedule N if you answer “yes” to question 36 on the 990-EZ. Question 36 asks whether your organization went out of business or disposed of a significant portion of its assets. If your organization liquidated, terminated, or dissolved, you complete Part I of the schedule. If you sold, exchanged, disposed of, or in some way transferred more than 25% of the organization's assets, you complete Part II of Schedule N.

Thank you for watching –

## An Overview of Form 990-EZ

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Before we run out of time, I'd like to mention that the 990-EZ now has its own separate instructions. Previously they were part of the 990 instructions. Separate instructions will make it much easier and faster to find the information you'll need to complete the form.

This concludes our overview of the changes to Form 990-EZ. We hope you found the information helpful.