

# **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 9 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)



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# **Mission Statement**

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**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 6987 (Rev. 12-2013) Catalog Number 62293V Department of the Treasury **Internal Revenue Service** [publish.no.irs.gov](http://publish.no.irs.gov)

**Tax on organization managers.** An excise tax equal to 10% of the excess benefit can be imposed on the participation of an **organization manager** in an excess benefit transaction between an applicable tax-exempt organization and a disqualified person. This tax, which can't exceed \$20,000 for any single transaction, is only imposed if the 25% tax is imposed on the disqualified person, the organization manager knowingly participated in the transaction, and the manager's participation was willful and not due to reasonable cause. There is also joint and several liability for this tax. An organization manager can be liable for both the tax on disqualified persons and on organization managers in appropriate circumstances.

An organization manager is any officer, director, or trustee of an applicable tax-exempt organization, or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization,

regardless of title. An organization manager isn't considered to have participated in an excess benefit transaction where the manager has opposed the transaction in a manner consistent with the fulfillment of the manager's responsibilities to the organization. For example, a director who votes against giving an excess benefit would ordinarily not be subject to this tax.

A person participates in a transaction knowingly if the person has actual knowledge of sufficient facts so that, based solely upon the facts, the transaction would be an excess benefit transaction. Knowing doesn't mean having reason to know. The organization manager won't ordinarily be considered knowing if, after full disclosure of the factual situation to an appropriate professional, the organization manager relied on the professional's reasoned written opinion on matters within the professional's expertise or if the manager relied on the fact that the

requirements for the rebuttable presumption of reasonableness have been satisfied. Participation by an organization manager is willful if it is voluntary, conscious, and intentional. An organization manager's participation is due to reasonable cause if the manager has exercised responsibility on behalf of the organization with ordinary business care and prudence.

## **Correcting an Excess Benefit Transaction**

A **disqualified person** corrects an **excess benefit transaction** by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. The organization isn't required to rescind the underlying agreement; however, the parties may need to

modify an ongoing contract for future payments.

A disqualified person corrects an excess benefit by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit; the interest rate can be no lower than the applicable federal rate. There is an anti-abuse rule to prevent the disqualified person from effectively transferring property other than cash or cash equivalents.

**Exception.** For a correction of an excess benefit transaction described under *Donor advised funds*, earlier, no amount repaid in a manner prescribed by the IRS can be held in a donor advised fund.

**Property.** With the agreement of the applicable tax-exempt organization, a disqualified person can make a payment by returning the specific property previously

transferred in the excess benefit transaction. The return of the property is considered a payment of cash (or cash equivalent) equal to the lesser of:

- The **FMV** of the property on the date the property is returned to the organization, or
- The FMV of the property on the date the excess benefit transaction occurred.

**Insufficient payment.** If the payment resulting from the return of the property is less than the correction amount, the disqualified person must make an additional cash payment to the organization equal to the difference.

**Excess payment.** If the payment resulting from the return of the property exceeds the correction amount described above, the organization can make a cash payment to the disqualified person equal to that difference.

## Churches and Section 4958

The regulations make it clear that the IRS will apply the procedures of section 7611 when initiating and conducting any inquiry or examination into whether an excess benefit transaction has occurred between a **church** and a **disqualified person**.

## Revenue-Sharing Transactions

Proposed intermediate sanction regulations were issued in 1998. The proposed regulations had special provisions covering “any transaction in which the amount of any economic benefit provided to or for the use of a **disqualified person** is determined in whole or in part by the revenues of one or more activities of the organization”— so-called revenue-sharing transactions. Rather than setting forth additional rules on revenue-sharing transactions, the final regulations reserve this section. Consequently, until the IRS issues new regulations for this reserved



section on revenue-sharing transactions, these transactions will be evaluated under the general rules (for example, the **FMV** standards) that apply to all contractual arrangements between **applicable tax-exempt organizations** and their disqualified persons.

## **Revocation of Exemption and Section 4958**

Section 4958 doesn't affect the substantive standards for tax exemption under section 501(c)(3), 501(c)(4), or 501(c)(29), including the requirements that the organization be organized and operated exclusively for exempt purposes, and that no part of its net earnings inure to the benefit of any private shareholder or individual. The legislative history indicates that in most instances, the imposition of this intermediate sanction will be in lieu of revocation. The IRS has indicated that the following factors will be considered (among other facts and circumstances) in

determining whether to revoke an applicable tax-exempt organization's exemption status where an **excess benefit transaction** has occurred.

- The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred.
- The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes.
- Whether the organization has been involved in multiple excess benefit transactions with one or more persons.
- Whether the organization has implemented safeguards that are

reasonably calculated to prevent excess benefit transactions.

- Whether the excess benefit transaction has been corrected, or the organization has made good-faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

## **Appendix H. Forms and Publications To File or Use**

### **How To Get Tax Help**

#### **Getting answers to your tax questions.**

On IRS.gov, you can get up-to-date information on current events and changes in tax law.

- [IRS.gov/Help](https://www.irs.gov/help): A variety of tools to help you get answers to some of the most common tax questions.
- [IRS.gov/ITA](https://www.irs.gov/ita): The Interactive Tax Assistant, a tool that will ask you

questions and, based on your input, provide answers on a number of tax topics.

- [IRS.gov/Forms](https://www.irs.gov/forms): Find forms, instructions, and publications. You will find details on the most recent tax changes and interactive links to help you find answers to your questions.
- The [Online EIN Application \(IRS.gov/EIN\)](https://www.irs.gov/ein) helps you get an employer identification number (EIN) at no cost.
- You may also be able to access tax law information in your e-filing software.

**Getting tax forms and publications.** Go to [IRS.gov/Forms](https://www.irs.gov/forms) to view, download, or print all of the forms, instructions, and publications you may need. Or you can go to [IRS.gov/OrderForms](https://www.irs.gov/orderforms) to place an order.

**Getting tax publications and instructions in eBook format.** Download and view most popular tax publications and instructions

(including the Instructions for Form 1040) on mobile devices as eBooks at [IRS.gov/eBooks](https://www.irs.gov/eBooks).

IRS eBooks have been tested using Apple's iBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

**Phone.** If you have questions and/or need help completing Form 990 or 990-EZ, call 877-829-5500. This toll-free telephone service is available Monday through Friday.

## **Other Forms That May Be Required**

**Schedule A (Form 990).** Public Charity Status and Public Support.

**Schedule B (Form 990).** Schedule of Contributors.

**Schedule C (Form 990).** Political Campaign and Lobbying Activities.

**Schedule D (Form 990).** Supplemental Financial Statements.

**Schedule E (Form 990).** Schools.

**Schedule F (Form 990).** Statement of Activities Outside the United States.

**Schedule G (Form 990).** Supplemental Information Regarding Fundraising or Gaming Activities.

**Schedule H (Form 990).** Hospitals.

**Schedule I (Form 990).** Grants and Other Assistance to Organizations, Governments, and Individuals in the United States.

**Schedule J (Form 990).** Compensation Information.

**Schedule K (Form 990).** Supplemental Information on Tax-Exempt Bonds.

**Schedule L (Form 990).** Transactions With Interested Persons.

**Schedule M (Form 990).** Noncash Contributions.

**Schedule N (Form 990).** Liquidation, Termination, Dissolution, or Significant Disposition of Assets.

**Schedule O (Form 990).** Supplemental Information to Form 990 or 990-EZ.

**Schedule R (Form 990).** Related Organizations and Unrelated Partnerships.

**Forms W-2 and W-3.** Wage and Tax Statement; and Transmittal of Wage and Tax Statements.

**Form W-9.** Request for Taxpayer Identification Number and Certification.

**Form 720.** Quarterly Federal Excise Tax Return.

**Caution:** The Patient-Centered Outcomes Research fee is imposed on issuers of specified health insurance policies (section 4375) and plan sponsors of applicable self-insured health plans (section 4376) for policy and plan years ending on or after October 1,

2012. See Form 720 and section 4376 for more information.

In addition to various federal excise taxes that are paid with the filing of Form 720, the Patient-Centered Outcomes Research fee that is imposed on issuers of specified health insurance policies and plan sponsors of applicable self-insured health plans is payable annually and reported on the Form 720 that is filed for the second quarter of each year, which is due no later than July 31 of the calendar year immediately following the last day of the policy year or plan year to which the fee applies.

**Form 926.** Return by a U.S. Transferor of Property to a Foreign Corporation.

**Form 940.** Employer's Annual Federal Unemployment (FUTA) Tax Return.

**Form 941.** Employer's QUARTERLY Federal Tax Return. Used to report social security, Medicare, and income taxes withheld by an



employer and social security and Medicare taxes paid by an employer.

**Form 943.** Employer's Annual Federal Tax Return for Agricultural Employees.

**Form 990-T.** Exempt Organization Business Income Tax Return. Filed separately for organizations subject to UBTI that have total gross income from all of their **unrelated trades or businesses** of \$1,000 or more for the tax year. The Form 990-T is also filed to pay the section 6033(e)(2) proxy tax. For Form 990, see Part V, line 3, and its instructions; for Form 990-EZ, see Part V, line 35, and its instructions.

**Form 1023.** Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

**Form 1023-EZ.** Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

**Form 1024.** Application for Recognition of Exemption Under Section 501(a).

**Form 1024-A.** Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code.

**Form 1040.** U.S. Individual Income Tax Return.

**Form 1040-SR.** U.S. Tax Return for Seniors.

**Form 1041.** U.S. Income Tax Return for Estates and Trusts. Required of section 4947(a)(1) nonexempt charitable trusts that also file Form 990 or 990-EZ. However, if the trust doesn't have any taxable income under subtitle A of the Code, it can file Form 990 or 990-EZ and doesn't have to file Form 1041 to meet its section 6012 filing requirement. If this condition is met, complete Form 990 or 990-EZ and don't file Form 1041.

**Form 1096.** Annual Summary and Transmittal of U.S. Information Returns.

**Form 1098 series.** Information returns to report mortgage interest, student loan interest, qualified tuition and related expenses received, and a contribution of a qualified vehicle that has a claimed value of more than \$500.

**Form 1099 series.** Information returns to report acquisitions or abandonments of secured property; proceeds from broker and barter exchange transactions; cancellation of debt; dividends and distributions; certain government and state qualified tuition program payments; taxable distributions from cooperatives; interest payments; payments of long-term care and accelerated death benefits; miscellaneous income payments; distributions from an HSA, Archer MSA, or Medicare Advantage MSA; original issue discount; distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc.; and proceeds from real estate transactions. Also, use

certain of these returns to report amounts that were received as a nominee on behalf of another person.

**Form 1120-POL.** U.S. Income Tax

Return for Certain Political Organizations.

**Form 1128.** Application To Adopt, Change, or Retain a Tax Year.

**Form 2848.** Power of Attorney and Declaration of Representative.

**Form 3115.** Application for Change in Accounting Method.

**Form 3520.** Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts.

**Form 4506.** Request for Copy of Tax Return.

**Form 4506-A.** Request for a Copy of Exempt or Political Organization IRS Form.

**Form 4562.** Depreciation and Amortization.

**Form 4720.** Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code.

**Form 5471.** Information Return of U.S. Persons With Respect to Certain Foreign Corporations.

**Form 5500.** Annual Return/Report of Employee Benefit Plan. Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file Form 5500. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

**Form 5578.** Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax.

**Form 5768.** Election/Revocation of Election by an Eligible Section 501(c)(3) Organization

To Make Expenditures To Influence Legislation.

**Form 7004.** Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns.

**Form 8038 series.** Tax-exempt bonds.

**Form 8274.** Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes.

**Form 8282.** Donee Information Return. Required of the donee of charitable deduction property who sells, exchanges, or otherwise disposes of donated property within 3 years after receiving it. The form is also required of any successor donee who disposes of the charitable deduction property within 3 years after the date that the donor gave the property to the original donee. It doesn't matter who gave the property to the

successor donee. It may have been the original donee or another successor donee.

**Form 8283.** Noncash Charitable Contributions.

**Form 8300.** Report of Cash Payments Over \$10,000 Received in a Trade or Business. Used to report cash amounts in excess of \$10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162).

However, if the organization receives a charitable cash contribution in excess of \$10,000, it isn't subject to the reporting requirement because the funds weren't received in the course of a trade or business.

**Form 8328.** Carryforward Election of Unused Private Activity Bond Volume Cap.

**Form 8718.** User Fee for Exempt Organization Determination Letter Request.

**Form 8821.** Tax Information Authorization.

**Form 8822-B.** Change of Address or Responsible Party—Business. Used to notify the IRS of a change in mailing address that occurs after the return is filed.

**Form 8868.** Application for Extension of Time To File an Exempt Organization Return or Excise Taxes Related to Employee Benefit Plans.

**Form 8870.** Information Return for Transfers Associated With Certain Personal Benefit Contracts. Used to identify those personal benefit contracts for which funds were transferred to the organization, directly or indirectly, as well as the transferors for, and beneficiaries of, those contracts.

**Form 8871.** Political Organization Notice of Section 527 Status.

**Form 8872.** Political Organization Report of Contributions and Expenditures.



**Form 8886.** Reportable Transaction Disclosure Statement.

**Form 8886-T.** Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction.

**Form 8899.** Notice of Income From Donated Intellectual Property. Used to report net income from qualified intellectual property to the IRS and the donor.

**Form 8940.** Request for Miscellaneous Determination.

**Form 8976.** Notice of Intent to Operate Under Section 501(c)(4).

**Form SS-4.** Application for Employer Identification Number.

**FinCEN Form 114.** Report of Foreign Bank and Financial Accounts.

## **Helpful Publications**

**Pub. 15.** (Circular E), Employer's Tax Guide.

**Caution: Trust fund recovery penalty.** If certain excise, income, social security, and Medicare taxes that must be collected or withheld aren't collected or withheld, or these taxes aren't paid to the IRS, the trust fund recovery penalty can apply. The trust fund recovery penalty can be imposed on all persons (including volunteers) who the IRS determines were responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so.

This penalty doesn't apply to volunteer unpaid members of any board of trustees or directors of a tax-exempt organization, if these members are solely serving in an honorary capacity, don't participate in the day-to-day or financial activities of the organization, and don't have actual knowledge of the failure to collect, account for, and pay over these taxes. However, the preceding sentence doesn't apply if it results in no person being liable for the penalty.

The penalty is equal to the unpaid trust fund tax. See Pub. 15 (Circular E) for more details, including the definition of responsible persons.

**Pub. 15-A.** Employer's Supplemental Tax Guide.

**Pub. 463.** Travel, Gift, and Car Expenses.

**Pub. 525.** Taxable and Nontaxable Income.

**Pub. 526.** Charitable Contributions.

**Pub. 538.** Accounting Periods and Methods.

**Pub. 557.** Tax-Exempt Status for Your Organization.

**Pub. 561.** Determining the Value of Donated Property.

**Pub. 598.** Tax on Unrelated Business Income of Exempt Organizations.

**Pub. 892.** How to Appeal an IRS Determination on Tax-Exempt Status.

**Pub. 946.** How To Depreciate Property.

**Pub. 1771.** Charitable Contributions—  
Substantiation and Disclosure Requirements.

**Pub. 1828.** Tax Guide for Churches and  
Religious Organizations.

**Pub. 3079.** Tax-Exempt Organizations and  
Gaming.

**Pub. 3386.** Tax Guide for Veterans’  
Organizations.

**Pub. 3833.** Disaster Relief, Providing  
Assistance Through Charitable Organizations.

**Pub. 4220.** Applying for 501(c)(3) Tax-  
Exempt Status.

**Pub. 4221-PC.** Compliance Guide for  
501(c)(3) Public Charities.

**Pub. 4221-PF.** Compliance Guide for  
501(c)(3) Private Foundations.

**Pub. 4302.** A Charity’s Guide to Vehicle  
Donation.

**Pub. 4303.** A Donor's Guide to Vehicle Donation.

**Pub. 4386.** Compliance Checks.

**Pub. 4573.** Group Exemptions.

## **Appendix I. Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements**

Some states and local **governmental units** will accept a copy of Form 990 or 990-EZ in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some other types of section 501(c) organizations are also affected. If the organization uses Form 990 or 990-EZ to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following discussions.

**Determine state filing requirement.** The organization can consult the appropriate

officials of all states and other jurisdictions in which it does business to determine their specific filing requirements. Doing business in a jurisdiction can include:

- Soliciting **contributions** or grants by mail or otherwise from individuals, businesses, or other charitable organizations;
- Conducting programs;
- Having **employees** within that jurisdiction;
- Maintaining a checking account; or
- Owning or renting property there.

**Monetary tests can differ.** Some or all of the dollar limitations applicable to Form 990 or 990-EZ when filed with the IRS may not apply when using Form 990 or 990-EZ in place of state or local report forms. Examples of the IRS dollar limitations that don't meet some state requirements are the normally

\$50,000 gross receipts minimum that creates an obligation to file with the IRS and the \$100,000 minimum for listing independent contractors on Form 990, Part VII, Section B.

**Additional information may be required.**

State or local filing requirements can require the organization to attach to Form 990 or 990-EZ one or more of the following.

- Additional financial statements, such as a complete analysis of functional expenses or a statement of changes in net assets.
- Notes to financial statements.
- Additional financial statements.
- A report on the financial statements by an independent accountant.
- Answers to additional questions and other information.

Each jurisdiction can require the additional material to be presented on forms they

provide. The additional information shouldn't be submitted with the Form 990 or 990-EZ filed with the IRS, unless included on Schedule O (Form 990).

Even if the Form 990 or 990-EZ that the organization files with the IRS is accepted by the IRS as complete, a copy of the same return filed with a state won't fully satisfy that state's filing requirement if (1) required information isn't provided, including any of the additional information discussed in this Appendix; or (2) the state determines that the form wasn't completed by following the applicable Form 990 or 990-EZ instructions or supplemental state instructions. In that case, the state may ask the organization to provide the missing information or to submit an amended return.

**Use of audit guides may be required.** To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, grants, similar



amounts, and functional expenses be reported according to the AICPA Audit and Accounting Guide, Not-for-Profit Entities (2018), supplemented, as applicable, by the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America (1998).

**Donated services and facilities.** Even though donated services and facilities may be reported as items of revenue and expense in certain circumstances, many states and the IRS don't permit the inclusion of those amounts in Parts VIII and IX of Form 990, Part I of Form 990-EZ, or (except for donations by a governmental unit) Schedule A (Form 990). The optional reporting of donated services and facilities is discussed in the instructions for Part III of Form 990.

**Amended returns.** If the organization submits supplemental information or files an amended Form 990 or 990-EZ with the IRS, it must also send a copy of the information or amended return to any state with which it filed a copy of Form 990 or 990-EZ originally to meet that state's filing requirement. If a state requires the organization to file an amended Form 990 or 990-EZ to correct conflicts with the Form 990 or 990-EZ instructions, the organization must also file an amended return with the IRS.

**Method of accounting.** Most states require that all amounts be reported based on the accrual method of accounting. See also *General Instructions, Section D*, earlier.

**Time for filing can differ.** The deadline for filing Form 990 or 990-EZ with the IRS differs from the time for filing reports with some states.

**Public inspection.** The Form 990 or 990-EZ information made available for public

inspection by the IRS can differ from that made available by the states.

## **Appendix J. Contributions**

This Appendix discusses certain federal tax rules that apply to exempt organizations and donors for contributions. See also Pub. 526, Charitable Contributions; and Pub. 1771, Charitable Contributions—Substantiation and Disclosure Requirements.

**Schedule B (Form 990).** Many organizations that file Form 990, 990-EZ, or 990-PF must file Schedule B to report on tax-deductible and non-tax-deductible contributions. See Schedule B and its instructions to determine whether Schedule B must be filed, and for the public inspection rules applicable to that form.

**Solicitation of nondeductible contribution.** See the instructions for Form 990, Part V, lines 6a and 6b, for rules on

public notice of nondeductibility when soliciting nondeductible contributions.

**Keeping fundraising records for tax-deductible contributions.** A section 501(c) organization that is eligible to receive tax-deductible contributions under section 170(c) must keep sample copies of its fundraising materials, such

as:

- Dues statements,
- Fundraising solicitations,
- Tickets,
- Receipts, or
- Other evidence of payments received in connection with fundraising activities.

IF...	THEN...
the organization advertises its fundraising events	it must keep samples of the advertising copy.
the organization uses radio, television, or Internet to solicit contributions	it must keep samples of scripts, transcripts, printouts of emails and web pages, or other evidence of solicitations in the media.
the organization uses outside fundraisers	it must keep samples of the fundraising materials used by the outside fundraisers.

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For each fundraising event, the organization must keep records to show the portion of any payment received from patrons that isn't deductible, that is, the retail value of the goods or services received by the patrons. See *Disclosure statement for quid pro quo contributions*, later.

**Noncash contributions. Form 990**

***schedules.*** An organization may be required to file Schedule M to report certain noncash (property) contributions; see the instructions for Schedule M on who must file. Also, an organization that files Schedule B must report certain information on noncash contributions.

***Dispositions of donated property.*** If an organization receives a charitable contribution of property and within 3 years sells, exchanges, or otherwise disposes of the property, the organization may need to file Form 8282, Donee Information Return. See Form 990, Part V, lines 7c and 7d.

***Donated property over \$5,000.*** If the organization received from a donor a partially completed Form 8283, Noncash Charitable Contributions, the donee organization should generally complete the Form 8283 and return it so the donor can get a charitable contribution deduction. The organization should keep a copy for its records. See Form 8283 for more details.

***Qualified intellectual property.*** An organization described in section 170(c) (except a private foundation) that receives or accrues net income from a qualified intellectual property contribution must file Form 8899, Notice of Income From Donated Intellectual Property. See Form 990, Part V, line 7g. The organization must file Form 8899 for any tax year that includes any part of the 10-year period beginning on the date of contribution but not for any tax years in which the legal life of the qualified intellectual



property has expired or the property failed to produce net income.

A donee organization reports all income from donated qualified intellectual property as income other than contributions (for example, royalty income from a patent). A donee isn't required to report as contributions on Form 990 (including statements) any of the additional deductions claimed by donors under section 170(m)(1). See Pub. 526.

***Motor vehicles, boats, and airplanes.***

Special rules apply to charitable contributions of motor vehicles, boats, or airplanes with a claimed value of more than \$500. See Form 990, Part V, line 7h; section 170(f)(12); Pub. 4302, A Charity's Guide to Vehicle Donation; and the Instructions for Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes.

**Substantiation and disclosure requirements for charitable contributions.**

***Recordkeeping for cash, check, or other monetary charitable gifts.*** To deduct a contribution of a cash, check, or other monetary gift (regardless of the amount), a donor must maintain a bank record or a written communication from the donee organization showing the donee's name, date, and amount of the contribution. See section 170(f)(17) and Regulations section 1.170A-15 for more information. In the case of a text message contribution, the donor's phone bill meets the section 170(f)(17) recordkeeping requirement of a reliable written record if it shows the name of the donee organization and the date and amount of contribution.

***Acknowledgment to substantiate charitable contributions.*** A donee organization should be aware that a donor of a charitable contribution of \$250 or more (including a contribution of unreimbursed expenses) can't take an income tax deduction unless the donor obtains the organization's

acknowledgment to substantiate the charitable contribution. See section 170(f)(8) and Regulations section 1.170A-13(f). A charitable organization that receives a payment made as a contribution is treated as the donee organization for this purpose even if the organization (according to the donor's instructions or otherwise) distributes the amount received to one or more charities.

The organization's acknowledgment must:

1. Be written;
2. Be contemporaneous;
3. State the amount of any cash it received;
4. State:
  - a. Whether the organization gave the donor any intangible religious benefits (no valuation needed), and

- b. Whether the organization gave the donor any goods or services in return for the donor's contribution (a quid pro quo contribution); and
- 5. Describe goods or services the organization:
  - a. Received (no valuation needed), and
  - b. Gave (good-faith estimate of value needed).

If the organization accepts a contribution in the name of one of its activities or programs, then indicate the organization's name in the acknowledgment as well as the program's name. For example: "Thank you for your contribution of \$300 to (organization's name) made in the name of our Special Relief Fund program. No goods or services were provided in exchange for your contribution."

Similarly, if a domestic organization owns and controls a domestic disregarded entity, and

the disregarded entity receives a contribution, then indicate the organization's name in the acknowledgment as well as the relationship with the disregarded entity. For example: "Thank you for your contribution of \$300 to (organization's name) made in the name of (name of disregarded entity), which is treated as a disregarded entity of (organization's name) for federal tax purposes. No goods or services were provided in exchange for your contribution." See Notice 2012-52, 2012-35 I.R.B. 317.

***Exception.*** The written acknowledgment need not include a good-faith estimate of value for goods or services given to the donor if they are:

1. Goods or services with insubstantial value,
2. Certain membership benefits,
3. Goods or services described in (1) or (2) given to the employees of a donor

organization or the partners of a donor partnership, or

4. Intangible religious benefits.

These exceptions are defined below.

**Disclosure statement for quid pro quo contributions.** If the organization receives a quid pro quo contribution of more than \$75, the organization must provide a disclosure statement to the donor. See section 6115.

The organization's disclosure statement must:

1. Be written;
2. Estimate in good-faith the value of the organization's goods or services given in return for the donor's contribution;
3. Describe, but need not value, certain goods or services given to the donor's employees or partners; and

4. Inform the donor that a charitable contribution deduction is limited as follows.

Donor's contribution

**Less**

The organization's money, goods, and services given in return

**Equals**

Donor's deductible charitable contribution.

***Exceptions.*** No disclosure statement is required if the organization gave only:

1. Goods or services with insubstantial value,
2. Certain membership benefits,
3. Goods or services described in (1) or (2) given to the employees of a donor organization or the partners of a donor partnership, or
4. Intangible religious benefits.

These exceptions are defined below. See also Regulations sections 1.170A-1, 1.170A-13, and 1.6115-1.

**Certain goods or services disregarded for substantiation and disclosure purposes.**

***Goods or services with insubstantial value.*** Generally, under section 170, the deductible amount of a contribution is determined by taking into account the **FMV**, not the cost to the charity, of any benefits that the donor received in return. However, the cost to the charity may be used in determining whether the benefits are insubstantial. See *Cost basis* next.

***Cost basis.*** If a taxpayer makes a payment of \$68.00 or more to a charity and receives only token items in return, the items have insubstantial value if they:

- Bear the charity's name or logo, and



- Have an aggregate cost to the charity of \$13.60 or less (low-cost article amount of section 513(h)(2)).

**FMV basis.** If a taxpayer makes a payment to a charitable organization in a fundraising campaign and receives benefits with an **FMV** of not more than 2% of the amount of the payment, or \$136, whichever is less, the benefits received have insubstantial value in determining the taxpayer's contribution.

**Caution:** The dollar amounts given above are applicable to tax year 2025 under Rev. Proc. 2024-40, 2024-45 I.R.B. 1100, section 2.34. They are adjusted annually for inflation.

When a donee organization provides a donor only with goods or services having insubstantial value under Rev. Proc. 2024-40 (and any successor documents), the contemporaneous written acknowledgment may indicate that no goods or services were provided in exchange for the donor's payment.

***Certain membership benefits.*** Other goods or services that are disregarded for substantiation and disclosure purposes are annual membership benefits offered to a taxpayer in exchange for a payment of \$75 or less per year that consist of:

1. Any rights or privileges that the taxpayer can exercise frequently during the membership period such as:
  - a. Free or discounted admission to the organization's facilities or events, or
  - b. Free or discounted parking; or
2. Admission to events that are:
  - a. Open only to members, and
  - b. Within the low-cost article limitation, per person.

***Example 1.*** E offers a basic membership benefits package for \$75. The package gives

members the right to buy tickets in advance, free parking, and a gift shop discount of 10%. E's \$150 preferred membership benefits package also includes a \$20 poster. Both the basic and preferred membership packages are for a 12-month period and include about 50 productions. E offers F, a patron of the arts, the preferred membership benefits in return for a payment of \$150 or more. F accepts the preferred membership benefits package for \$300. E's written acknowledgment satisfies the substantiation requirement if it describes the poster, gives a good-faith estimate of its **FMV** (\$20), and disregards the remaining membership benefits.

**Example 2.** In *Example 1*, if F received only the basic membership package for its \$300 payment, E's acknowledgment need state only that no goods or services were provided.

**Example 3.** G Theater Group performs four plays. Each play is performed twice. Nonmembers can purchase a ticket for \$15.

For a \$60 membership fee, however, members are offered free admission to any of the performances. H makes a payment of \$350 and accepts this membership benefit. Because of the limited number of performances, the membership privilege can't be exercised frequently. Therefore, G's acknowledgment must describe the free admission benefit and estimate its value in good-faith.

***Certain goods or services provided to donor's employees or partners.*** Certain goods or services provided to employees of donor organizations or partners of donor partnerships may be disregarded for substantiation and disclosure purposes. Nevertheless, the donee organization's disclosure statement must describe the goods or services. A good-faith estimate of value isn't needed.

***Example.*** Museum J offers a basic membership benefits package for \$40. It

includes free admission and a 10% gift shop discount. Corporation K makes a \$50,000 payment to J and, in return, J offers K's employees free admission, a T-shirt with J's logo that costs J \$4.50, and a 25% gift shop discount. Because the free admission is a privilege that can be exercised frequently and is offered in both benefit packages, and the value of the T-shirts is insubstantial, Museum J's disclosure statement need not value or mention the free admission benefit or the T-shirts. However, because the 25% gift shop discount to K's employees differs from the 10% discount offered in the basic membership benefits package, J's disclosure statement must describe the 25% discount but need not estimate its value.

## **Definitions**

***Substantiation.*** It is the responsibility of the donor:

- To value a donation, and

- To obtain an organization's written acknowledgment substantiating the donation.

There is no prescribed format for the organization's written acknowledgment of a donation. Letters, postcards, or computer-generated forms may be acceptable. The acknowledgment must, however, provide sufficient information to substantiate the amount of the deductible contribution. The organization may either:

- Provide separate statements for each contribution of \$250 or more, or
- Furnish periodic statements substantiating contributions of \$250 or more.

Separate contributions of less than \$250 aren't subject to the requirements of section 170(f)(8), whether or not the sum of the contributions made by a taxpayer to a donee organization during a tax year equals \$250 or more.

***Contemporaneous.*** A written acknowledgment is contemporaneous if the donor obtains it on or before the earlier of:

- The date the donor files the original return for the tax year in which the contribution was made, or
- The due date (including extensions) for filing the donor's original return for that year.

***Substantiation of payroll contributions.***

An organization may substantiate an employee's contribution by deduction from its payroll by:

- A pay stub, Form W-2, or other document showing a contribution to a donee organization, together with
- A pledge card or other document from the donee organization that shows its name. For contributions of \$250 or more, the document must state that the donee organization provides no

goods or services for any payroll contributions.

The amount withheld from each payment of wages to a taxpayer is treated as a separate contribution.

***Substantiation of matched payments.*** If a taxpayer's payment to a donee organization is matched by another payor, and the taxpayer receives goods or services in consideration for its payment and some or all of the matching payment, those goods or services will be treated as provided in consideration for the taxpayer's payment and not in consideration for the matching payment.

***Disclosure statement.*** An organization must provide a written disclosure statement to donors who make a quid pro quo contribution in excess of \$75 (section 6115). This requirement is separate from the written substantiation acknowledgment a donor needs for deductibility purposes. While, in



certain circumstances, an organization may be able to meet both requirements with the same written document, an organization must be careful to satisfy the section 6115 written disclosure statement requirement in a timely manner because of the penalties involved.

***Quid pro quo contribution.*** A quid pro quo contribution is a payment that is made both as a contribution and as a payment for goods or services provided by the donee organization.

***Example.*** A donor gives a charity \$100 in consideration for a concert ticket valued at \$40 (a quid pro quo contribution). In this example, \$60 would be deductible. Because the donor's payment exceeds \$75, the organization must furnish a disclosure statement even though the taxpayer's deductible amount doesn't exceed \$75. Separate payments of \$75 or less made at different times of the year for separate

fundraising events won't be aggregated for purposes of the \$75 threshold.

***Good-faith estimate.*** An organization may use any reasonable method in making a good-faith estimate of the value of goods or services provided by that organization in consideration for a taxpayer's payment to that organization. A good-faith estimate of the value of goods or services that aren't generally available in a commercial transaction may be determined by reference to the **FMV** of similar or comparable goods or services. Goods or services may be similar or comparable even though they don't have the unique qualities of the goods or services that are being valued. ***Goods or services.*** Goods or services include:

- Cash,
- Property,
- Services,
- Benefits, and

- Privileges.

***In consideration for.*** A donee organization provides goods or services in consideration for a taxpayer's payment if, at the time the taxpayer makes the payment to the donee organization, the taxpayer receives, or expects to receive, goods or services in exchange for that payment.

Goods or services a donee organization provides in consideration for a payment by a taxpayer include goods or services provided in a year other than the year in which the donor makes the payment to the donee organization.

***Intangible religious benefits.*** Intangible religious benefits are provided only by organizations organized exclusively for religious purposes. Examples include:

- Admission to a religious ceremony;  
and

- De minimis tangible benefits, such as wine provided in connection with a religious ceremony.

***Penalties.*** A charity that knowingly provides a false substantiation acknowledgment to a donor may be subject to the penalties under section 6701 and/or section 7206(2) for aiding and abetting an understatement of tax liability.

Charities that fail to provide the required disclosure statement for a quid pro quo contribution of more than \$75 will incur a penalty of \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing. The charity may avoid the penalty if it can show that the failure was due to reasonable cause (section 6714).

## **Appendix K. Reporting Information for Section 501(c)(21) Black Lung Trusts**

For tax years beginning before January 1, 2021, section 501(c)(21) black lung trusts that could not use Form 990-N, e-Postcard (see *Who Must File*, earlier), used Form 990-BL to meet the reporting requirements of section 6033. A section 501(c)(21) black lung trust, trustee, or disqualified person liable for section 4951 or 4952 excise taxes also used Form 990-BL to report and pay those taxes.

For tax years beginning after December 31, 2020, section 501(c)(21) trusts will use Form 990 instead of Form 990-BL to meet section 6033 reporting requirements. A section 501(c)(21) black lung trust, trustee, or disqualified person liable for section 4951 or 4952 excise taxes will use Form 6069 to report and pay sections 4951 and 4952 excise taxes.

In general, a section 501(c)(21) trust will complete Form 990 in the same manner as any other organization required to file Form 990, including (without limitation) schedules or forms identified upon completion of Part IV, Checklist of Required Schedules; or Part V, Statements Regarding Other IRS Filings and Tax Compliance.

The following chart is intended to help section 501(c)(21) black lung trusts identify some of the key lines on Form 990 that correspond with certain lines of Form 990-BL, especially a heading block item and in Part I.

# Section 501(c)(21) Black Lung Trusts

Form 990-BL		Form 990	
Heading Area	FMV of the trust’s assets at the beginning of the operator’s tax year within which the trust’s tax year begins.	Part X, Balance Sheet	Check the box at the top of Part X and include a note on Schedule O (Form 990) providing the FMV at the beginning of the operator’s year within which the trust’s year begins.
Part I, Analysis of Revenue and Expenses, Line 1	Contributions received under section 192 from the coal mine operator who established the trust.	Part VIII, Statement of Revenue, Line 1f	Enter the total contributions received under section 192 from the coal mine operator who established the trust.
Part I, Analysis of Revenue and Expenses, Lines 2a and 2b	Interest on securities of the U.S., state, and local governments, described in section 501(c)(21)(D)(ii).	Part VIII, Statement of Revenue, Line 3	Investment income (including dividends, interest, and other similar amounts).
Part I, Analysis of Revenue and Expenses, Line 4	Contributions to the Federal Black Lung Disability Trust Fund.	Part IX, Statement of Functional Expenses, Line 1	Grants and other assistance to domestic organizations and domestic governments. (Detail reported on Schedule I (Form 990).)
Part I, Analysis of Revenue and Expenses, Line 5	Premiums for insurance to cover liabilities described in section 501(c)(21)(A)(i)(I).		
Part I, Analysis of Revenue and Expenses, Line 6	Other payments to or for the benefit of eligible coal miners, retired miners, or beneficiaries.	Part IX, Statement of Functional Expenses, Line 2	Grants and other assistance to domestic individuals. (Detail reported on Schedule I (Form 990).)

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