

New Form 990

by Patrick Blas, Audit Supervisor



The Internal Revenue Service has released a new Form 990, effective for tax years beginning on or after January 1, 2008, to make it easier for the agency and the public to track the finances, governance and accomplishments of tax-exempt organizations. The IRS developed this new form under three guiding principles: 1) to enhance transparency; 2) to promote tax compliance; and 3) to minimize the reporting burden on filing organizations.

However, many believe that larger organizations may find the new form to be much more complex and burdensome than the previous Form 990. While the previous version of the Form 990 included nine pages, two schedules, and thirty-six potential attachments, the redesigned Form 990 includes an eleven page core form and sixteen schedules. Many of the new schedules highlight areas of emphasis by the IRS and are intended to increase transparency in reporting. For example, Schedule J Compensation Information asks questions regarding the process and data used to establish CEO/Executive Director compensation (i.e. a compensation committee, compensation study or a survey).

The new Form 990 will ask for new and more detailed information about executive compensation and benefits administration, board practices, non-cash contributions, tax-exempt bonds, and organization policies regarding conflict of interest, to name a few.

A sample of specific changes includes:

- A separate schedule for each employee earning in excess of \$150,000 per year including compensation, benefits, travel, housing allowances, discretionary spending accounts, and personal services or memberships
- Adoption of policies regarding conflict of interest, whistleblower protection, document retention and destruction
- A listing of highest compensated independent contractors to the organization
- Disclosure of family and business relationships among offices, directors, trustees and key employees

The new form also asks many questions that if answered “no” by the organization will raise the question “why not.” For example, organizations are asked if they have conflicts-of-interest, whistleblower, or document retention and destruction policies, but they are not required to have those policies. We suspect organizations and their attorneys will be kept busy over the next year drafting policies.

The best news about these changes is that they provide an educational process to help more nonprofit executives and board members understand and incorporate “best practices” in leading their organizations. To allow organizations time to adjust to the redesigned forms, the IRS is phasing in the new returns during a three year transition period.

Please consult with your trusted advisor at RINA about the form and its implications for your organization. We’re here to help.

Oakland Office
475 14th Street
Suite 1200
Oakland, CA 94612
(510) 893-6908

Roseville Office
3200 Douglas Blvd,
Suite 100
Roseville, CA 95661
(916) 771-3000

San Francisco Office
120 Montgomery Street,
Suite 2075
San Francisco, CA 94104
(415) 777-4488

Walnut Creek Office
1220 Oakland Blvd,
Suite 300
Walnut Creek, CA 94596
(925) 210-2180

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