

# **Instructions for Form 990**

## **Return of Organization Exempt From Income Tax**

**Under section 501(c), 527, or 4947(a)(1)  
of the Internal Revenue Code  
(except private foundations)**

Volume 4 of 10



Department of the Treasury  
**Internal Revenue Service**

Instructions for Form 990 (Rev. 2025) Catalog Number 47733E  
Department of the Treasury **Internal Revenue Service** [www.irs.gov](http://www.irs.gov)



Visit the Accessibility  
Page on [IRS.gov](http://IRS.gov)



# **Mission Statement**

---

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Document 6967 (Rev. 12-2013) Catalog Number 62293V Department of the Treasury Internal Revenue Service [publish.no.irs.gov](http://publish.no.irs.gov)

- Each individual that received, solely in the capacity as a former **director** or former **trustee** of the organization, more than \$10,000 of reportable compensation (in columns (D) and (E) of Part VII, Section A) during the year from the organization or related organizations. To determine whether an individual received or accrued more than \$10,000 in reportable compensation solely in the capacity as a former trustee or director of the organization, add the amounts reported in box 1 of all Forms 1099-NEC, and, if applicable, box 1 or 5 of all Forms W-2 (whichever is greater), and/or issued to the individual by the organization and all related organizations, to the extent that such amounts relate to the individual's past services as a trustee or director of the organization and not of a related organization. The \$10,000-per-

related-organization exception doesn't apply for this purpose.

**Line 4.** Complete Schedule J (Form 990) for each individual listed in Section A who received or accrued more than \$150,000 of reportable and other compensation from the organization and related organizations. To determine whether any listed individual received or accrued more than \$150,000 of reportable and other compensation, add all **compensation** included in columns (D), (E), and (F) of Part VII, Section A, but disregard any decreases in the actuarial value of defined benefit plans.

The following chart explains which **officers, directors, trustees, key employees,** and **highest compensated employees** must be reported on Form 990, Part VII, Section A, and on Schedule J (Form 990). See also *Line 5* next for additional individuals who must be reported on Schedule J (Form 990), Part II.

### Matrix for Part VII, Section A, Lines 3 and 4

Position	Current or former	Enter on Form 990, Part VII, Section A. . .	Enter on Schedule J (Form 990), Part II. . .
<b>Directors and trustees</b>	Current	All	If reportable and other compensation is greater than \$150,000 in the aggregate from organization and related organizations (don't report institutional trustees)
	Former	If reportable compensation in capacity as former director or trustee is greater than \$10,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A (don't report institutional trustees)
<b>Officers</b>	Current	All	If reportable and other compensation is greater than \$150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation is greater than \$100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A
<b>Key employees</b>	Current	All	All
	Former	If reportable compensation is greater than \$100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A
<b>Other five highest compensated employees</b>	Current	If reportable compensation is greater than \$100,000 in the aggregate from organization and related organizations	If reportable and other compensation is greater than \$150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation is greater than \$100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A

This page is intentionally left blank

**Line 5.** Complete Schedule J (Form 990) for any individual listed on Form 990, Part VII, Section A, if the person receives or accrues **compensation** from an **unrelated organization** (other than from management companies and leasing companies, as discussed earlier) for services rendered to the filing organization in the person's capacity as an **officer, director, trustee, or employee** of the filing organization. Also, specify in Schedule J (Form 990), Part III, the name of the unrelated organization, the type and amount of compensation it paid or accrued, and the person receiving or accruing such compensation. See *Compensation from unrelated organizations or individuals*, earlier.

For purposes of line 5, disregard:

1. Payments from a **deferred compensation** trust or plan established, sponsored, or maintained by the organization (or a related organization), and deferred

compensation held by such trust or plan;

2. Payments from a common paymaster for services provided to the organization (or to a related organization); or
3. Payments from an unrelated taxable organization that employs the individual and continues to pay the individual's regular compensation while the individual provides services without charge to the filing organization, but only if the unrelated organization doesn't treat the payments as a charitable contribution to the filing organization.

**Example 1.** A is the CEO (and the **top management official**) of the organization. In addition to compensation paid by the organization to A, A receives payments from B, an unrelated corporation (using the definition of relatedness on Schedule R (Form



990)), for services provided by A to the organization. B also makes rent payments for A's personal residence. The organization is aware of the compensation arrangement between A and B, and doesn't treat the payments as paid by the organization for Form W-2 reporting purposes. A, as the top management official of the organization, must be listed as an officer of the organization in Part VII, Section A. However, the amounts paid by B to A require that the organization answer "Yes" on line 5 and complete Schedule J (Form 990) about A.

**Example 2.** C is an attorney employed by a law firm that isn't a related organization to the organization. The organization and the law firm enter into an arrangement where C serves the organization, a section 501(c)(3) legal aid society pro bono, on a full-time basis as its vice president and as a board member while continuing to receive her regular compensation from the law firm. The

organization doesn't provide any compensation to C for the services provided by C to the organization, and doesn't report C's compensation on Form W-2, Form 1099-NEC, or Form 1099-MISC. The law firm doesn't treat any part of C's compensation as a charitable contribution to the legal aid society. Under these circumstances, the amounts paid by the law firm to C don't require that the organization answer "Yes" on line 5 about C. Also, nothing in these facts would prevent C from qualifying as an independent member of the organization's governing body for purposes of Form 990, Part VI, line 1b.

**Example 3.** D, a volunteer director of the organization, is also the sole owner and CEO of M management company (an unrelated organization), which provides management services to the organization. The organization pays M an annual fee of \$150,000 for management services. Under the

circumstances, the amounts paid by M to D (in the capacity as owner and CEO of M) don't require that the organization answer "Yes" on line 5 regarding D. However, the organization must report the transaction with M, including the relationship between D and M, on Schedule L (Form 990), Part IV. Also, D doesn't qualify as an independent member of the organization's governing body because D receives indirect financial benefits from the organization through M that are reportable on Schedule L (Form 990), Part IV.

## **Section B. Five Highest Compensated Independent Contractors**

Complete this table for the five highest compensated **independent contractors** that received more than \$100,000 in compensation for services, whether professional or other services, from the organization. Independent contractors include organizations as well as individuals and can include professional fundraisers, law firms,

accounting firms, publishing companies, **management companies**, and investment management companies. Don't report public utilities or insurance providers as independent contractors. See Pub. 1779, and Pub. 15-A, Employer's Supplemental Tax Guide, for distinguishing **employees** from independent contractors.

**Column (C).** Enter the amount the organization paid, whether reported in box 1 of Form 1099-NEC, reported in box 6 of Form 1099-MISC, or paid under the parties' agreement or applicable state law, for the calendar year ending with or within the organization's tax year.

For a short year return in which there is no calendar year that ends with or within the short year, don't report any information in columns (A) through (C), unless the return is a final return. If the return is a final return, report the compensation paid to the independent contractor(s) under the parties'

agreement during the short year or the compensation that is reportable compensation on Form 1099 for the short year, whether or not Form 1099 has been filed yet to report such compensation.

**Compensation** includes fees and similar payments to independent contractors but not reimbursement of expenses unless incidental to providing the service. However, for this purpose, the organization must report gross payments to the **independent contractor** that include expenses and fees if the expenses aren't separately reported to the organization.

**Tip:** Form 1099-NEC and/or Form 1099-MISC may be required to be issued for payments to an independent contractor, with compensation reported in box 1 of Form 1099-NEC and/or box 6 of Form 1099-MISC.

## Part VIII. Statement of Revenue

Check the box in the heading of Part VIII if Schedule O (Form 990) contains any information pertaining to this part.

**Column (A).** All organizations must complete column (A), reporting their **gross receipts** for all sources of revenue. All organizations (except section 527 political organizations) must complete columns (B) through (D), which must add up to the amount in column (A) for each line in Part VIII. Refer to the specific instructions in this part for completing each column.

**Tip:** If the organization enters an amount in column (A) for lines 2a through 2e or lines 11a through 11c, it must also enter a corresponding business activity code from *Business Activity Codes*, later. If none of the listed codes, or other 6-digit codes listed on the North American Industry Classification System (NAICS) website at [2022 NAICS](#)

[Census Chart](#), accurately describe the activity, enter “900099.” Use of these codes doesn’t imply that the business activity is unrelated to the organization’s exempt purpose. For nonstore retailers, select the principal business activity (PBA) code by the primary product that your establishment sells. For example, establishments primarily selling prescription and non-prescription drugs, select PBA code 456110 *Pharmacies and drug retailers*.

**Column (B).** In column (B), report all revenue from activities substantially related to the organization’s exempt purposes. Use of revenue for the organization’s exempt purposes doesn’t make the activity that produced the income (for example, fundraising activity) substantially related to the organization’s exempt purposes. Also report here any revenue that is excludable from gross income other than by section 512, 513, or 514, such as interest on state and

local bonds that is excluded from tax by section 103.

**Column (C).** In column (C), report any **unrelated business** revenue received by the organization during the **tax year** from an **unrelated trade or business**, unless that revenue is reportable in column (D) of Part VIII. See Pub. 598 and the Instructions for Form 990-T for more information.

**Tip:** A section 501(c)(3) organization that is an S corporation shareholder must treat all allocations of income from the S corporation as **unrelated business income**. Gain on the disposition of stock is also treated as unrelated business income. See section 512(e).

**Column (D).** In column (D), report any revenue excludable from **unrelated business income** by section 512, 513, or 514. Examples of such revenue include receipts from the sale of donated



merchandise, interest (unless debt-financed), and receipts from **bingo** games.

Neither Form 5500 nor DOL Forms LM-2 or LM-3, Labor Organization Annual Report, should be substituted for the Form 990, Part VIII or IX.

## **Line 1. In General**

On lines 1a through 1f, report cash and noncash amounts received as voluntary **contributions**, gifts, grants, or other similar amounts from the general public, **governmental units**, foundations, and other exempt organizations. The general public includes individuals, corporations, trusts, estates, and other entities. Voluntary contributions are payments, or the part of any payment, for which the payer (donor) doesn't receive **FMV** from the recipient (donee) organization. Contributions are reported on line 1 regardless of whether they are deductible by the contributor. The

noncash portion of contributions reported on lines 1a through 1f is also reported on line 1g.

Report gross amounts of contributions collected in the organization's name by fundraisers.

Report all expenses of raising contributions in column (D), "Fundraising expenses," of Part IX. The organization must enter on Part IX, line 11e, fees for **professional fundraising services** relating to the gross amounts of contributions collected in the organization's name by professional fundraisers.

Report on line 1 assets contributed to the organization by another entity in the course of the entity's liquidation, dissolution, or termination.

Report the value of **noncash contributions** at the time of the donation. For example, report the **FMV** of a donated car at the time the car was received as a donation.

Don't net losses from uncollectible pledges from prior years, refunds of contributions and service revenue from prior years, or reversal of grant expenses from prior years on line 1. Rather, report any such items as "Other changes in net assets or fund balances" on Part XI, line 9, and explain on Schedule O (Form 990).

The organization must report any contributions of **conservation easements** and other **qualified conservation contributions** consistently with how it reports revenue from such contributions in its books, records, and financial statements.

Reporting on line 1 according to **ASC 958** is generally acceptable (though not required) for Form 990 purposes, but the value of donated services or use of materials, equipment, or facilities may not be reported. An organization that receives a grant to be paid in future years should, according to ASC 958, report the grant's present value on line 1. Accruals

of present value increments to the unpaid grant should be reported on line 1 in future years.

**Contributions** don't include the following.

- Grants, fees, or other support from **governmental units**, foundations, or other exempt organizations that represent a payment for a service, facility, or product that primarily gives some economic or physical benefit to the payer.
- The portion of any fundraising solicitation representing payment for goods, services, or anything else at retail value.
- Unreimbursed expenses of **officers, employees, or volunteers**. (See the explanations of charitable contributions and employee business expenses in Pub. 526 and Pub. 463,

Travel, Gift, and Car Expenses, respectively.)

- Payments received from employers for welfare benefits under plans described in sections 501(c)(9), (17), and (18). Report these amounts on line 2, "Program Service Revenue."
- Donations of services such as the value of donated advertising space, broadcast air time (including donated public service announcements), or discounts on services or donations of use of materials, equipment, or facilities, even though reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by GAAP. The optional reporting of donated services and facilities is discussed in the instructions for Form 990, Part III.

**Example 1.** A hotel in a city's entertainment district donates 100 "right to use" certificates

covering 15 hotel rooms a night to disaster relief organization B. B then uses these certificates as emergency housing in furtherance of its exempt purposes. B shouldn't report the value of this contribution on line 1 (or on any other line in Part VIII), because this is a donation of services and use of facilities to B. Similarly, if B were to auction off the certificates as part of a fundraising event, B shouldn't report the value of the contributed certificates on line 1 (or on any other line in Part VIII). Rather, it should report gross income from the auction on Part VIII, line 8a.

**Example 2.** Organization C purchases 100 "right to use" certificates (as described in *Example 1* above) from the hotel, then contributes them to disaster relief organization B and designates that they be used for disaster relief purposes. B should report the **FMV** of these certificates on line 1. If B were to auction off the certificates as part

of a fundraising event, then use the proceeds for disaster relief purposes, B should report the gross income from the auction on Part VIII, line 8a; report the FMV of the contributed certificates on line 8b; and report the difference between lines 8a and 8b on line 8c.

**Line 1a.** Enter on line 1a the total amount of **contributions** received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as from a United Way organization). Federated fundraising agencies normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state, and allocate part of the net proceeds to each participating organization on the basis of the donors' individual designations and other factors.

**Tip:** Federated fundraising agencies must, like all other filers, identify the sources of

contributions made to them on lines 1a through 1g.

**Line 1b.** Report on line 1b membership dues and assessments that represent **contributions** from the public rather than payments for benefits received or payments from affiliated organizations.

**Example.** M is an organization whose primary purpose is to support the local symphony orchestra. Members have the privilege of purchasing subscriptions to the symphony's annual concert series before they go on sale to the general public, but must pay the same price as any other member of the public. They are also entitled to attend a number of rehearsals each season without charge. Under these circumstances, M's receipts from members are contributions reported on line 1b. Membership dues that aren't contributions because they compare reasonably with available benefits are



reported on line 2, "Program Service Revenue."

Membership dues can consist of both contributions and payment for goods and services. In that case, the portion of the membership dues that is a payment for goods or services should be reported on line 2, "Program Service Revenue." The portion that exceeds the **FMV** of the goods or services provided should be reported on line 1b.

The portion of membership dues attributable to certain membership benefits that are considered to be insubstantial (for example, low-cost articles, free or discounted admission to the organization's activities, discounts on purchases from the organization's gift shop, free or discounted parking) may be reported as contributions on line 1, rather than as payments for goods or services on line 2. See Pub. 1771, Charitable Contributions—Substantiation and Disclosure Requirements, for more information on insubstantial

membership benefits that need not be valued or reported.

**Line 1c.** Enter the total amount of **contributions** received from **fundraising events**, which includes, but isn't limited to, dinners, auctions, and other events conducted for the sole or primary purpose of raising funds for the organization's exempt activities. Report contributions received from **gaming** activities on line 1f, not on line 1c.

**Example.** An organization holds a dinner, charging \$400 per person for the meal. The dinner has a retail value of \$160. A person who purchases a ticket is really purchasing the dinner for \$160 and making a contribution of \$240. The contribution of \$240, which is the difference between the buyer's payment and the retail value of the dinner, would be reported on line 1c and again on line 8a (within parentheses). The revenue received (\$160 retail value of the dinner) would be reported on the indented line 8a.

If a contributor gives more than \$160, that person would be making a contribution of the difference between the dinner's retail value of \$160 and the amount actually given. Rev. Rul. 67-246, 1967-2 C.B. 104, as distinguished by Rev. Rul. 74-348, 1974-2 C.B. 80, explains this principle in detail. See also the instructions for lines 8a through 8c and Pub. 526.

Organizations that report more than \$15,000 total on lines 1c and 8a must also answer "Yes" on Part IV, line 18, and complete Part II of Schedule G (Form 990).

**Line 1d.** Enter on line 1d amounts contributed to the organization by **related organizations**. Don't report amounts reportable on line 1a.

**Line 1e.** Enter the total amount of **contributions** in the form of grants or similar payments from local, state, or federal government sources, as well as foreign

governments. Include grant amounts from **U.S. territories.**

Whether a payment from a **governmental unit** is labeled a “grant” or a “contract” doesn’t determine where the payment should be reported on Part VIII. Rather, a grant or other payment from a governmental unit is reported here if its primary purpose is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the governmental unit. In other words, the payment is recorded on line 1e if the general public receives the primary and direct benefit from the payment and any benefit to the governmental unit is indirect and insubstantial as compared to the public benefit.

The following are examples of governmental grants and other payments that are treated as contributions and reported on line 1e.

- Payments by a governmental unit for the construction or maintenance of library or museum facilities open to the public.
- Payments by a governmental unit to nursing homes to provide care to their residents (but not Medicare/Medicaid or similar payments made on behalf of the residents).
- Payments by a governmental unit to child placement or child guidance organizations under government programs to better serve children in the community.

**Line 1f.** Enter all other **contributions**, gifts, and similar amounts the organization received from sources not reported separately on lines 1a through 1e. This amount includes contributions from **donor advised funds** (unless the **sponsoring organization** is a **related organization**) and from **gaming** activities. For a section 501(c)(21) trust,

enter the total contributions received under section 192 from the coal mine operator who established the trust. Contributions to the trust must be in cash or property of the type in which the trust is permitted to invest (for example, public debt securities of the United States, obligations of a state or local government that are not in default as to principal or interest, or time and demand deposits in a bank or insured credit union as described in section 501(c)(21)(D)(ii)).

**Line 1g.** Enter on line 1g the value of **noncash contributions** included on lines 1a through 1f. If this amount exceeds \$25,000, the organization must answer “Yes” on Part IV, line 29, and complete and attach Schedule M (Form 990).

Noncash contributions are anything other than cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization. Value noncash donated items,

like cars and **securities**, as of the time of their receipt, even if they were sold immediately after they were received.

**Example.** A charity receives a gift of stock from an unrelated donor. The stock is delivered to the charity's broker, who sells it on the same day and remits the sales proceeds, net of commissions, to the charity. The value of the stock at the time of the contribution must be reported on line 1f and also on line 1g. The sale of the stock, and the related sales expenses (including the amounts reported on lines 1f and 1g), must be reported on lines 7a through 7d.

**Tip:** Museums and other organizations that elect not to capitalize their collections (according to ASC 958-360-45) shouldn't report an amount on line 1g for **works of art** and other collection items donated to them.

For more information on **noncash contributions**, see the instructions for Schedule M (Form 990).

**Line 1h.** Enter on line 1h the total of lines 1a through 1f (but not line 1g).

**Tip:** The organization may also need to attach Schedule B (Form 990) to report certain contributors and their **contributions**. See the instructions for Schedule B (Form 990) for more information.

**Line 2.** On lines 2a through 2e, enter the organization's five largest sources of program service revenue. Program services are primarily those that form the basis of an organization's exemption from tax. For a more detailed description of program service revenue, refer to the instructions for column (B) of Part IX.

On line 2f, enter the total received from all other sources of program service revenue not listed individually on lines 2a through 2e. On line 2g, enter the total of column (A), lines 2a through 2f.



**Program service revenue.** Program service revenue includes income earned by the organization for providing a government agency with a service, facility, or product that benefited that government agency directly rather than benefiting the public as a whole. Program service revenue also includes tuition received by a school; revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; interest income on loans a credit union makes to its members; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; insurance premiums received by a fraternal beneficiary society; and registration fees received in connection with a meeting or convention.

**Program-related investments.** Program service revenue also includes income from **program-related investments**. These investments are made primarily to accomplish an exempt purpose of the investing organization rather than to produce income. Examples are scholarship loans and low-interest loans to charitable organizations, indigents, or victims of a disaster.

Rental income from an exempt function is another example of program-related investment income. For purposes of this return, report all rental income from an affiliated organization on line 2.

**Unrelated trade or business activities.** Unrelated trade or business activities (not including any **fundraising events** or **fundraising activities**) that generate fees for services can also be program service activities. A social club, for example, should report as program service revenue the fees it

charges both members and nonmembers for the use of its tennis courts and golf course.

**Sales of inventory items by hospitals, colleges, and universities.** Books and records maintained according to GAAP for hospitals, colleges, and universities are more specialized than books and records maintained according to those accounting principles for other types of organizations that file Form 990. Accordingly, **hospitals, colleges, and universities** can report, as program service revenue on line 2, sales of inventory items otherwise reportable on line 10a. In that event, enter the applicable cost of goods sold as program service expenses in column (B) of Part IX. No other organizations should report sales of inventory items on line 2.

**Common types of program service revenue.**

- Medicare and Medicaid payments, and other government payments made to

pay or reimburse the organization for medical services provided to individuals who qualify under a government program for the services provided, and who select the service provider. See Rev. Rul. 83-153, 1983-2 C.B. 48.

- Payments for medical services by patients and their guarantors.
- Fees and contracts from government agencies for a service, facility, or product that primarily benefited the government agencies.

***Example 1.*** A payment by a governmental agency to a medical clinic to provide vaccinations to the general public is a contribution reported on line 1e. A payment by a governmental agency to a medical clinic to provide vaccinations to employees of the agency is program service revenue reported on line 2.

**Example 2.** A payment by a governmental agency to an organization to provide job training and placement for disabled individuals is a contribution reported on line 1e. A payment by a governmental agency to the same organization to operate the agency's internal mail delivery system is program service revenue reported on line 2.

- Income from program-related investments. Report interest, dividends, and other revenues from those investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that borrowed the funds to pursue the filing organization's exempt function.
- Membership dues and assessments received that compare reasonably with

the membership benefits provided by the organization. Organizations described in section 501(c)(5), (6), or (7) generally provide benefits that have a reasonable relationship with dues.

Examples of membership benefits include:

- Subscriptions to publications,
- Newsletters (other than one only about the organization's activities),
- Free or reduced-rate admissions to events sponsored by the organization,
- Use of the organization's facilities, and
- Discounts on articles or services that members and nonmembers can buy.

**Caution:** For each amount entered on lines 2a through 2e, the organization must also enter a corresponding business activity code from *Business Activity Codes*, later. If you

don't see a code for the activity you are trying to categorize, select the appropriate code from the NAICS website at [2022 NAICS Census Chart](#). Select the most specific 6-digit code available that describes the activity producing the income. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity. For example, a credit union reporting income from consumer lending activities should use code 522291. Sales revenue from a museum gift shop should be reported with code 459420. An organization providing credit counseling services should use code 541990. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes doesn't imply that the activity is unrelated to the organization's exempt purpose.

**Line 3.** Enter the gross amount of interest income from savings and temporary cash

investments, dividend and interest income from equity and debt **securities** (stocks and bonds), and amounts received from payments on securities loans, as defined in section 512(a)(5), as well as interest from notes and loans receivable. Don't include unrealized gains and losses on investments carried at **FMV**. Don't deduct investment management fees from this amount, but report these fees on Part IX, line 11f.

***Section 501(c)(21) trusts.*** Use line 3 to report income from "qualified investments" as defined in section 501(c)(21)(D)(ii) (public debt securities of the United States; obligations of a state or local government which are not in default as to principal or interest; and time or demand deposits in a bank (as defined in section 581) or an insured credit union (within the meaning of section 101(7) of the Federal Credit Union Act, 12 U.S.C. 1752(7)) located in the United States).



**Line 4.** Enter all investment income actually or constructively received from investing the **proceeds** of a tax-exempt **bond issue**, which are under the control of the organization. For this purpose, don't include any investment income received from investing proceeds that are technically under the control of the **governmental issuer**. For example, proceeds deposited into a **defeasance escrow** that is irrevocably pledged to pay the principal and interest (debt service) on a bond issue isn't under the control of the organization.

**Line 5.** Enter on line 5 royalties received by the organization from licensing the ongoing use of its property to others. Typically, royalties are received for the use of intellectual property, such as patents and trademarks. Royalties also include payments to the owner of the property for the right to exploit natural resources on the property, such as oil, natural gas, or minerals.

**Line 6a.** Enter on line 6a the rental income received for the year from investment property and any other real property rented by the organization. Allocate revenue to real property and personal property in the spaces provided. Don't include on line 6a rental income related to the filing organization's exempt function (program service). Report such income on line 2. For example, an exempt organization whose exempt purpose is to provide low-rental housing to persons with low income would report that rental income as program service revenue on line 2.

Only for purposes of completing this return, the filing organization must report any rental income received from an affiliated exempt organization as program service revenue on line 2.

Rental revenue can be from an activity that is related or unrelated to the organization's exempt purpose. In general, rents from real property are excluded in computing

**unrelated business income**, while rental income from personal property is included. There are special rules when rents are received from personal property leased with real property (a mixed lease). In general, rental revenue from real property is excluded from unrelated business revenue when:

- The determination of the amount of such rents isn't based on income or net profits derived by any person from the property leased other than an amount based on a fixed percentage of the gross receipts or sales;
- The lease doesn't include personal services other than customary ones such as trash removal and cleaning of public areas;
- Any portion attributable to personal property is 10% or less of the total rent; and

- The real property isn't debt-financed within the meaning of section 512, 513, or 514. (Rent from debt-financed real property is generally includible in unrelated business income, but there can be exceptions based on use of the property. See Pub. 598.)

Rent received from leased personal property is generally taxable except when leased with real property, and the rent attributable to the personal property doesn't exceed 10% of the total rents from all leased property.

**Line 6b.** Enter on line 6b the expenses paid or incurred for the income reported on line 6a. Include interest related to rental property and depreciation if it is recorded in the organization's books and records. If the organization reported on line 2 any rental income reportable as program service revenue, report any rental expense allocable to such activity on the applicable lines of column (B) of Part IX.

**Line 6c.** Subtract line 6b from line 6a for both columns (i) and (ii) and enter on line 6c. Show any loss in parentheses.

**Line 6d.** Add columns (i) and (ii) of line 6c, and enter on line 6d. Show any loss in parentheses.

**Lines 7a through 7d.** Enter on lines 7a through 7c all sales of **securities** in column (i). Use column (ii) to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other non-inventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).

On line 7a, for each column, enter the total gross sales price of all such assets. Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 7b. On line 7c, enter the gain or loss. Show any loss in parentheses.

On lines 7a and 7c, also report capital gains dividends, the organization's share of capital gains and losses from a **joint venture**, and capital gains distributions from trusts.

Combine the gain or loss figures reported in columns (i) and (ii) of line 7c, and report that total on line 7d. Show any loss in parentheses. Don't include any unrealized gains or losses on **securities** carried at **FMV** in the books of account.

For reporting sales of securities on Form 990, the organization can use the more convenient average cost basis method to figure the organization's gain or loss. When a security is sold, compare its sales price with the average cost basis of the particular security to determine gain or loss. However, for reporting sales of securities on Form 990-T, don't use the average cost basis to determine gain or loss.

The organization should maintain books and records to substantiate information about any

securities or other assets sold for which market quotations weren't published or weren't otherwise readily available. The recorded information should include:

- A description of the asset;
- Date acquired;
- Whether acquired by donation or purchase;
- Date sold and to whom sold;
- Gross sales price;
- Cost, other basis, or, if donated, value at time acquired;
- Expense of sale and cost of improvements made after acquisition; and
- Depreciation since acquisition, if depreciable property.

**Line 8a.** Enter in the line 8a box the gross income from fundraising events, not including

the amount of contributions from fundraising events reported on line 1c. Report the line 1c amount in the line 8a parenthetical. If the sum of the amounts reported on line 1c and the line 8a box exceeds \$15,000, then the organization must answer “Yes” on Part IV, line 18, and complete Schedule G (Form 990), Part II. If gaming is conducted at a fundraising event, the income and expenses must be allocated between the gaming and the fundraising event on Form 990, Part VIII; report all income from gaming on line 9a.

Compute the organization’s gross income from fees, ticket sales, or other revenue from **fundraising events**.

<b>Fundraising events include:</b> <ul style="list-style-type: none"><li>• Dinners/dances,</li></ul>	<b>Fundraising events don’t include:</b> <ul style="list-style-type: none"><li>• Sales or gifts of goods or services of only nominal value,</li></ul>
--	---



<ul style="list-style-type: none"> <li>• Door-to-door sales of merchandise,</li> <li>• Concerts,</li> <li>• Carnivals,</li> <li>• Sports events, and</li> <li>• Auctions.</li> </ul>	<ul style="list-style-type: none"> <li>• Raffles or lotteries in which prizes have only nominal value, and</li> <li>• Solicitation campaigns that generate only <b>contributions</b>.</li> </ul> <p>Proceeds from these activities are considered contributions and should be reported on line 1f.</p>
--	--

Fundraising events don't include events or activities that substantially further the organization's exempt purpose even if they also raise funds. Revenue from such program service activities is reported on line 2.

**Example.** An organization formed to promote and preserve folk music and related cultural traditions holds an annual folk music festival featuring concerts, handcraft demonstrations, and similar activities. Because the festival directly furthers the organization's exempt purpose, income from ticket sales should be reported on line 2 as program service revenue.

Fundraising events sometimes generate both **contributions** and income, such as when an individual pays more than the retail value for the goods or services furnished. Report in parentheses the total amount from fundraising events that represents contributions rather than payment for goods or services. Treat the following as contributions.

- Amounts paid in excess of retail value of goods or services furnished. See *Example*, earlier, under *Line 1c*.

- Amounts received from fundraising events when the organization gives items of only nominal value to recipients. See Pub. 1771.

**Example.** In return for a contribution of any amount, donors receive a keychain with the organization's logo. All amounts received should be reported as contributions on line 1f and all associated expenses on the appropriate lines in column (D) of Part IX. In such a case, no amounts would be reported on line 8.

**Line 8b.** Enter on this line both the cost or other basis of any items sold at the events and the expenses that relate directly to the production of the revenue portion of the fundraising activity, whether incurred before, during, or after the event. In the line 1c dinner example referred to earlier, the cost of the food and beverages served and invitation to the dinner would be among the items reported on line 8b. Indirect fundraising

expenses, such as certain advertising expenses associated with raising these **contributions**, must be reported on the appropriate lines in column (D) of Part IX, and not on line 8b.

**Line 8c.** Enter on line 8c the difference between lines 8a and 8b. Show any loss in parentheses. The organization must report net income from **fundraising events** as unrelated business revenue (column (C)) or as revenue excluded from tax under section 512, 513, or 514 (column (D)).

**Example 1.** If an organization receives a donation of a home theater system with an **FMV** of \$5,000 at the time of donation; sells the system for \$7,500 at an auction, after having displayed the system and its FMV (which remains \$5,000) at and before auction so that its value was known to the bidders; and incurs \$500 in costs related to selling the system at auction, it should report the following amounts in Part VIII.

Line 1c ( <b>contributions</b> from fundraising events):	\$2,500
Line 1f (all other contributions):	\$5,000
Line 1g (noncash contributions):	\$5,000
Line 8a (gross income from fundraising events):	\$5,000
Line 8a parenthetical (contributions reported on line 1c):	\$2,500
Line 8b (direct expenses: \$5,000 <b>FMV</b> on donation date + \$500 in auction costs):	\$5,500
Line 8c (net income from fundraising event, line 8a minus line 8b):	(\$500)

**Example 2.** If the home theater system in *Example 1* sold at auction for \$2,500 instead of \$7,500, and all other facts in *Example 1* remain the same, then the organization should report the following amounts in Part VIII.

Line 1c ( <b>contributions</b> from fundraising events):	\$0
Line 1f (all other contributions):	\$5,000
Line 1g (noncash contributions):	\$5,000
Line 8a (gross income from fundraising events):	\$2,500
Line 8a parenthetical (contributions reported on line 1c):	\$0
Line 8b (direct expenses: \$5,000 <b>FMV</b> on donation date + \$500 in auction costs):	\$5,500
Line 8c (net income from fundraising event, line 8a minus line 8b):	(\$3,000)

In both *Example 1* and *Example 2*, the organization would need to report the \$5,000 value of this contribution on Schedule M (Form 990) if it received over \$25,000 in total noncash contributions during the **tax year**.

**Line 9a.** Line 9a should include only gross income from **gaming** activities. It shouldn't include **contributions** from gaming activities, which should be reported on line 1f.

Organizations that report more than \$15,000 on line 9a must also answer "Yes" on Part IV, line 19, and complete Part III of Schedule G (Form 990).

This page is intentionally left blank



Types of gaming include, but aren't limited to:	
<ul style="list-style-type: none"> <li>- <b>Bingo</b></li> <li>- <b>Pull tabs</b></li> <li>- <b>Instant bingo</b></li> <li>- Raffles</li>   <li>- Scratch-offs</li> <li>- Charitable <b>gaming</b> tickets</li>   <li>- Break-opens</li> <li>- Hard cards</li> <li>- Banded tickets</li> <li>- Jar tickets</li> <li>- Pickle cards</li> </ul>	<ul style="list-style-type: none"> <li>- Nevada Club tickets</li> <li>- Certain Casino nights</li> <li>- Certain Las Vegas nights</li> <li>- Coin-operated gambling devices including:               <ul style="list-style-type: none"> <li>• Slot machines</li> <li>• Electronic video slot or line games</li> <li>• Video poker</li> <li>• Video blackjack</li> <li>• Video keno</li> <li>• Video <b>bingo</b></li> <li>• Video <b>pull tab</b> games</li> </ul> </li> </ul>

This page is intentionally left blank

Many games of chance are taxable. Income from **bingo** games isn't generally subject to the tax on unrelated business income if the games meet the legal definition of bingo. For a game to meet the legal definition of bingo, wagers must be placed, winners must be determined, and prizes or other property must be distributed in the presence of all persons placing wagers in that game.

A wagering game that doesn't meet the legal definition of bingo doesn't qualify for the exclusion, regardless of its name. For example, **instant bingo**, in which a player buys a pre-packaged bingo card with **pull tabs** that the player removes to determine if she or he is a winner, doesn't qualify. See Pub. 598.

**Line 9b.** Enter on this line the expenses that relate directly to the production of the revenue portion of the **gaming** activity. Direct expenses of gaming include:

- Cash prizes;

- Noncash prizes;
- Compensation to **bingo** callers and workers;
- Rental of gaming equipment; and
- Cost of gaming supplies such as **pull tabs**, bingo cards, etc.

**Line 9c.** Enter the difference between lines 9a and 9b. Show any loss in parentheses.

**Line 10a.** Enter the organization's gross income from sales of inventory items, less returns and allowances. Sales of inventory items reportable on line 10a are sales of items that are donated to the organization, that the organization makes to sell to others, or that it buys for resale. Sales of inventory don't, however, include the sale of goods related to a **fundraising event**, which must be reported on line 8. Sales of investments on which the organization expected to profit by appreciation and sale aren't reported here. Report sales of investments on line 7.

The organization must report the sales revenue regardless of whether the sales activity is an exempt function of the organization or an **unrelated trade or business**.

**Line 10b.** Enter the cost of goods sold related to the sales of inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a portion of overhead expenses. Marketing and distribution costs aren't included in the cost of goods sold but are reported as expenses in Part IX. For purposes of Part VIII, the organization may include as cost of donated goods their **FMVs** at the time of acquisition.

**Line 10c.** Enter in the appropriate columns (A) through (D) the net income or (loss) from the sale of inventory items. Show any loss in parentheses.

**Line 11.** Enter all other types of revenue not reportable on lines 1 through 10. Enter the

three largest sources on lines 11a through 11c and all other revenue on line 11d.

**Tip:** For each amount entered on lines 11a, 11b, and 11c, the organization must also enter a corresponding business activity code from *Business Activity Codes*, later. If you don't see a code for the activity you are trying to categorize, select the appropriate code from the NAICS website at [2022 NAICS Census Chart](#). Select the most specific 6-digit code available that describes the activity producing the income. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes doesn't imply that the activity is unrelated to the organization's exempt purpose.

**Line 12.** For column (A), add lines 1h, 2g, 3 through 5, 6d, 7d, 8c, 9c, 10c, and 11e. For

columns (B) through (D), add lines 2a through 2f, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11a through 11d. The amounts reported on line 12 in columns (B), (C), and (D), plus the amount reported on line 1h, should equal column (A) of line 12.

## **Part IX. Statement of Functional Expenses**

Check the box in the heading of Part IX if Schedule O (Form 990) contains any information pertaining to this part.

Use the organization's normal accounting method to complete this section. If the organization's accounting system doesn't allocate expenses, the organization can use any reasonable method of allocation. The organization must report amounts accurately and document the method of allocation in its records. Report any expense described on lines 1–23 on the appropriate line; don't report such expense on line 24. Don't report in Part IX expenses that must be reported on line 6b, 7b, 8b, 9b, or 10b in Part VIII.

### **Column (A)—Total**

Section 501(c)(3) and 501(c)(4) organizations must complete columns (A) through (D).



All other organizations must complete column (A) but can complete columns (B), (C), and (D).

**Caution:** State reporting requirements can be different from IRS reporting requirements applicable to Part IX.

### **Column (B)—Program Services**

Program services are mainly those activities that further the organization's exempt purposes. Fundraising expenses shouldn't be reported as program service expenses even though one of the organization's purposes is to solicit **contributions**.

Include **lobbying** expenses in this column if the lobbying is directly related to the organization's exempt purposes.

**Example.** Foundation M, an organization exempt under section 501(c)(3), has the exempt purpose of improving health care for senior citizens. Foundation M operates in State N. The legislature of State N is

considering legislation to improve funding of health care for senior citizens. Foundation M lobbies state legislators in support of the legislation. Because this lobbying is directly related to Foundation M's exempt purpose, it would be considered an exempt function expense and would be included in column (B).

Program services can also include the organization's **unrelated trade or business** activities. Publishing a magazine is a program service even though the magazine contains both editorials and articles that further the organization's exempt purpose as well as advertising, the income from which is taxable as **unrelated business income**.

Also include costs to secure a grant, or contract, to conduct research, produce an item, or perform a program service, if the activities are conducted to meet the grantor's or other contracting party's specific needs. Don't report these costs as fundraising expenses in column (D). Costs to solicit

restricted or unrestricted grants to provide services to the general public should be reported in column (D).

### **Column (C)—Management and General**

Use column (C) to report expenses that relate to the organization's overall operations and management, rather than to **fundraising activities** or program services. Overall management usually includes the salaries and expenses of the organization's CEO and his or her staff, unless a part of their time is spent directly supervising program services or fundraising activities. In that case, their salaries and expenses should be allocated among management, fundraising, and program services.

Expenses incurred to manage investments must be reported in column (C). **Lobbying** expenses should be reported in this column if they don't directly relate to the organization's exempt purposes.

Organizations must also report the following in column (C): costs of board of directors meetings; committee meetings and staff meetings (unless they involve specific program services or fundraising activities); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, human resources, and other centralized services; preparation, publication, and distribution of an annual report; and management of investments.

However, report expenses related to the production of program-related income in column (B) and expenses related to the production of rental income on Part VIII, line 6b. Rental expenses incurred for the organization's office space or facilities are reported on line 16.

Don't use this column to report costs of special meetings or other activities that relate to fundraising or specific program services.

## **Column (D)—Fundraising**

Fundraising expenses are the expenses incurred in soliciting cash and noncash **contributions**, gifts, and grants. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in (a) publicizing and conducting fundraising campaigns; and (b) soliciting bequests and grants from individuals, foundations, other organizations, or **governmental units** that are reported on Part VIII, line 1. This includes expenses incurred in participating in federated fundraising campaigns; preparing and distributing fundraising manuals, instructions, and other materials; and preparing to solicit or receive contributions. Report direct expenses of fundraising events on Part VIII, line 8b, rather than in column (D) of Part IX. However, report indirect expenses of fundraising events, such as certain advertising expenses, in column (D) of Part IX, rather than on Part VIII, line 8b.

**Example.** For an employee who works on fundraising 40% of the time and program management 60% of the time, an organization must allocate that employee's salary 40% to fundraising and 60% to program service expenses. It can't report the 100% of salary as program expenses simply because the employee spent over 50% of his time on program management.

## **Allocating Indirect Expenses**

Direct costs are expenses that can be identified specifically with an organization's activity or project, and can be assigned to an activity or project with a high degree of accuracy. Indirect costs are costs that can't be identified specifically with an activity or project. For example, a computer bought by a university specifically for a research project is a direct cost. In contrast, the costs of software licensing for programs that run on all the university's computers are indirect costs.

Colleges, universities, hospitals, and other organizations that incur indirect expenses in various cost centers (such as organizational memberships, books and subscriptions, and regular telecommunications costs) can allocate and report such expenses in the following manner.

1. Report the expenses of all indirect cost centers in column (C), lines 5 through 24.
2. As a separate line item of line 24, enter "Allocation of [name of indirect cost center] expenses."
  - a. If any of the cost center's expenses are allocated to expenses listed in Part VIII, such as the expenses attributable to **fundraising events** and activities, enter such expenses as a negative figure in columns (A) and (C).

- b. Allocate expenses to column (B) or (D) as positive amounts.
- c. Add the amounts in columns (B) and (D) and enter the sum as a negative offsetting amount in column (C). Don't make any entries in column (A) for these offsetting entries.

**Example.** An organization reports in column (C) \$50,000 of its actual management and general expenses and \$100,000 of expenses of an indirect cost center that are allocable in part to other functions. The total of lines 5 through 24 of column (C) would be \$150,000 before the indirect cost center allocations were made. Assume that of the \$100,000 total expenses of the cost center, \$10,000 was allocable to fundraising; \$70,000 to various program services; \$15,000 to management and general functions; and \$5,000 to special events and activities. To



report this in Part IX under this optional method:

1. Indicate the cost center, the expenses of which are being allocated, on line 24 as "Allocation of [specify the indirect cost center] expenses";
2. Enter a decrease of \$5,000 on the same line in column (A), "Total expenses," representing the fundraising event expenses that were already reported in Part VIII, line 8b;
3. Enter \$70,000 on the same line in column (B), "Program service expenses";
4. Enter \$10,000 on the same line in column (D), "Fundraising expenses"; and
5. Enter a decrease of \$85,000 on the same line in column (C), "Management and general expenses," to represent

the allocations to functional areas other than management and general.

After making these allocations, the column (C), line 25, total functional expenses would be \$65,000, consisting of the \$50,000 actual management and general expense amount and the \$15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a one-step allocation that shows how to report the allocation in Part IX. This reporting method would actually be more useful to avoid multiple-step allocations involving two or more cost centers. Without this optional reporting method, the total expenses of the first cost center would be allocated to the other functions and might include an allocation of part of these expenses to another cost center. The expenses of the second cost center would then be allocated to other functions and, perhaps, to other cost

centers, and so on. The greater the number of these cost centers that are allocated out, the more difficult it is to preserve the object classification identity of the expenses of each cost center (for example, salaries, interest, supplies, etc.). Using the reporting method described above avoids this problem.

**Caution:** The intent of the above instructions is only to facilitate reporting indirect expenses by both object classification and function.

These instructions don't authorize the allocation to other functions of expenses that should be reported as management and general expenses.

## **Grants and Other Assistance to Governments, Organizations, and Individuals**

Organizations should report the amount of **grants and other assistance** on lines 1 through 3. Report expenses incurred in selecting recipients or monitoring compliance

with the terms of a grant or award on lines 5 through 24. See the following instructions.

**Note:** Organizations can report this information according to **ASC 958** but aren't required to do so. For example, an organization that follows **ASC 958** and makes a grant during the **tax year** to be paid in future years should report the grant's present value on this year's Form 990 and report accruals of additional value increments in future years.

**Line 1.** Enter the amount that the organization, at its own discretion, paid in grants to domestic organizations and domestic governments. United Way and similar federated fundraising organizations should report grants to member or participating agencies on line 1. Organizations must report voluntary grants to state or local affiliates for specific (restricted) purposes or projects on line 1.

If the organization reported on line 1 more than \$5,000 of **grants or other assistance** to any **domestic organization** or to any **domestic government**, the organization must complete Parts I and II of Schedule I (Form 990).

***Section 501(c)(21) trusts.*** Use line 1 to report amounts paid by the trust to:

- The Federal Black Lung Disability Trust Fund pursuant to section 3(b)(3) of Public Law 95-227, or
- For insurance exclusively covering liabilities under sections 501(c)(21)(A)(i)(I) and 501(c)(21)(A)(i)(IV). For details, see Regulations section 1.501(c)(21)-1(d).

This page is intentionally left blank

Allocating Indirect Expenses—Example

Line	(A)	(B)	(C)	(D)
5–24a	\$150,000	-	\$150,000	-
24b Allocation of \$100,000 indirect cost center expenses reported in column (C)	(\$5,000)	\$70,000	(\$85,000)	\$10,000
25	\$145,000	\$70,000	\$65,000	\$10,000

This page is intentionally left blank



**Line 2.** Enter the amount paid by the organization to **domestic individuals** in the form of scholarships, fellowships, stipends, research grants, and similar payments and distributions.

Also include **grants and other assistance** paid to third-party providers for the benefit of specified **domestic individuals**. For example, a grant payment to a **hospital** to cover the medical expenses of a specific patient must be reported on line 2. By comparison, a grant to the same hospital to provide services to the general public or to unspecified charity patients must be reported on line 1.

If line 2 exceeds \$5,000, the organization must complete Parts I and III of Schedule I (Form 990).

**Section 501(c)(21) trusts.** Use line 2 to report amounts paid by the trust to or for the benefit of miners or their beneficiaries.

**Line 3.** The organization must enter the total amount of **grants and other assistance** made to foreign organizations, foreign governments, and foreign individuals, and to **domestic organizations** or **domestic individuals** for the purpose of providing grants or other assistance to designated **foreign organizations** or **foreign individuals**.

If line 3 exceeds \$5,000, the organization may have to complete Part II and/or Part III of Schedule F (Form 990), Statement of Activities Outside the United States. See the Instructions for Schedule F (Form 990) for more information.

**Line 4.** Enter the payments made by the organization to provide benefits to members (such as payments made by an organization exempt under section 501(c)(8), 501(c)(9), or 501(c)(17) to obtain insurance benefits for members, or patronage dividends paid by section 501(c)(12) organizations to their

members). Don't report on this line the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to its **officers, directors, trustees, key employees,** and other **employees**. Report such costs for officers, directors, trustees, and key employees on Part IX, line 5; report such costs for other disqualified persons on Part IX, line 6; and report such costs for other employees on Part IX, lines 8 and 9.

**Line 5.** Enter the total **compensation** paid to current **officers, directors, trustees,** and **key employees** (as defined under *Part VII*, earlier) for the organization's **tax year**.

Compensation includes all forms of income and other benefits earned or received from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization, including compensation reported on Forms W-2 and 1099, pension plan contributions and

accruals, and other employee benefits, but doesn't include non-compensatory expense reimbursements or allowances. Report all compensation amounts relating to such an individual, including those related to services performed in a capacity other than as an officer, director, trustee, or key employee.

**Tip: Compensation** for Part IX is reported based on the accounting method and **tax year** used by the organization, rather than the definitions and calendar year used to complete Part VII or Schedule J (Form 990) regarding compensation of certain **officers, directors, trustees**, and other **employees**.

**Note:** To the extent the following examples discuss allocation of expenses in columns (B), (C), and (D), they apply only to filers required to complete those columns.

**Line 6.** Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must report the total **compensation** and other distributions provided to **disqualified persons** and

persons described in section 4958(c)(3)(B) to the extent not included on line 5. See *Appendix G*.

Compensation includes all forms of income and other benefits earned or received from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization, including compensation reported on Forms W-2 and 1099, pension plan contributions and accruals, and other employee benefits, but doesn't include non-compensatory expense reimbursements or allowances.

**Line 7.** Enter the total amount of **employee** salaries, wages, fees, bonuses, severance payments, and similar amounts paid or provided from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization that aren't reported on line 5 or 6.

**Line 8.** Enter the employer's share of contributions to, or accruals under, qualified and nonqualified pension and deferred compensation plans for the year. The organization should include contributions made by the filing organization, common paymasters, and payroll/reporting agents to the filing organization's sections 401(k) and 403(b) pension plans on behalf of **employees**. However, it shouldn't include contributions to qualified pension, profit-sharing, and stock bonus plans under section 401(a) solely for the benefit of current or former **officers, directors, trustees, key employees, or disqualified persons**, which are reportable on line 5 or 6.

**Tip:** Complete Form 5500 for the organization's plan and file it as a separate return. If the organization has more than one pension plan, complete a Form 5500 for each plan. File the form by the last day of the 7th month after the plan year ends.

**Line 9. Other employee benefits.** Enter contributions by the filing organization, common paymasters, and payroll/reporting agents to the filing organization's employee benefit programs (such as insurance, health, and welfare programs that aren't an incidental part of a pension plan included on line 8), and the cost of other employee benefits.

For example, report expenses for employee events such as a picnic or holiday party on line 9. Don't include **contributions** on behalf of current or former **officers, directors, trustees, key employees**, or other persons that were included on line 5 or 6.

**Line 10. Payroll taxes.** Enter the amount of federal, state, and local payroll taxes for the year but only those taxes that are imposed on the organization as an employer. This includes the employer's share of social security and Medicare taxes, the federal unemployment tax (FUTA), state

unemployment compensation taxes, and other state and local payroll taxes. Don't include on line 10 taxes withheld from employees' salaries and paid to various governmental units such as federal, state, and local income taxes and the employees' shares of social security and Medicare taxes. Such withheld amounts are reported as compensation.