

December 21, 2007

IRS Releases Redesigned Form 990

The IRS released a revised Form 990 for 2008, the annual information return that most public charities will be required to file in 2009. The new Form 990 can be found at <http://www.irs.gov/charities/article/0,,id=176613,00.html>. The revised Form 990 responds to criticisms of the earlier draft by providing the charity an opportunity to describe in greater detail a list of its programs and accomplishments. As with the earlier draft, the revised Form 990 contains a core form and a series of schedules.

The core form requires more detailed information about governance and management, such as information about the number of independent voting members on the board. The IRS is requiring considerable data of this sort that has no statutory basis, although the IRS asserts that charities need to adopt practices to ensure the organization's assets will be used properly. The core form also requests more information about compensation, such as how the organization determines reasonable compensation and whether disinterested individuals approve the compensation. The core form also requires the charity to provide more information than in the past about its finances, expenses and fundraising practices.

Based on the information provided on the core form, the charity will also be required to complete at least one of the 16 schedules. For example, all public charities will be required to complete Schedule A. In addition, if the organization is, for example, classified as a hospital, it will be required to complete Schedule H and provide information substantiating that the charity continues to qualify as a hospital, such as describing who qualifies for financial assistance under its charity care policy and providing a rationale for the portion of bad debt it believes should constitute community benefit.

The new form is for 2008; the old Form 990 will be used for the 2007 tax year. This delay enables organizations to reformat data collection procedures and systems so as to have the information required for 2008.

Not all organizations will be required to file the new Form 990. Smaller organizations will be allowed to file the Form 990-EZ instead of the Form 990, if gross receipts are less than \$1 million and total assets are less than \$2.5 million in the 2008 tax year; gross receipts of less than \$500,000 and total assets of less than \$1.25 million in the 2009 tax year; and gross receipts of less than \$200,000 and total assets of less than \$500,000 in 2010 and subsequent tax years.



If you have any questions regarding this alert, or the services we provide, please feel free to contact the attorneys listed below or the Sutherland attorney with whom you regularly work.

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