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Instructions for Form 990 and Form 990-EZ

Return of Organization Exempt From Income Tax and ..
Short Form Return of Organization Exempt From Income Tax
Under Section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury
Internal Revenue Service

Caution: Form 990-EZ is for use by organizations other than sponsoring organizations and controlling organizations defined in section 512(b)(13), with gross receipts of less than $100,000 and total assets of less than $250,000 at the end of the year.

Section references are to the Internal Revenue Code unless otherwise noted.

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What's New

New annual electronic filing requirement for small tax-exempt organizations. Most small tax-exempt organizations must now file *new* Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ. See the IRS website at *www.irs.gov* and click on the Charities & Non-Profits tab for more information.

Purpose of Form

Form 990 and Form 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by section 6033.

An organization's completed Form 990, Form 990-EZ, and the Form 990-T of 501(c)(3) organizations is available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors, is open for public inspection for section 527 organizations filing Form 990 or Form 990-EZ. For other organizations that file Form 990 or Form 990-EZ, parts of Schedule B may be open to public inspection. See the *Instructions for Schedule B* for more details.

Some members of the public rely on Form 990, or Form 990-EZ, as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, the return must be complete, accurate, and fully describe the organization's programs and accomplishments.

Use Form 990 or Form 990-EZ, to send a required election to the IRS, such as the election to capitalize costs under section 266.

Phone Help

If you have questions and/or need help completing Form 990, or Form 990-EZ, please call 1-877-829-5500. This toll-free telephone service is available Monday through Friday.

Email Subscription

The IRS has established a new subscription-based email service for tax professionals and representatives of tax-exempt organizations. Subscribers

will receive periodic updates from the IRS regarding exempt organization tax law and regulations, available services, and other information. To subscribe, visit *www.irs.gov/eo.*

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

General Instructions

The *General Instructions* apply to both Form 990 and Form 990-EZ. See also the *Specific Instructions* for each of these forms.

CAUTION *Certain Form 990 filers must file electronically, see* General Instruction H *for who must file electronically.*

A. Who Must File

Filing Tests

Organizations exempt from income tax under Internal Revenue Code section 501(a), which includes sections 501(c), 501(e), 501(f), 501(k), 501(n), and 4947(a)(1) must generally file Form 990 or Form 990-EZ based on their gross receipts for the tax year. (See *General Instruction B* next for exceptions to the filing requirement.) For this purpose, *gross receipts* is the organization's total revenues from all sources during its annual accounting period, without subtracting any costs or expenses.

CAUTION *However, in addition to the above filing test, 501(c)(15) insurance companies are subject to a separate series of tests to determine whether small insurance companies qualify as tax exempt under section 501(c)(15) for the tax year. These separate tests use a different definition for gross receipts only for purposes of determining whether such insurance companies qualify as tax exempt. See* Section 501(c)(15) Organizations *below for additional information.*

If the organization does not meet any of the exceptions listed in *General Instruction B*, and its annual gross receipts are normally more than $25,000, it must file Form 990 or Form 990-EZ. If the organization is a sponsoring organization, or a controlling organization within the meaning of section 512(b)(13), it must file Form 990. However, if the organization is a supporting organization described in section 509(a)(3), it generally must file Form 990 (Form 990-EZ if applicable) even if its gross receipts are normally $25,000, or less. Supporting organizations of religious organizations need not file Form 990 (or Form 990-EZ) if their gross receipts are normally $5,000, or less. See the gross receipts discussion in *General Instruction B.*

If the organization's gross receipts during the year are less than $100,000 and its total assets at the end of the year are less than $250,000, it may file Form 990-EZ instead of Form 990. Even if the organization meets this test, it can still file Form 990.

Organizations required to file Schedule A (Form 990 or 990-EZ), Organization Exempt Under Section 501(c)(3), that do not meet the support tests discussed in the instructions for Part IV of that schedule can contact the IRS at the following address to re-evaluate their determination-of-filing requirements.

Internal Revenue Service
TE/GE EO Determinations
P.O. Box 2508
Cincinnati, OH 45201

Section 501(a), (e), (f), (k), and (n) Organizations

Except for those types of organizations listed in *General Instruction B,* an annual return on Form 990, or Form 990-EZ, is required from every organization exempt from tax under section 501(a), including foreign organizations and cooperative service organizations described in sections 501(e) and (f); child care organizations described in section 501(k); and charitable risk pools described in section 501(n).

Section 501(c)(3), 501(e), (f), (k), and (n) organizations must also attach a completed Schedule A (Form 990 or 990-EZ) to their Form 990 or Form 990-EZ.

TIP *For purposes of these instructions, the term* section 501(c)(3) *includes organizations exempt under sections 501(e), (f), (k), and (n).*

Section 501(c)(15) Organizations

A section 501(c)(15) organization applies the same gross receipts test as other organizations to determine whether they must file the Form 990 or Form 990-EZ. However, section 501(c)(15) insurance companies are also subject to separate tests to determine whether they qualify as tax-exempt for the tax year. The following tests use a specific definition for gross receipts defined, below only for purposes of the following tests. Insurance companies that do not qualify as tax-exempt must file Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return, or Form 1120, U.S. Corporation Income Tax Return, as taxable entities. See Notice 2006-42, which is on page 878 of the Internal Revenue Bulletin 2006-19 at *www.irs.gov/pub/irs-irbs/irb06-19.pdf.*

Tests for section 501(c)(15) insurance companies to qualify as tax-exempt for the tax year. If any section 501(c)(15) insurance company (other than life insurance) normally has gross receipts of more than $25,000 for the tax year and meets both parts of the following test, then the company can file Form 990 (or Form 990-EZ, if applicable).

1. The company's gross receipts must be equal to or less than $600,000, and
2. The company's premiums must be more than 50% of its gross receipts.

If the company did not meet this test and the company is a mutual insurance company, then it must meet the *Alternate test* to qualify to file Form 990 (or Form 990-EZ, if applicable). Otherwise, the company must file Form 1120 or Form 1120-PC, as appropriate.

Alternate test. If any section 501(c)(15) insurance company (other than life insurance) is a mutual insurance company and it did not meet the above test, then the company must meet both parts of the following alternate test.

1. The company's gross receipts must be equal to or less than $150,000, and
2. The company's premiums must be more than 35% of its gross receipts.

If the company does not meet either test, then it must file Form 1120-PC or Form 1120 (if the company is not entitled to insurance reserves) instead of Form 990 or Form 990-EZ.

CAUTION *The alternate test does not apply if any employee of the mutual insurance company or a member of the employee's family is an employee of another company that is exempt under section 501(c)(15)(or would be exempt if this provision did not apply).*

Gross receipts. To determine whether a section 501(c)(15) organization satisfies either of the above tests, figure gross receipts by

adding (1) premiums (including deposits and assessments) without reduction for return premiums or premiums paid for reinsurance; (2) gross investment income of a non-life insurance company (as described in section 834(b)); and (3) other items that are included in the filer's gross income under Subchapter B, Chapter 1, Subtitle A of the Code. This definition does not, however, include contributions to capital. For more information, see *Notice 2006-42,* which is on page 878 of the Internal Revenue Bulletin 2006-19 at *www.irs.gov/pub/irs-irbs/irb06-19.pdf.*

Premiums consist of all amounts received as a result of entering into an insurance contract. For information about the reporting of premiums, see the instructions for Form 990 Part I, line 2.

Anti-abuse rule. The anti-abuse rule, found in section 501(c)(15)(C), explains how gross receipts (including premiums) from all members of a controlled group are aggregated in figuring the above tests.

Political Organizations

Tax-exempt political organizations must file Form 990 or Form 990-EZ (if applicable) unless the organization is excepted from filing under *Exemption 14* or *15* of *General Instruction B.* A qualified state or local political organization (defined below) must file Form 990 (not Form 990-EZ) only if it has gross receipts of $100,000 or more.

Qualified state or local political organizations. A qualified political organization meets all of the following requirements.

1. The organization's exempt functions are solely for the purpose of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any state or local public office or office in a state or local political organization.
2. The organization is subject to state law that requires it to report the information that is similar to that required on Form 8872.
3. The organization files the required reports with the state.
4. The state makes such reports public and the organization makes them open to public inspection in the same manner that organizations must make Form 8872 available for public inspection.

For additional information, including the prohibition of involvement in the organization of a federal candidate or office holder, see section 527(e)(5).

Disregarded Entities

A disregarded entity, as described in Regulations sections 301.7701-1 through 301.7701-3, is treated as a branch or division of its parent organization for federal tax purposes. Therefore, financial and other information applicable to a disregarded entity must be reported as the parent organization's information.

Section 4947(a)(1) Nonexempt Charitable Trusts

Any nonexempt charitable trust (described in section 4947(a)(1)) not treated as a private foundation is also required to file Form 990, or Form 990-EZ, along with a completed Schedule A (Form 990 or 990-EZ). See the discussion in *General Instruction D* for exceptions to filing Form 1041, U.S. Income Tax Return for Estates and Trusts.

If an Organization's Exemption Application Is Pending

If the organization's application for exemption is pending, check the *Application pending* box in the heading of the return and complete the return.

Organizations That Filed a Return in the Prior Year but Are Not Required To File in the Current Year

Organizations that previously filed Form 990 or Form 990-EZ and meet exemption 15 under *General Instruction B* do not have to file a return.

Exempt organizations that filed Form 990, or Form 990-EZ, but are no longer required to file because they meet a specific exemption (other than exemption 15 in *General Instruction B)* must advise their IRS area office so their filing status can be updated.

Exempt organizations that are not sure of their area office may call the IRS at 1-877-829-5500. Exempt organizations that stop filing Form 990, or Form 990-EZ, without notifying their area office may receive service center correspondence inquiring about their returns. When responding to these inquiries, these organizations must give the specific reason for not filing.

Failure To File and Its Effect on Contributions

Organizations that are eligible to receive tax deductible contributions are listed in Publication 78, Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986. An organization may be removed from this listing if our records show that it is required to file Form 990, or Form 990-EZ, but it does not file a return or advises us that it is no longer required to file. However, contributions to such an organization may continue to be deductible by the general public until the IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

B. Organizations Not Required To File Form 990 or 990-EZ

TIP *Organizations not required to file Form 990, or Form 990-EZ with the IRS may wish to use it to satisfy state reporting requirements. For details, see* General Instruction E.

The following types of organizations exempt from tax under section 501(a) (section 527 for political organizations) do not have to file Form 990, or Form 990-EZ, with the IRS. However, if the organization chooses to file a Form 990 or Form 990-EZ, it must also attach the schedules and statements described in the instructions for these forms. In addition, an organization not required to file Form 990 or 990-EZ because it meets exceptions 12, 15, or 16 must file *new* Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ.

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group).
2. A church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs and is described in Rev. Proc. 96-10, 1996-1 C.B. 577.
3. A school below college level affiliated with a church or operated by a religious order.
4. A mission society sponsored by, or affiliated with, one or more churches or church denominations, if more than half of the society's activities are conducted in, or directed at, persons in foreign countries.
5. An exclusively religious activity of any religious order.
6. A state institution whose income is excluded from gross income under section 115.
7. An organization described in section 501(c)(1). A section 501(c)(1) organization is a corporation organized under an Act of Congress that is:
   - An instrumentality of the United States, and
   - Exempt from federal income taxes.
8. A private foundation exempt under section 501(c)(3) and described in section 509(a). Use Form 990-PF, Return of Private Foundation.

9. A black lung benefit trust described in section 501(c)(21). Use Form 990-BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.
10. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. Use Form 5500, Annual Return/Report of Employee Benefit Plan.
11. A religious or apostolic organization described in section 501(d). Use Form 1065, U.S. Return of Partnership Income.
12. A foreign organization whose annual gross receipts from sources within the U.S. are normally $25,000 or less (Rev. Proc. 94-17, 1994-1 C.B. 579). See the *$25,000 Gross Receipts Test* below.
13. A governmental unit or affiliate of a governmental unit described in Rev. Proc. 95-48, 1995-2 C.B. 418.
14. A political organization that is:
    - A state or local committee of a political party;
    - A political committee of a state or local candidate;
    - A caucus or association of state or local officials;
    - An authorized committee (as defined in section 301(6) of the Federal Election Campaign Act of 1971) of a candidate for federal office;
    - A national committee (as defined in section 301(14) of the Federal Election Campaign Act of 1971) of a political party;
    - A United States House of Representatives or United States Senate campaign committee of a political party committee;
    - Required to report under the Federal Election Campaign Act of 1971 as a political committee (as defined in section 301(4) of such Act); or
    - An organization described under section 6033(g)(3)(G).
15. Except for supporting organizations described in section 509(a)(3), an organization whose gross receipts are normally $25,000 or less.
16. A section 509(a)(3) supporting organization of a religious organization, if the supporting organization's gross receipts are normally $5,000 or less.

How to Determine If an Organization's Gross Receipts are Normally $25,000 (or $5,000) or Less

To figure whether an organization has to file Form 990-EZ (or Form 990) apply the $25,000 (or $5,000) gross receipts test (below) using the following definition of gross receipts and information in *Figuring Gross Receipts* below.

Gross Receipts

CAUTION *Do not use the definition of gross receipts described in* General Instruction A, *under* Section 501(c)(15) Organizations *to figure gross receipts.*

Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.

Gross receipts when acting as an agent. If a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from collecting them, the local chapter does not include the premiums in its gross receipts. The parent lodge reports them instead. The same treatment applies in other situations in which one organization collects funds merely as an agent for another.

Figuring Gross Receipts

Figure gross receipts for Form 990 and Form 990-EZ as follows.

Form 990. Gross receipts are the sum of lines 1e, 2, 3, 4, 5, 6a, 7, 8a (both columns), 9a, 10a, and 11 of Part I. Gross receipts can also be figured by adding back the amounts on lines 6b, 8b (both columns), 9b, and 10b to the total revenue reported on line 12.

Form 990-EZ. Gross receipts are the sum of lines 1, 2, 3, 4, 5a, 6a, 7a, and 8 of Part I. Gross receipts can also be figured by adding back the amounts on lines 5b, 6b, and 7b to the total revenue reported on line 9.

Example. Organization M reported $50,000 as total revenue on line 9 of its Form 990-EZ. M added back the costs and expenses it had deducted on lines 5b ($2,000); 6b ($1,500); and 7b ($500) to its total revenue of $50,000 and determined that its gross receipts for the tax year were $54,000.

$25,000 Gross Receipts Test

To determine if an organization's gross receipts are normally $25,000 or less, apply the following test. An organization's gross receipts normally are considered to be $25,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, $37,500 or less during its first tax year;
2. Between 1 and 3 years old and averaged $30,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged $25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year in which the return would be filed).

$5,000 Gross Receipts Test

To determine if an organization's gross receipts are normally $5,000 or less, apply the following test. An organization's gross receipts normally are considered to be $5,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, $7,500 or less during its first tax year;
2. Between 1 and 3 years old and averaged $6,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged $5,000 or less in gross receipts for the immediately preceding 3 tax years (including the year in which the return would be filed).

C. Exempt Organization Reference Chart

TIP *To determine how the instructions for Form 990 and Form 990-EZ apply to the organization, you must know the Code section under which the organization is exempt.*

Type of Organization	I.R.C. Section
Corporations Organized Under Act of Congress	501(c)(1)
Title Holding Corporations	501(c)(2)
Charitable, Religious, Educational, Scientific, etc., Organizations	501(c)(3)
Civic Leagues and Social Welfare Organizations	501(c)(4)
Labor, Agricultural, and Horticultural Organizations	501(c)(5)
Business Leagues, etc.	501(c)(6)
Social and Recreation Clubs	501(c)(7)
Fraternal Beneficiary and Domestic Fraternal Societies and Associations	501(c)(8) & (10)
Voluntary Employees' Beneficiary Associations	501(c)(9)
Teachers' Retirement Fund Associations	501(c)(11)
Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc.	501(c)(12)
Cemetery Companies	501(c)(13)
State Chartered Credit Unions, Mutual Reserve Funds	501(c)(14)
Insurance Companies or Associations Other Than Life	501(c)(15)
Cooperative Organizations To Finance Crop Operations	501(c)(16)
Supplemental Unemployment Benefit Trusts	501(c)(17)
Employee Funded Pension Trusts (created before 6/25/59)	501(c)(18)

Organizations of Past or Present Members of the Armed Forces	501(c)(19) & (23)
Black Lung Benefit Trusts	501(c)(21)
Withdrawal Liability Payment Funds	501(c)(22)
Title Holding Corporations or Trusts	501(c)(25)
State-Sponsored Organizations Providing Health Coverage for High-Risk Individuals	501(c)(26)
State-Sponsored Workmen's Compensation and Insurance and Reinsurance Organizations	501(c)(27)
Religious and Apostolic Associations	501(d)
Cooperative Hospital Service Organizations	501(e)
Cooperative Service Organizations of Operating Educational Organizations	501(f)
Child Care Organizations	501(k)
Charitable Risk Pools	501(n)
Political Organizations	527

D. Forms and Publications

Internet. You can access the IRS website 24 hours a day, 7 days a week, at *www.irs.gov* to:

- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email.

CD for tax products. You can order Publication 1796, IRS Tax Products CD, and obtain:

- A CD that is released twice so you have the latest products. The first release ships in late December and the final release ships in late February.
- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions (FAQs).
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.

Buy the CD from National Technical Information Service (NTIS) at *www.irs.gov/cdorders* for $35 (no handling fee) or call 1-877-233-6767 toll free to buy the CD for $35 (plus a $5 handling fee).

By phone and in person. You can order forms and publications by calling 1-800-TAX-FORM (1-800-829-3676). You can also get most forms and publications at your local IRS office.

Other Forms That May Be Required

Schedule A (Form 990 or 990-EZ). Organization Exempt Under Section 501(c)(3) (Except Private Foundation) and Section 501(e), 501(f), 501(k), 501(n), or Section 4947(a)(1), Nonexempt Charitable Trust. An organization is not required to file Schedule A (Form 990 or 990-EZ) if its gross receipts are normally $25,000 or less. See the gross receipts discussion in *General Instruction B*.

Schedule B (Form 990, 990-EZ, or 990-PF). Schedule of Contributors. Schedule B (Form 990, 990-EZ, or 990-PF) provides contributor information for line 1 of Form 990 and 990-EZ. All Form 990 and 990-EZ filers must complete and attach this schedule to their return unless they meet an exception, and check the box in item M of Form 990 (item H on Form 990-EZ).

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 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.

Trust Fund Recovery Penalty. If certain excise, income, social security, and Medicare taxes that must be collected or withheld are not collected or withheld, or these taxes are not paid to the IRS, a Trust Fund Recovery Penalty may apply. The Trust Fund Recovery Penalty may 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 does not 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, do not participate in the day-to-day or financial activities of the organization, and do not have actual knowledge of the failure to collect, account for, and pay over these taxes. However, the preceding sentence does not 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), Employer's Tax Guide, for more details, including the definition of responsible persons.

Form 990-T. Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e)). Filed separately for organizations with gross income of $1,000 or more from business unrelated to the organization's exempt purpose. The Form 990-T is also filed to pay the section 6033(e)(2) proxy tax. For Form 990, see line 85 and its instructions; for Form 990-EZ, see line 35 and its instructions.

Form 990-W. Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

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

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 Form 990-EZ. However, if such a trust does not have any taxable income under Subtitle A of the Code, it can file Form 990, or Form 990-EZ, and does not have to file Form 1041 to meet its section 6012 filing requirement. If this condition is met, complete Form 990, or Form 990-EZ, and do not file Form 1041.

A section 4947(a)(1) nonexempt charitable trust that normally has gross receipts of not more than $25,000 (see the gross receipts discussion in *General Instruction B*) and has no taxable income under Subtitle A must complete line 92 and the signature block on page 9 of the Form 990. On the Form 990-EZ, complete line 43 and the signature block on page 3 of the return. In addition, complete only the following items in the heading of Form 990 or Form 990-EZ:

Item	
A	Tax year (fiscal year or short period, if applicable)
B	Applicable checkboxes
C	Name and address
D	Employer identification number (EIN)
J	Section 4947(a)(1) nonexempt charitable trust box

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 3115. Application for Change in Accounting Method.

Form 4506. Request for Copy of Tax Return.

Form 4506-A. Request for Public Inspection or 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 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 the 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 5768. Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.

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 charitable deduction property within 3 years after the date that the donor gave the property to the original donee. It does not 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 is not subject to the reporting requirement since the funds were not received in the course of a trade or business.

Form 8822. Change of Address. 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.

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-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 8921. Applicable Insurance Contracts Information Return.

Form TD F 90-22.1. Report of Foreign Bank and Financial Accounts.

Helpful Publications

Publication 463. Travel, Entertainment, Gift, and Car Expenses.

Publication 525. Taxable and Nontaxable Income.

Publication 526. Charitable Contributions.

Publication 538. Accounting Periods and Methods.

Publication 598. Tax on Unrelated Business Income of Exempt Organizations.

Publication 910. IRS Guide to Free Tax Services.

Publication 946. How To Depreciate Property.

Publication 1771. Charitable Contributions—Substantiation and Disclosure Requirements.

E. Use of Form 990, or Form 990-EZ, To Satisfy State Reporting Requirements

Some states and local government units will accept a copy of Form 990, or Form 990-EZ, Schedule A (Form 990 or 990-EZ), and Schedule B (Form 990, 990-EZ, or 990-PF) in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected.

If the organization uses Form 990, or Form 990-EZ, to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following discussions.

Determine State Filing Requirements

The organization may 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 may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; (d) maintaining a checking account; or (e) owning or renting property there.

Monetary Tests May Differ

Some or all of the dollar limitations applicable to Form 990, or Form 990-EZ, when filed with the IRS may not apply when using Form 990, or Form 990-EZ, in place of state or local report forms. Examples of the IRS dollar limitations that do not meet some state requirements are the $25,000 gross receipts minimum that creates an obligation to file with the IRS (see the gross receipts discussion in *General Instruction B)* and the $50,000 minimum for listing professional fees in Part II-A of Schedule A (Form 990 or 990-EZ).

Additional Information May Be Required

State or local filing requirements may require the organization to attach to Form 990, or Form 990-EZ, one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in net assets; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990, or Form 990-EZ, filed with the IRS.

Even if the Form 990, or Form 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 will not fully satisfy that state's filing requirement if required information is not provided, including any of the additional information discussed above, or if the state determines that the form was not completed by following the applicable Form 990, or Form 990-EZ, instructions or supplemental state instructions. If so, the organization may be asked 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, etc., and functional expenses be reported according to the AICPA industry audit and accounting guide, Not-for-Profit Organizations (New York, NY, AICPA, 2003), supplemented by Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (Washington, DC, National Health Council, Inc., 1998, 4th edition).

Donated Services and Facilities

Even though reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by the two publications named above, many states and the IRS do not permit the inclusion of those amounts in Parts I and II of Form 990 or Part I of Form 990-EZ. The optional reporting of donated services and facilities is discussed in the instructions for Part III for both Form 990 and Form 990-EZ.

Amended Returns

If the organization submits supplemental information or files an amended Form 990, or Form 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 Form 990-EZ, originally to meet that state's filing requirement.

If a state requires the organization to file an amended Form 990, or Form 990-EZ, to correct conflicts with Form 990, or Form 990-EZ, instructions, it 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 Instruction G*.

Time For Filing May Differ

The deadline for filing Form 990, or Form 990-EZ, with the IRS differs from the time for filing reports with some states.

Public Inspection

The Form 990, or Form 990-EZ, information made available for public inspection by the IRS may differ from that made available by the states. See the discussion of Schedule B (Form 990, 990-EZ, or 990-PF) in *General Instruction L*.

F. Other Forms as Partial Substitutes for Form 990 or Form 990-EZ

Except as provided below, the Internal Revenue Service will not accept any form as a substitute for one or more parts of Form 990 or Form 990-EZ.

Labor Organizations (Section 501(c)(5))

A labor organization that files Form LM-2, Labor Organization Annual Report, or the shorter Form LM-3, Labor Organization Annual Report, with the U.S. Department of Labor (DOL) can attach a copy of the completed DOL form to Form 990, or Form 990-EZ, to provide some of the information required by Form 990 or Form 990-EZ. This substitution is not permitted if the organization files a DOL report that consolidates its financial statements with those of one or more separate subsidiary organizations.

Employee Benefit Plans (Section 501(c)(9), (17), or (18))

An employee benefit plan may be able to substitute Form 5500 for part of Form 990 or Form 990-EZ. The substitution can be made if the organization filing Form 990, or Form 990-EZ, and the plan filing Form 5500, meet all the following tests:

1. The Form 990, or Form 990-EZ, filer is organized under section 501(c)(9), (17), or (18);
2. The Form 990, or Form 990-EZ, filer and Form 5500 filer are identical for financial reporting purposes and have identical receipts, disbursements, assets, liabilities, and equity accounts;
3. The employee benefit plan does not include more than one section 501(c) organization, and the section 501(c) organization is not a part of more than one employee benefit plan;
4. The organization's accounting year and the employee plan year are the same. If they are not, the organization may want to change its accounting year, as explained in *General Instruction G*, so it will coincide with the plan year.

Allowable Substitution Areas

Whether an organization files Form 990, or Form 990-EZ, for a labor organization or for an employee benefit plan, the areas of Form 990, or Form 990-EZ, for which other forms can be substituted are the same. These areas are:

Form 990.
- Lines 13 through 15 of Part I (but complete lines 16 through 21);
- Part II; and
- Part IV (but complete lines 59, 66, and 74, columns (A) and (B)).

Form 990-EZ.
- Lines 10 through 16 of Part I (but complete lines 17 through 21).
- Part II (but complete lines 25 through 27, columns (A) and (B)).

If an organization substitutes Form LM-2 or LM-3 for any of the Form 990, or Form 990-EZ, parts or line items mentioned above, it must attach a reconciliation sheet to show the relationship between the amounts on the DOL forms and the amounts on Form 990 or Form 990-EZ. This is particularly true of the relationship of disbursements shown on the DOL forms and the total expenses on line 17, Part I, of both Form 990 and Form 990-EZ. The organization must make this reconciliation because the cash disbursements section of the DOL forms includes nonexpense items. If the organization substitutes Form LM-2, be sure to complete its separate schedule of expenses.

G. Accounting Periods and Methods

TIP *For more information about these topics, see Pub. 538.*

Accounting Periods

Calendar year. Use the 2007 Form 990, or Form 990-EZ, to report on the 2007 calendar year accounting period. A calendar year accounting period begins on January 1 and ends on December 31.

Fiscal year. If the organization has established a fiscal year accounting period, use the 2007 Form 990, or Form 990-EZ, to report on the organization's fiscal year that began in 2007 and ended 12 months later. A fiscal year accounting period normally coincides with the natural operating cycle of the organization. Be certain to indicate in the heading of Form 990, or Form 990-EZ, the date the organization's fiscal year began in 2007 and the date the fiscal year ended in 2008.

Short period. A short accounting period is a period of less than 12 months.

If the Form 990, or Form 990-EZ, for the short year is not available until the subsequent year, use the prior year

Form 990, or Form 990-EZ, to meet the organization's filing requirement. Cross out the year on the form and show the short year.

Accounting period change. If the organization changes its accounting period, it must file a return on Form 990, or Form 990-EZ, for the short period resulting from the change. Write "Change of Accounting Period" at the top of this short-period return.

If the organization changed its accounting period within the 10-calendar-year period that includes the beginning of the short period, and it had a Form 990, or Form 990-EZ, filing requirement at any time during that 10-year period, it must also attach a Form 1128 to the short-period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

Group return. When affiliated organizations authorize their central organization to file a group return for them, the accounting period of the affiliated organizations and the central organization must be the same. See *General Instruction R.*

Accounting Methods

Unless instructed otherwise, the organization should generally use the same accounting method on the return to figure revenue and expenses as it regularly uses to keep its books and records. To be acceptable for Form 990, or Form 990-EZ, reporting purposes, however, the method of accounting used must clearly reflect income.

Generally, the organization must file Form 3115 to change its accounting method. Notice 96-30, 1996-1 C.B. 378, provides relief from filing Form 3115 to section 501(c) organizations that change their method of accounting to comply with the provisions of SFAS 116, Accounting for Contributions Received and Contributions Made. In SFAS 116, the Financial Accounting Standards Board revised certain generally accepted accounting principles relating to contributions received and contributions awarded by not-for-profit organizations.

A not-for-profit organization that changes its method of accounting for federal income tax purposes to conform to the method provided in SFAS 116 must report any adjustment required by section 481(a) on line 20 of Form 990, or Form 990-EZ, as a net asset adjustment made during the year the change is made. The adjustment must be identified as the effect of changing to the method provided in SFAS 116. The beginning of year statement of financial position (balance sheet) should not be restated to reflect any prior period adjustments.

State reporting. If the organization prepares Form 990, or Form 990-EZ, for state reporting purposes, it may file an identical return with the IRS even though the return does not agree with the books of account, unless the way one or more items are reported on the state return conflicts with the instructions for preparing Form 990, or Form 990-EZ, for filing with the IRS.

Example 1. The organization maintains its books on the cash receipts and disbursements method of accounting but prepares a state return based on the accrual method. It could use that return for reporting to the IRS.

Example 2. A state reporting requirement requires the organization to report certain revenue, expense, or balance sheet items differently from the way it normally accounts for them on its books. A Form 990, or Form 990-EZ, prepared for that state is acceptable for the IRS reporting purposes if the state reporting requirement does not conflict with the Form 990, or Form 990-EZ, instructions.

An organization should keep a reconciliation of any differences between its books of account and the Form 990, or Form 990-EZ, that is filed.

Most states that accept Form 990, or Form 990-EZ, in place of their own forms require that all amounts be reported based on the accrual method of accounting. For further information, see *General Instruction E.*

H. When, Where, and How To File

File Form 990, or Form 990-EZ, by the 15th day of the 5th month after the organization's accounting period ends. If the regular due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after the liquidation, dissolution, or termination.

If the return is not filed by the due date (including any extension granted), attach a statement giving the reasons for not filing on time. Send the return to the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

Private delivery services. The organization can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. These private delivery services include only the following.

- DHL Express (DHL): DHL "Same Day" Service, DHL Next Day 10:30 AM, DHL Next Day 12:00 PM, DHL Next Day 3:00 PM, and DHL 2nd Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

Electronic Filing

The organization can file Form 990, or Form 990-EZ, and related forms, schedules, and attachments electronically. However, if an organization files at least 250 returns during the calendar year and has total assets of $10 million or more at the end of the tax year, it must file Form 990 electronically.

To determine if the organization meets the $10 million asset test, use the amount that will be entered on line 59 (total assets), column (B).

If an organization is required to file a return electronically but does not, the organization is considered to have not filed its return. See Temporary Regulations section 301.6033-4T for more information.

For additional information on the electronic filing requirement, visit *www.irs.gov/efile.*

TIP *The IRS may waive the requirements to file electronically in cases of undue hardship. For information on filing a waiver, see Notice 2005-88, which is on page 1060 of the Internal Revenue Bulletin 2005-48 at* www.irs.gov/pub/irs-irbs/irb05-48.pdf.

I. Extension of Time To File

Use Form 8868 to request an automatic 3-month extension of time to file. Use Form 8868 also to apply for an additional (not automatic) 3-month extension if the original 3 months was not enough time. To obtain this additional extension of time to file, the organization must show reasonable cause for the additional time requested. See the Instructions for Form 8868.

J. Amended Return/Final Return

To change the organization's return for any year, file a new return including any required attachments. Use the revision

of Form 990, or Form 990-EZ, applicable to the year being amended. The amended return must provide all the information called for by the form and instructions, not just the new or corrected information. Check the *Amended return* box in the heading of the return.

The organization may file an amended return at any time to change or add to the information reported on a previously filed return for the same period. It must make the amended return available for public inspection for 3 years from the date of filing or 3 years from the date the original return was due, whichever is later.

The organization must also send a copy of the information or amended return to any state with which it filed a copy of Form 990, or Form 990-EZ, originally to meet that state's filing requirement.

Use Form 4506 to obtain a copy of a previously filed return. For information on getting blank tax forms, see *General Instruction D.*

If the return is a final return, see the *Specific Instructions* for Form 990 for line 79, Part VI. For Form 990-EZ, see the *Specific Instructions* for line 36, Part V.

K. Failure to File Penalties

Against the Organization

Under section 6652(c)(1)(A), a penalty of $20 a day, not to exceed the smaller of $10,000 or 5% of the gross receipts of the organization for the year, may be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause. Organizations with annual gross receipts exceeding $1 million are subject to a penalty of $100 for each day the failure continues (with a maximum penalty with respect to any one return of $50,000). The penalty begins on the due date for filing the Form 990 or Form 990-EZ.

Use of a paid preparer does not relieve the organization of its responsibility to file a complete and accurate return.

Incomplete return. The penalty may also be charged if the organization files an incomplete return. To avoid having to supply missing information later, be sure to complete all applicable line items; answer "Yes," "No," or "N/A" (not applicable) to each question on the return; make an entry (including a zero when appropriate) on all total lines; and enter "None" or "N/A" if an entire part does not apply.

Incorrect information. This penalty may be imposed if the organization's return contains incorrect information. For example, an organization that reports contributions net of related fundraising expenses may be subject to this penalty.

Against Responsible Person(s)

If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of $10 a day. The maximum penalty on all persons for failures with respect to any one return shall not exceed $5,000 (section 6652(c)(1)(B)(ii)).

Any person who does not comply with the public inspection requirements, as discussed in *General Instruction M,* will be assessed a penalty of $20 for each day that inspection was not permitted, up to a maximum of $10,000 for each return. The penalties for failure to comply with the public inspection requirements for applications is the same as those for annual returns, except that the $10,000 limitation does not apply (sections 6652(c)(1)(C) and (D)). Any person who willfully fails to comply with the public inspection requirements for annual returns or exemption applications will be subject to an additional penalty of $5,000 (section 6685).

There are also penalties (fines and imprisonment) for willfully not filing returns and for filing fraudulent returns and statements with the IRS (sections 7203, 7206, and 7207). States may impose additional penalties for failure to meet their separate filing requirements. See also the discussion of the *Trust Fund Recovery Penalty,* under *General Instruction D.*

L. Contributions

Schedule B (Form 990, 990-EZ, or 990-PF)

Schedule B (Form 990, 990-EZ, or 990-PF), generally, is a required attachment for the Form 990, 990-EZ, or 990-PF, and is used to report on tax-deductible and non-tax-deductible contributions. See the Instructions for Schedule B for the public inspection rules applicable to that form. See also the Specific Instructions for both Form 990 and Form 990-EZ, under *Completing the Heading* . . . where the instructions are keyed to items in the heading of Form 990 or Form 990-EZ.

Solicitations of Nondeductible Contributions

Any fundraising solicitation by or on behalf of any section 501(c) or 527 organization that is not eligible to receive contributions deductible as charitable contributions for federal income tax purposes must include an explicit statement that contributions or gifts to it are not deductible as charitable contributions. The statement must be in an easily recognizable format whether the solicitation is made in written or printed form, by television or radio, or by telephone. This provision applies only to those organizations whose annual gross receipts are normally more than $100,000 (section 6113 and Notice 88-120, 1988-2 C.B. 454).

Failure to disclose that contributions are not deductible could result in a penalty of $1,000 for each day on which a failure occurs. The maximum penalty for failures by any organization, during any calendar year, shall not exceed $10,000. In cases where the failure to make the disclosure is due to intentional disregard of the law, more severe penalties apply. No penalty will be imposed if the failure is due to reasonable cause (section 6710).

Keeping Fundraising Records for Tax-Deductible Contributions

Section 501(c) organizations that are eligible to receive tax-deductible contributions under section 170(c) of the Code must keep sample copies of their fundraising materials, such as:

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

IF . . .	THEN . . .
Organizations advertise their fundraising events,	They must keep samples of the advertising copy.
Organizations use radio or television to make their solicitations,	They must keep samples of: • Scripts, • Transcripts, or • Other evidence of on-air solicitations.
Organizations use outside fundraisers,	They must keep samples of the fundraising materials used by the outside fundraisers.

For each fundraising event, organizations must keep records to show the portion of any payment received from patrons that is not 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

See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF).

If the organization received a partially completed Form 8283 from a donor, complete it and return it so the donor can get a charitable contribution deduction. The organization should keep a copy for its records. See also the reference to Form 8282 in *General Instruction D*.

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. The organization must file the return 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.

An organization (donee) reports all income from donated qualified intellectual property as income other than contributions (for example, royalty income from a patent). Charities are not required to report as contributions any of the additional deductions claimed by donors under section 170(m)(1). Likewise, these additional deductions are not required to be reported on Schedule B (Form 990, 990-EZ, or 990-PF) and donees are not required to comply with the substantiation requirements of section 170(f)(8) with regard to any donor's additional deductions. 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 section 170(f)(12) and the Instructions for Form 1098-C.

Substantiation and Disclosure Requirements for Charitable Contributions

Recordkeeping for cash, check, or other monetary charitable gifts. A donor(s) must maintain a record on any contribution of cash, check, or other monetary gift. This record must be a bank record or a written communication from the donee showing the donee organization's name, date, and amount of the contribution.

Acknowledgment to substantiate charitable contributions. An organization (donee) should be aware that a donor of a charitable contribution of $250 or more cannot take an income tax deduction unless the donor obtains the organization's acknowledgment to substantiate the charitable contribution.

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).

b. Whether or not the organization gave the donor any goods or services in return for the donor's contribution (a *quid pro quo* contribution).

5. Describe goods or services the organization:

a. Received (no valuation needed).

b. Gave (good faith estimate needed).

Exception. An organization need not make a good faith estimate of a *quid pro quo* contribution if the goods or services given to a donor are:

- Insubstantial in value.
- Certain membership benefits for $75 or less per year. See *Certain membership benefits*, later.
- Certain goods or services given to the donor's employees or partners.

Disclosure statement for *quid pro quo* contributions. If the organization receives a *quid pro quo* contribution of more than $75, an organization must provide a disclosure statement to the donor. The organization's disclosure statement must:

1. Be written.
2. Estimate in good faith the organization's goods or services given in return for donor's contribution.
3. Describe, but need not value, certain goods or services given donor's employees or partners.
4. Inform the donor that a deductible charitable contribution deduction is limited as follows:

Donor's contribution
Less
Organization's money, and goods or services given in return
Equals
Donor's deductible charitable contribution.

Exception. No disclosure statement is required if the organization gave the following.

1. Goods or services of insubstantial value.
2. Certain membership benefits.
3. An intangible religious benefit.

See 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 fair market value, not the cost to the charity, of any benefits received in return. However, the cost to the charity may be used in determining whether the benefits are insubstantial. See below.

Cost basis. If a taxpayer makes a payment of $44.50 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 $8.90 or less (low-cost article amount of section 513(h)(2)).

Fair market value basis. If a taxpayer makes a payment to a charitable organization in a fundraising campaign and receives benefits with a fair market value of not more than 2% of the amount of the payment, or $89, whichever is less, the benefits received have insubstantial value in determining the taxpayer's contribution.

TIP *The dollar amounts given above are applicable to tax year 2007 under Rev. Proc. 2006-53 (and other successor documents). They are adjusted annually for inflation.*

When a donee organization provides a donor only with goods or services having insubstantial value under Rev. Proc. 2006-53 (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,

b. Free or discounted parking.

2. Admission to events that are:

a. Open only to members, and are, per person,

b. Within the low-cost article limitation.

Examples.

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 fair market value ($20), and disregards the remaining membership benefits.

2. 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.

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 cannot 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 or partners of donors may be disregarded for substantiation and disclosure purposes. Describe such goods or services. A good faith estimate is not 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 tee shirt with J's logo that costs J $4.50, and a 25% gift shop discount. Because the free admission is offered in both benefit packages and the value of the tee shirts is insubstantial, K's written acknowledgment need not value the free admission benefit or the tee shirts. However, because the 25% gift shop discount to K's employees differs from the 10% discount offered in the basic membership benefits package, K's written acknowledgment 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 are not subject to the requirements of section 170(f)(8), regardless of whether 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 a payroll contribution by:

- A pay stub, Form W-2, or other document showing a contribution to a donee organization; and
- A pledge card or other document from the donee organization stating that 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 payments to a college or university for the right to purchase tickets to athletic events. The right to purchase tickets for an athletic event is valued at 20% of the payment.

Example. When a taxpayer pays $312.50 for the right to purchase tickets for an athletic event, the right is valued at $62.50. The remaining $250 is a charitable contribution that the taxpayer must substantiate.

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 payment, described as 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 given 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 does not exceed $75. Separate payments of $75 or less made at different times of the year for separate fundraising events will not 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 an organization in consideration for a taxpayer's payment to that organization. A good faith estimate of the value of goods or services that are not generally available in a commercial transaction may be determined by reference to the fair market value of similar or comparable goods or services. Goods or services may be similar or comparable even though they do not have the unique qualities of the goods or services that are being valued.

Goods or services. Goods or services are:

- 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 must be provided 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.

Distributing organization as donee. An organization described in section 170(c), or an organization described as a Principal Combined Fund Organization for purposes of the Combined Federal Campaign, that receives a payment made as a contribution is treated as a donee organization even if the organization distributes the amount received to one or more organizations described in section 170(c).

Penalties. A charity that knowingly provides a false substantiation acknowledgment to a donor may be subject to the penalties under section 6701 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).

M. Public Inspection of Returns, etc.

Some members of the public rely on Form 990, or Form 990-EZ, as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its returns.

An organization's completed Form 990, or Form 990-EZ, is available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF) is open for public inspection for section 527 organizations filing Form 990 or Form 990-EZ. For other organizations that file Form 990 or Form 990-EZ, parts of Schedule B may be open to public inspection. Form 990-T filed after August 17, 2006, by a 501(c)(3) organization to report any unrelated business income, is also available for public inspection and disclosure.

Through the IRS

Use Form 4506-A to request:

- A copy of an exempt or political organization's return, report, notice, or exemption application;
- An inspection of a return, report, notice, or exemption application at an IRS office.

The IRS can provide copies of exempt organization returns on a compact disc (CD). Requesters can order the complete set (all Forms 990 and 990-EZ or all Forms 990-PF filed for a year) or a partial set by state or by month. For more information on the cost and how to order CDs, call the TEGE Customer Account Services toll-free number (1-877-829-5500) or write to the IRS in Cincinnati, OH, at the address in *General Instruction A*.

The IRS may not disclose portions of an exemption application relating to any trade secrets, etc. Additionally, the IRS may not disclose the names and addresses of contributors. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more information about the disclosure of that schedule.

Forms 990 or 990-EZ can only be requested for section 527 organizations for tax years beginning after June 30, 2000.

A return, report, notice, or exemption application may be inspected at an IRS office free of charge. Copies of these items may also be obtained through the organization as discussed in the following section.

Through the Organization

Public inspection and distribution of certain returns of unrelated business income. Section 501(c)(3) organizations that are required to file Form 990-T after August 17, 2006, must make Form 990-T available for public inspection under section 6104(d)(1)(A)(ii).

Public inspection and distribution of returns and reports for a political organization. Section 527 political organizations required to file Form 990, or Form 990-EZ, must, in general, make their Form 8871, 8872, 990, or 990-EZ available for public inspection in the same manner as annual information returns of section 501(c) organizations and 4947(a)(1) nonexempt charitable trusts are made available. See the public inspection rules for *Tax-exempt organization*, later. Generally, Form 8871 and Form 8872 are available for inspection and printing from the Internet. The website address for both of these forms is */www.irs.gov/charities/political/article/0,,id=109332,00.html.*

TIP *Note that a section 527 political organization (and an organization filing Form 990-PF) must disclose their Schedule B (Form 990, 990-EZ, or 990-PF). See the Instructions for Schedule B.*

The penalties discussed in *General Instruction K* also apply to section 527 political organizations (Rev. Rul. 2003-49, 2003-204 I.R.B. 903).

Public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations. Under Regulations sections 301.6104(d)-1 through 301.6104(d)-3, a tax-exempt organization must:

- Make its application for recognition of exemption and its annual information returns available for public inspection without charge at its principal, regional, and district offices during regular business hours.
- Make each annual information return available for a period of 3 years beginning on the date the return is required to be filed (determined with regard to any extension of time for filing) or is actually filed, whichever is later.
- Provide a copy without charge, (for Form 990-T, this requirement only applies to Form 990-T's filed after August 17, 2006) other than a reasonable fee for reproduction and actual postage costs, of all or any part of any application or return required to be made available for public inspection to any individual who makes a request for such copy in person or in writing (except as provided in Regulations sections 301.6104(d)-2 and -3).

Definitions.

Tax-exempt organization is any organization that is described in section 501(c) or (d) and is exempt from taxation under section 501(a). The term tax-exempt organization also includes any section 4947(a)(1) nonexempt charitable trust or nonexempt private foundation that is subject to the reporting requirements of section 6033.

Application for tax exemption includes:

- Any prescribed application form (such as Form 1023 or Form 1024),
- All documents and statements the IRS requires an applicant to file with the form,
- Any statement or other supporting document submitted in support of the application, and
- Any letter or other document issued by the IRS concerning the application.

Application for tax exemption does not include:

- Any application for tax exemption filed before July 15, 1987, unless the organization filing the application had a

copy of the application on July 15, 1987;
- In the case of a tax-exempt organization other than a private foundation, the name and address of any contributor to the organization; or
- Any material that is not available for public inspection under section 6104.

If there is no prescribed application form, see Regulations section 301.6104(d)-1(b)(4)(i).

Annual information return includes:
- An exact copy of the Form 990, or Form 990-EZ, filed by a tax-exempt organization as required by section 6033.
- Any amended return the organization files with the IRS after the date the original return is filed.
- An exact copy of Form 990-T if one is filed by a 501(c)(3) organization.

The copy must include all information furnished to the IRS on Form 990, Form 990-EZ, or Form 990-T as well as all schedules, attachments, and supporting documents, except for the name and address of any contributor to the organization. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF).

Annual returns more than 3 years old. An annual information return does not include any return after the expiration of 3 years from the date the return is required to be filed (including any extension of time that has been granted for filing such return) or is actually filed, whichever is later.

If an organization files an amended return, however, the amended return must be made available for a period of 3 years beginning on the date it is filed with the IRS.

Local or subordinate organizations. For rules relating to annual information returns of local or subordinate organizations, see Regulations section 301.6104(d)-1(f)(2).

Regional or district offices. A regional or district office is any office of a tax-exempt organization, other than its principal office, that has paid employees, whether part-time or full-time, whose aggregate number of paid hours a week are normally at least 120.

A site is not considered a regional or district office, however, if:
- The only services provided at the site further exempt purposes (such as day care, health care, scientific research, or medical research); and
- The site does not serve as an office for management staff, other than managers who are involved solely in managing the exempt function activities at the site.

Special rules relating to public inspection.

Permissible conditions on public inspection. A tax-exempt organization:
- May have an employee present in the room during an inspection.
- Must allow the individual conducting the inspection to take notes freely during the inspection.
- Must allow the individual to photocopy the document at no charge, if the individual provides photocopying equipment at the place of inspection.

Organizations that do not maintain permanent offices. A tax-exempt organization with no permanent office:
- Must make its application for tax exemption and its annual information returns available for inspection at a reasonable location of its choice.
- Must permit public inspection within a reasonable amount of time after receiving a request for inspection (normally not more than 2 weeks) and at a reasonable time of day.
- May mail, within 2 weeks of receiving the request, a copy of its application for tax exemption and annual information returns to the requester instead of allowing an inspection.
- May charge the requester for copying and actual postage costs only if the requester consents to the charge.

An organization that has a permanent office, but has no office hours, or very limited hours during certain times of the year, must make its documents available during those periods when office hours are limited, or not available, as though it were an organization without a permanent office.

Special rules relating to copies.

Time and place for providing copies in response to requests made in-person. A tax-exempt organization must:
- Provide copies of required documents under section 6104(d) in response to a request made in person at its principal, regional, and district offices during regular business hours.
- Provide such copies to a requester on the day the request is made, except for unusual circumstances (see below).

Unusual circumstances. In the case of an in-person request, where unusual circumstances exist so that fulfilling the request on the same business day causes an unreasonable burden to the tax-exempt organization, the organization must provide the copies no later than the next business day following the day that the unusual circumstances cease to exist, or the 5th business day after the date of the request, whichever occurs first.

Unusual circumstances include:
- Requests received that exceed the organization's daily capacity to make copies;
- Requests received shortly before the end of regular business hours that require an extensive amount of copying; or
- Requests received on a day when the organization's managerial staff capable of fulfilling the request is conducting special duties, such as student registration or attending an off-site meeting or convention, rather than its regular administrative duties.

Agents for providing copies. For rules relating to use of agents to provide copies, see Regulations sections 301.6104(d)-1(d)(1) and (2).

Request for copies in writing. A tax-exempt organization must honor a written request for a copy of documents (or the requested part) required under section 6104(d) if the request:

1. Is addressed to, and delivered by mail, electronic mail, facsimile, or a private delivery service, as defined in section 7502(f), to a principal, regional, or district office of the organization; and
2. Sets forth the address to which the copy of the documents should be sent.

Time and manner of fulfilling written requests.

IF the organization . .	THEN the organization
Receives a written request for a copy,	Must mail the copy of the requested documents (or the requested parts) within 30 days from the date it receives the request.
Mails the copy of the requested document,	Is deemed to have provided the copy on the postmark date or private delivery mark (if sent by certified or registered mail, the date of registration or the date of the postmark on the sender's receipt).
Requires payment in advance,	Is required to provide the copies within 30 days from the date it receives payment.
Receives a request or payment by mail,	Is deemed to have received it 7 days after the date of the postmark, absent evidence to the contrary.

Receives a request transmitted by electronic mail or facsimile,	Is deemed to have received it the day the request is transmitted successfully.
Receives a written request without payment or with an insufficient payment, when payment in advance is required,	Must notify the requester of the prepayment policy and the amount due within 7 days from the date of the request's receipt.
Receives consent from an individual making a request,	May provide a copy of the requested document exclusively by electronic mail (the material is provided on the date the organization successfully transmits the electronic mail).

Request for a copy of parts of a document. A tax-exempt organization must fulfill a request for a copy of the organization's entire application for tax exemption or annual information return or any specific part or schedule of its application or return. A request for a copy of less than the entire application or less than the entire return must specifically identify the requested part or schedule.

Fees for copies. A tax-exempt organization may charge a reasonable fee for providing copies.

Before the organization provides the documents, it may require that the individual requesting copies of the documents pay the fee. If the organization has provided an individual making a request with notice of the fee, and the individual does not pay the fee within 30 days, or if the individual pays the fee by check and the check does not clear upon deposit, the organization may disregard the request.

Form of payment—(A) Request made in person. If a tax-exempt organization charges a fee for copying, it must accept payment by cash and money order for requests made in person. The organization may accept other forms of payment, such as credit cards and personal checks.

(B) Request made in writing. If a tax-exempt organization charges a fee for copying and postage, it must accept payment by certified check, money order, and either personal check or credit card for requests made in writing. The organization may accept other forms of payment.

Avoidance of unexpected fees. Where a tax-exempt organization does not require prepayment and a requester does not enclose payment with a request, an organization must receive consent from a requester before providing copies for which the fee charged for copying and postage exceeds $20.

Documents to be provided by regional and district offices. Except as otherwise provided, a regional or district office of a tax-exempt organization must satisfy the same rules as the principal office with respect to allowing public inspection and providing copies of its application for tax exemption and annual information returns.

A regional or district office is not required, however, to make its annual information return available for inspection or to provide copies until 30 days after the date the return is required to be filed (including any extension of time that is granted for filing such return) or is actually filed, whichever is later.

Documents to be provided by local and subordinate organizations.

Applications for tax exemption. Except as otherwise provided, a tax-exempt organization that did not file its own application for tax exemption (because it is a local or subordinate organization covered by a group exemption letter) must, upon request, make available for public inspection, or provide copies of, the application submitted to the IRS by the central or parent organization to obtain the group exemption letter and those documents which were submitted by the central or parent organization to include the local or subordinate organization in the group exemption letter.

However, if the central or parent organization submits to the IRS a list or directory of local or subordinate organizations covered by the group exemption letter, the local or subordinate organization is required to provide only the application for the group exemption ruling and the pages of the list or directory that specifically refer to it. The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day. See Regulations section 301.6104(d)-1(f) for further information.

Annual information returns. A local or subordinate organization that does not file its own annual information return (because it is affiliated with a central or parent organization that files a group return) must, upon request, make available for public inspection, or provide copies of, the group returns filed by the central or parent organization.

However, if the group return includes separate schedules with respect to each local or subordinate organization included in the group return, the local or subordinate organization receiving the request may omit any schedules relating only to other organizations included in the group return.

The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day.

In a case where the requester seeks inspection, the local or subordinate organization may mail a copy of the applicable documents to the requester within the same time period instead of allowing an inspection. In such a case, the organization may charge the requester for copying and actual postage costs only if the requester consents to the charge.

If the local or subordinate organization receives a written request for a copy of its annual information return, it must fulfill the request by providing a copy of the group return in the time and manner specified in the paragraph earlier, *Request for copies in writing.*

The requester has the option of requesting from the central or parent organization, at its principal office, inspection or copies of group returns filed by the central or parent organization. The central or parent organization must fulfill such requests in the time and manner specified in the paragraphs, *Special rules relating to public inspection* and *Special rules relating to copies* earlier.

Failure to comply. If an organization fails to comply with the requirements specified in this paragraph, the penalty provisions of sections 6652(c)(1)(C), 6652(c)(1)(D), and 6685 apply.

Making applications and returns widely available. A tax-exempt organization is not required to comply with a request for a copy of its application for tax exemption or an annual information return if the organization has made the requested document widely available (see below).

An organization that makes its application for tax exemption and/or annual information return widely available must nevertheless make the document available for public inspection as required under Regulations section 301.6104(d)-1(a).

A tax-exempt organization makes its application for tax exemption and/or an annual information return widely available if the organization complies

with the Internet posting requirements and the notice requirements given below.

Internet posting. A tax-exempt organization can make its application for tax exemption and/or an annual information return widely available by posting the document on a World Wide Web page that the tax-exempt organization establishes and maintains or by having the document posted, as part of a database of similar documents of other tax-exempt organizations, on a World Wide Web page established and maintained by another entity. The document will be considered widely available only if:

- The World Wide Web page through which it is available clearly informs readers that the document is available and provides instructions for downloading it;
- The document is posted in a format that, when accessed, downloaded, viewed, and printed in hard copy, exactly reproduces the image of the application for tax exemption or annual information return as it was originally filed with the IRS, except for any information permitted by statute to be withheld from public disclosure; and
- Any individual with access to the Internet can access, download, view, and print the document without special computer hardware or software required for that format (other than software that is readily available to members of the public without payment of any fee) and without payment of a fee to the tax-exempt organization or to another entity maintaining the World Wide Web page.

Reliability and accuracy. In order for the document to be widely available through an Internet posting, the entity maintaining the World Wide Web page must have procedures for ensuring the reliability and accuracy of the document that it posts on the page and must take reasonable precautions to prevent alteration, destruction, or accidental loss of the document when posted on its page. In the event that a posted document is altered, destroyed, or lost, the entity must correct or replace the document.

Notice requirement. If a tax-exempt organization has made its application for tax exemption and/or an annual information return widely available, it must notify any individual requesting a copy where the documents are available (including the address on the World Wide Web, if applicable). If the request is made in person, the organization must provide such notice to the individual immediately. If the request is made in writing, the notice must be provided within 7 days of receiving the request.

Tax-exempt organization subject to harassment campaign. If the Director EO Examination (or designee) determines that the organization is being harassed, a tax-exempt organization is not required to comply with any request for copies that it reasonably believes is part of a harassment campaign.

Whether a group of requests constitutes a harassment campaign depends on the relevant facts and circumstances such as:

A sudden increase in requests; an extraordinary number of requests by form letters or similarly worded correspondence; hostile requests; evidence showing bad faith or deterrence of the organization's exempt purpose; prior provision of the requested documents to the purported harassing group; and a demonstration that the organization routinely provides copies of its documents upon request.

A tax-exempt organization may disregard any request for copies of all or part of any document beyond the first two received within any 30-day period or the first four received within any 1-year period from the same individual or the same address, regardless of whether the Director EO Examination (or designee) has determined that the organization is subject to a harassment campaign.

A tax-exempt organization may apply for a determination that it is the subject of a harassment campaign and that compliance with requests that are part of the campaign would not be in the public interest by submitting a signed application to the Director EO Examination (or designee) for the area where the organization's principal office is located.

In addition, the organization may suspend compliance with any request it reasonably believes to be part of the harassment campaign until it receives a response to its application for a harassment campaign determination. However, if the Director EO Examination (or designee) determines that the organization did not have a reasonable basis for requesting a determination that it was subject to a harassment campaign or reasonable belief that a request was part of the campaign, the officer, director, trustee, employee, or other responsible individual of the organization remains liable for any penalties for not providing the copies in a timely fashion. See Regulations section 301.6104(d)-3.

N. Disclosures Regarding Certain Information and Services Furnished

A section 501(c) organization that offers to sell or solicits money for specific information or for a routine service for any individual that could be obtained by such individual from a federal government agency free or for a nominal charge, must disclose that fact conspicuously when making such offer or solicitation. Any organization that intentionally disregards this requirement will be subject to a penalty for each day on which the offers or solicitations are made. The penalty imposed for a particular day is the greater of $1,000 or 50% of the total cost of the offers and solicitations made on that day that lacked the required disclosure (section 6711).

O. Disclosures Regarding Certain Transactions and Relationships

In their annual returns on Schedule A (Form 990 or 990-EZ), section 501(c)(3) organizations must disclose information regarding their direct or indirect transfers to, and other direct or indirect relationships with, other section 501(c) organizations (except other section 501(c)(3) organizations) or section 527 political organizations (section 6033(b)(9)). This provision helps prevent the diversion or expenditure of a section 501(c)(3) organization's funds for purposes not intended by section 501(c)(3). All section 501(c)(3) organizations must maintain records regarding all such transfers, transactions, and relationships. See also *General Instruction K* regarding penalties.

P. Intermediate Sanction Regulations—Excess Benefit Transactions

The intermediate sanction regulations are important to the exempt organization community as a whole, and for ensuring compliance in this area. The rules provide a roadmap by which an organization may steer clear of situations that may give rise to inurement.

Under section 4958, any disqualified person who benefits from an excess benefit transaction with an applicable tax-exempt organization is liable for a 25% tax on the excess benefit. The disqualified person is also liable for a 200% tax on the excess benefit if the excess benefit is not corrected by a certain date. Also, organization managers who participate in an excess

benefit transaction knowingly, willfully, and without reasonable cause are liable for a 10% tax on the excess benefit, not to exceed $20,000 for all participating managers on each transaction.

Applicable Tax-Exempt Organization

These rules only apply to certain applicable section 501(c)(3) and 501(c)(4) organizations. An *applicable tax-exempt organization* is a section 501(c)(3) or a section 501(c)(4) organization that is tax-exempt under section 501(a), or was such an organization at any time during a 5-year period ending on the day of the excess benefit transaction.

An applicable tax-exempt organization does not include:
- A private foundation as defined in section 509(a).
- A governmental entity that is exempt from (or not subject to) taxation without regard to section 501(a) or relieved from filing an annual return under Regulations section 1.6033-2(g)(6).
- Certain foreign organizations.

An organization is not treated as a section 501(c)(3) or 501(c)(4) organization for any period covered by a final determination that the organization was not tax-exempt under section 501(a), so long as the determination was not based on private inurement or one or more excess benefit transactions.

Disqualified Person

The vast majority of section 501(c)(3) or 501(c)(4) organization employees and contractors will not be affected by these rules. Only the few influential persons within these organizations are covered by these rules when they receive benefits, such as compensation, fringe benefits, or contract payments. The IRS calls this class of covered individuals disqualified persons.

A *disqualified person*, regarding any transaction, is any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization. This would include, for example, voting members of the governing body, and persons holding the power of:
- Presidents, chief executive officers, or chief operating officers.
- Treasurers and chief financial officers.

A *disqualified person* also includes certain family members of a disqualified person, and 35% controlled entities of a disqualified person.

The following persons are considered disqualified persons along with certain family members and 35% controlled entities associated with them:
- Donors of donor advised funds,
- Investment advisors of sponsoring organizations, and
- The disqualified persons of a section 509(a)(3) supporting organization for the organizations that organization supports.

Substantial contributors to supporting organizations are also considered disqualified persons along with their family members and 35% controlled entities.

See the Instructions for Form 4720, Schedule I for more information regarding these disqualified persons.

Who is not a disqualified person? The rules also clarify which persons are not considered to be in a position to exercise substantial influence over the affairs of an organization. They include:
- An employee who receives benefits that total less than the highly compensated amount ($100,000 in 2007) and who does not hold the executive or voting powers just mentioned; is not a family member of a disqualified person; and is not a substantial contributor;
- Tax-exempt organizations described in section 501(c)(3); and
- Section 501(c)(4) organizations with respect to transactions engaged in with other section 501(c)(4) organizations.

Who else may be considered a disqualified person? Other persons not described above can also be considered disqualified persons, depending on all the relevant facts and circumstances.

Facts and circumstances tending to show substantial influence:
- The person founded the organization.
- The person is a substantial contributor to the organization under the section 507(d)(2)(A) definition, only taking into account contributions to the organization for the past 5 years.
- The person's compensation is primarily based on revenues derived from activities of the organization that the person controls.
- The person has or shares authority to control or determine a substantial portion of the organization's capital expenditures, operating budget, or compensation for employees.
- The person manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.
- The person owns a controlling interest (measured by either vote or value) in a corporation, partnership, or trust that is a disqualified person.
- The person is a nonstock organization controlled directly or indirectly by one or more disqualified persons.

Facts and circumstances tending to show no substantial influence:
- The person is an independent contractor whose sole relationship to the organization is providing professional advice (without having decision-making authority) with respect to transactions from which the independent contractor will not economically benefit.
- The person has taken a vow of poverty.
- Any preferential treatment the person receives based on the size of the person's donation is also offered to others making comparable widely solicited donations.
- The direct supervisor of the person is not a disqualified person.
- The person does not participate in any management decisions affecting the organization as a whole or a discrete segment of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.

What about persons who staff affiliated organizations? In the case of multiple affiliated organizations, the determination of whether a person has substantial influence is made separately for each applicable tax-exempt organization. A person may be a disqualified person with respect to transactions with more than one organization.

Excess Benefit Transaction

An *excess benefit transaction* is a transaction in which an economic benefit is provided by an applicable tax-exempt organization, directly or indirectly, to or for the use of any disqualified person, and the value of the economic benefit provided by the organization exceeds the value of the consideration (including the performance of services) received for providing such benefit. An excess benefit transaction also can occur when a disqualified person embezzles from the exempt organization.

To determine whether an excess benefit transaction has occurred, all consideration and benefits exchanged between a disqualified person and the applicable tax-exempt organization, and all entities it controls, are taken into account.

For purposes of determining the value of economic benefits, the value of property, including the right to use property, is the fair market value. Fair market value is the price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

Donor advised funds. For a donor advised fund, an excess benefit transaction includes a grant, loan, compensation, or similar payment from the fund to a:

- Donor or donor advisor,
- Family member of a donor, or donor advisor,
- 35% controlled entity of a donor, or donor advisor, or
- 35% controlled entity of a family member of a donor, or donor advisor.

The excess benefit in this transaction is the amount of the grant, loan, compensation, or similar payment. For additional information see the Instructions for Form 4720.

Supporting organizations. For any supporting organization, defined in section 509(a)(3), an excess benefit transaction includes grants, loans, compensation, or similar payment provided by the supporting organization to a:

- Substantial contributor,
- Family member of a substantial contributor,
- 35% controlled entity of a substantial contributor, or
- 35% controlled entity of a family member of a substantial contributor.

Additionally, an excess benefit transaction includes any loans provided by the supporting organization to a disqualified person (other than an organization described in section 509(a)(1), (2), or (4)).

A substantial contributor is any person who contributed or bequeathed an aggregate of more than $5,000 to the organization, if that amount is more than 2% of the total contributions and bequests received by the organization before the end of the tax year of the organization in which the contribution or bequest is received by the organization from such person. A substantial contributor includes the grantor of a trust.

The excess benefit for substantial contributors and parties related to those contributors includes the amount of the grant, loan, compensation, or similar payment. For additional information see the Instructions for Form 4720.

When does an excess benefit transaction usually occur? An excess benefit transaction occurs on the date the disqualified person receives the economic benefit from the organization for federal income tax purposes. However, when a single contractual arrangement provides for a series of compensation payments or other payments to a disqualified person during the disqualified person's tax year, any excess benefit transaction with respect to these payments occurs on the last day of the taxpayer's tax year.

In the case of the transfer of property subject to a substantial risk of forfeiture, or in the case of rights to future compensation or property, the transaction occurs on the date the property, or the rights to future compensation or property, is not subject to a substantial risk of forfeiture. Where the disqualified person elects to include an amount in gross income in the tax year of transfer under section 83(b), the excess benefit transaction occurs on the date the disqualified person receives the economic benefit for federal income tax purposes.

Section 4958 applies only to post-September 1995 transactions. Section 4958 applies to excess benefit transactions occurring on or after September 14, 1995. Section 4958 does not apply to any transaction occurring pursuant to a written contract that was binding on September 13, 1995, and at all times thereafter before the transaction occurs.

What is reasonable compensation? *Reasonable compensation* is the valuation standard that is used to determine if there is an excess benefit in the exchange of a disqualified person's services for compensation.

Reasonable compensation is the value that would ordinarily be paid for like services by like enterprises under like circumstances. This is the section 162 standard that will apply in determining the reasonableness of compensation. The fact that a bonus or revenue-sharing arrangement is subject to a cap is a relevant factor in determining the reasonableness of compensation.

For determining the reasonableness of compensation, all items of compensation provided by an applicable tax-exempt organization in exchange for the performance of services are taken into account in determining the value of compensation (except for certain economic benefits that are disregarded, as discussed in *What benefits are disregarded?* later). Items of compensation include:

- All forms of cash and noncash compensation, including salary, fees, bonuses, severance payments, and deferred and noncash compensation.
- The payment of liability insurance premiums for, or the payment or reimbursement by the organization of taxes or certain expenses under section 4958, unless excludable from income as a *de minimis* fringe benefit under section 132(a)(4). (A similar rule applies in the private foundation area.) Inclusion in compensation for purposes of determining reasonableness under section 4958 does not control inclusion in income for income tax purposes.
- All other compensatory benefits, whether or not included in gross income for income tax purposes.
- Taxable and nontaxable fringe benefits, except fringe benefits described in section 132.
- Foregone interest on loans.

Written intent required to treat benefits as compensation. An economic benefit is not treated as consideration for the performance of services unless the organization providing the benefit clearly indicates its intent to treat the benefit as compensation when the benefit is paid.

An applicable tax-exempt organization (or entity that it controls) is treated as clearly indicating its intent to provide an economic benefit as compensation for services only if the organization provides written substantiation that is contemporaneous with the transfer of the economic benefits under consideration. Ways to provide contemporaneous written substantiation of its intent to provide an economic benefit as compensation include:

- The organization produces a signed written employment contract;
- The organization reports the benefit as compensation on an original Form W-2, Form 1099 or Form 990, or on an amended form filed prior to the start of an IRS examination; or
- The disqualified person reports the benefit as income on the person's original Form 1040 or on an amended form filed prior to the start of an IRS examination.

Exception. To the extent the economic benefit is excluded from the disqualified person's gross income for income tax purposes, the applicable tax-exempt organization is not required to indicate its intent to provide an economic benefit as compensation for services. (For example, employer provided health benefits, and contributions to qualified plans under section 401(a).)

What benefits are disregarded? The following economic benefits are disregarded for purposes of section 4958.

- Nontaxable fringe benefits. An economic benefit that is excluded from income under section 132.
- Benefits to volunteer. An economic benefit provided to a volunteer for the organization if the benefit is provided to the general public in exchange for a membership fee or contribution of $75 or less per year.
- Benefits to members or donors. An economic benefit provided to a member of an organization due to the payment of a membership fee, or to a donor as a result of a deductible contribution, if a significant number of nondisqualified persons make similar payments or contributions and are offered a similar economic benefit.
- Benefits to a charitable beneficiary. An economic benefit provided to a person solely as a member of a charitable class that the applicable tax-exempt organization intends to benefit as part of the accomplishment of its exempt purpose.
- Benefits to a governmental unit. A transfer of an economic benefit to or for the use of a governmental unit, as defined in section 170(c)(1), if exclusively for public purposes.

Is there an exception for initial contracts? Section 4958 does not apply to any fixed payment made to a person pursuant to an initial contract. This is a very important exception, since it would potentially apply, for example, to all initial contracts with new, previously unrelated officers and contractors.

An *initial contract* is a binding written contract between an applicable tax-exempt organization and a person who was not a disqualified person immediately prior to entering into the contract.

A *fixed payment* is an amount of cash or other property specified in the contract, or determined by a fixed formula that is specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property.

A *fixed formula* may, in general, incorporate an amount that depends upon future specified events or contingencies, as long as no one has discretion when calculating the amount of a payment or deciding whether to make a payment (such as a bonus).

Treatment as new contract. A binding written contract providing that it may be terminated or cancelled by the applicable tax-exempt organization without the other party's consent (except as a result of substantial non-performance) and without substantial penalty, is treated as a new contract, as of the earliest date that any termination or cancellation would be effective. Also, a contract in which there is a material change, which includes an extension or renewal of the contract (except for an extension or renewal resulting from the exercise of an option by the disqualified person), or a more than incidental change to the amount payable under the contract, is treated as a new contract as of the effective date of the material change. Treatment as a new contract may cause the contract to fall outside the initial contract exception, and it thus would be tested under the fair market value standards of section 4958.

Rebuttable Presumption of Reasonableness

Payments under a compensation arrangement are presumed to be reasonable and the transfer of property (or right to use property) is presumed to be at fair market value, if the following three conditions are met.

1. The transaction is approved by an authorized body of the organization (or an entity it controls) which is composed of individuals who do not have a conflict of interest concerning the transaction.
2. Prior to making its determination, the authorized body obtained and relied upon appropriate data as to comparability. There is a special safe harbor for small organizations. If the organization has gross receipts of less than $1 million, appropriate comparability data includes data on compensation paid by three comparable organizations in the same or similar communities for similar services.
3. The authorized body adequately documents the basis for its determination concurrently with making that determination. The documentation should include:

a. The terms of the approved transaction and the date approved;

b. The members of the authorized body who were present during debate on the transaction that was approved and those who voted on it;

c. The comparability data obtained and relied upon by the authorized body and how the data was obtained;

d. Any actions by a member of the authorized body having a conflict of interest; and

e. Documentation of the basis for the determination before the later of the next meeting of the authorized body or 60 days after the final actions of the authorized body are taken, and approval of records as reasonable, accurate and complete within a reasonable time thereafter.

Special rebuttable presumption rule for nonfixed payments. As a general rule, in the case of a nonfixed payment, no rebuttable presumption arises until the exact amount of the payment is determined, or a fixed formula for calculating the payment is specified, and the three requirements creating the presumption have been satisfied. However, if the authorized body approves an employment contract with a disqualified person that includes a nonfixed payment (for example, discretionary bonus) with a specified cap on the amount, the authorized body may establish a rebuttable presumption as to the nonfixed payment when the employment contract is entered into by, in effect, assuming that the maximum amount payable under the contract will be paid, and satisfying the requirements giving rise to the rebuttable presumption for that maximum amount.

An IRS challenge to the presumption of reasonableness. The Internal Revenue Service may refute the presumption of reasonableness only if it develops sufficient contrary evidence to rebut the probative value of the comparability data relied upon by the authorized body. This provision gives taxpayers added protection if they faithfully find and use contemporaneous persuasive comparability data when they provide the benefits.

Organizations that do not establish a presumption of reasonableness. An organization may still comply with section 4958 even if it did not establish a presumption of reasonableness. In some cases, an organization may find it impossible or impracticable to fully implement each step of the rebuttable presumption process described above. In such cases, the organization should try to implement as many steps as possible, in whole or in part, in order to substantiate the reasonableness of benefits as timely and as well as possible. If an organization does not satisfy the requirements of the rebuttable presumption of reasonableness, a facts and circumstances approach will be followed, using established rules for determining reasonableness of compensation and benefit deductions in a manner similar to the established procedures for section 162 business expenses.

Section 4958 Taxes

Tax on disqualified persons. An excise tax equal to 25% of the excess benefit is imposed on each excess benefit transaction between an applicable tax-exempt organization and a disqualified person. The disqualified person who benefited from the transaction is liable for the tax. If the 25% tax is imposed and the excess benefit transaction is not corrected within the taxable period, an additional

excise tax equal to 200% of the excess benefit is imposed.

If a disqualified person makes a payment of less than the full correction amount, the 200% tax is imposed only on the unpaid portion of the correction amount. If more than one disqualified person received an excess benefit from an excess benefit transaction, all such disqualified persons are jointly and severally liable for the taxes.

To avoid the imposition of the 200% tax, a disqualified person must correct the excess benefit transaction during the taxable period. The taxable period begins on the date the transaction occurs and ends on the earlier of the date the statutory notice of deficiency is issued or the section 4958 taxes are assessed. This 200% tax may be abated if the excess benefit transaction subsequently is corrected during a 90-day correction period.

Tax on organization managers. An excise tax equal to 10% of the excess benefit may 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 may not 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 may 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 is not 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 such facts, the transaction would be an excess benefit transaction. Knowing does not mean having reason to know. The organization manager ordinarily will not 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 is not required to rescind the underlying agreement; however, the parties may need to modify an ongoing contract with respect to 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 may 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 in *Donor advised funds* (discussed earlier), no amount repaid in a manner prescribed by the Secretary may be held in a donor advised fund.

Property. With the agreement of the applicable tax-exempt organization, a disqualified person may 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 fair market value of the property on the date the property is returned to the organization, or
- The fair market value 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 may make a cash payment to the disqualified person equal to the 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 Service issues new regulations for this reserved section on revenue-sharing transactions, these transactions will be evaluated under the general rules (for example, the fair market value standards) that apply to all contractual arrangements between applicable tax-exempt organizations and their disqualified persons.

Revocation of Exemption and Section 4958

Section 4958 does not affect the substantive standards for tax exemption under section 501(c)(3) or section 501(c)(4), 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 four factors will be considered in determining whether to revoke an applicable tax-exempt organization's exemption status where an excess benefit transaction has occurred:

- Whether the organization has been involved in repeated excess benefit transactions;

- The size and scope of the excess benefit transaction;
- Whether, after concluding that it has been party to an excess benefit transaction, the organization has implemented safeguards to prevent future recurrences; and
- Whether there was compliance with other applicable laws.

Q. Erroneous Backup Withholding

Recipients of dividend or interest payments generally must certify their correct taxpayer identification number to the bank or other payer on Form W-9. If the payer does not get this information, it must withhold part of the payments as backup withholding. If the organization was subject to erroneous backup withholding because the payer did not realize it was an exempt organization and not subject to this withholding, it can claim credit on Form 990-T for the amount withheld. See the Instructions for Form 990-T. Claims for refund must be filed within 3 years after the date the original return was due; 3 years after the date the organization filed it; or 2 years after the date the tax was paid, whichever is later.

R. Group Return

If a parent organization wants to file a group return for two or more of its subsidiaries, it must use Form 990. The parent organization cannot use a Form 990-EZ for the group return.

A central, parent, or like organization can file a group return on Form 990 for two or more local organizations that are:

1. Affiliated with the central organization at the time its annual accounting period ends,
2. Subject to the central organization's general supervision or control,
3. Exempt from tax under a group exemption letter that is still in effect, and
4. Have the same accounting period as the central organization.

If the parent organization is required to file a return for itself, it must file a separate return and may not be included in the group return. See *General Instruction B* for a list of organizations not required to file.

Every year, each local organization must authorize the central organization in writing to include it in the group return and must declare, under penalty of perjury, that the authorization and the information it submits to be included in the group return are true and complete.

If the central organization prepares a group return for its affiliated organizations, check the "Yes" box in item H(a), in the heading of Form 990, and indicate the number of organizations for which the group return is filed in item H(b).

For item H(c), check "Yes," to indicate that the group return includes all affiliated organizations covered by the group ruling. If the organization answers "No" to H(c), attach a list showing the name, address, and EIN of each affiliated organization included in the group return. If either box in H(a) or H(d) is checked "Yes," enter the four-digit group exemption number (GEN). Do not confuse the four-digit GEN number to be reported for item I with the nine-digit EIN number reported in item D of the form's heading.

The central organization should send the annual information required to maintain a group exemption letter to the:

Department of Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

An affiliated organization covered by a group ruling may file a separate return instead of being included in the group return. In such case, check the "Yes" box in item H(d), in the heading of Form 990, and enter the GEN number in item I.

Parts IV-A and IV-B of Form 990 do not have to be completed on group returns.

S. Organizations in Foreign Countries and U.S. Possessions

Refer to *General Instruction B* for the filing exemption for foreign organizations with $25,000 or less in gross receipts from U.S. sources.

Report amounts in U.S. dollars and state what conversion rate the organization uses. Combine amounts from within and outside the United States and report the total for each item. All information must be written in English.

T. Public Interest Law Firms

A public interest law firm exempt under section 501(c)(3) or 501(c)(4) must attach a statement that lists the cases in litigation, or that have been litigated during the year. For each case, describe the matter in dispute and explain how the litigation will benefit the public generally. Also attach a report of all fees sought and recovered in each case. See Rev. Proc. 92-59, 1992-2 C.B. 411.

U. Political Organizations

A *political organization* subject to section 527 is a party, committee, association, fund, or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function.

The *exempt function* of a political organization is influencing or attempting to influence the selection, nomination, election or appointment of an individual to a federal, state, or local public office or office in a political organization. A political organization must be organized for the primary purpose of carrying on exempt function activities.

A political organization does not need to be formally chartered or established as a corporation, trust, or association. A separate bank account in which political campaign funds are deposited and disbursed only for political campaign expenses can qualify as a political organization.

V. Information Regarding Transfers Associated With Personal Benefit Contracts

Filers of Form 990 that engaged in activities involving personal benefit contracts must declare in *Part X, Information Regarding Transfers Associated With Personal Benefit Contracts*, whether or not they:

1. Received any funds, directly or indirectly, to pay premiums on a personal benefit contract.
2. Paid any premiums, directly or indirectly, on a personal benefit contract.

CAUTION *Filers of Form 990-EZ must make this declaration in a statement attached to their form.*

If premiums were paid on a personal benefit contract, the organization must report these payments on Form 8870 and pay an excise tax, equal to premiums paid, with Form 4720.

Section 170(f)(10)(F)(iii) requires a charitable organization to report annually its premium payments on a personal benefit contract with respect to a transferor and to identify the beneficiaries of those contracts. A transferor of funds to a charitable organization receives no charitable contribution deduction if the organization, directly or indirectly, pays, or has previously paid, any premium on a personal benefit contract with respect to the transferor, or there is an understanding or expectation that any person will directly or indirectly pay any premium on a personal benefit contract

with respect to the transferor (section 170(f)(10)(A)).

A *personal benefit contract,* generally, is any life insurance, annuity, or endowment contract that benefits, directly or indirectly, the transferor, a member of the transferor's family, or any other person designated by the transferor (other than an organization described in section 170(c)). A charitable organization is an organization described in section 170(c).

Section 170(f)(10)(F)(i) imposes on a charitable organization an excise tax equal to the premiums paid by the organization on any personal benefit contract, if the payment of premiums is in connection with a transfer for which a deduction is not allowed under section 170(f)(10)(A). For purposes of this excise tax, section 170(f)(10)(F)(ii) provides that premium payments made by any other person, pursuant to an understanding or expectation described in section 170(f)(10)(A), are treated as made by the charitable organization.

For more information on the reporting requirements of section 170(f)(10), see Notice 2000-24, 2000-17 I.R.B. 952 (2000-1 C.B. 952) and Announcement 2000-82, 2000-42 I.R.B. 385 (2000-2 C.B. 385).

W. Prohibited Tax Shelter Transactions and Related Disclosure Requirements

New section 4965 imposes an excise tax on:

- Certain tax-exempt entities that are a party to a prohibited tax shelter transaction, and
- Any entity manager who approves or otherwise causes the entity to be a party to a prohibited tax shelter transaction and knows or has reason to know that the transaction is a prohibited tax shelter transaction.

Additionally, section 6033 provides new disclosure requirements on a tax-exempt entity that is a party to a prohibited tax shelter transaction. See Form 8886-T and it's instructions for more information.

Tax-exempt entities. Tax-exempt entities that are subject to section 4965 include:

1. Entities described in section 501(c), including but not limited to the following common types of entities:
   a. Instrumentalities of the United States described in section 501(c)(1);
   b. Churches, hospitals, museums, schools, scientific research organizations, and other charities described in section 501(c)(3);
   c. Civic leagues, social welfare organizations, and local associations of employees described in section 501(c)(4);
   d. Labor, agricultural, or horticultural organizations described in section 501(c)(5);
   e. Business leagues, chambers of commerce, trade associations, and other organizations described in section 501(c)(6);
   f. Voluntary employees' beneficiary associations (VEBAs) described in section 501(c)(9);
   g. Credit unions described in section 501(c)(14);
   h. Insurance companies described in section 501(c)(15); and
   i. Veterans' organizations described in section 501(c)(19).
2. Religious or apostolic associations or corporations described in section 501(d).
3. Entities described in section 170(c), including states, possessions of the United States, the District of Columbia, political subdivisions of states, and political subdivisions of possessions of the United States (but not including the United States).
4. Indian tribal governments within the meaning of section 7701(a)(40).

Definition of a party to a prohibited tax shelter transaction. A tax-exempt entity is a party to a transaction if it:

- Facilitates the transaction by reason of its tax-exempt, tax-indifferent, or tax-favored status, or
- Enters into a listed transaction and the tax-exempt entity's return (original or amended) reflects a reduction or elimination of liability for applicable federal employment, excise, or unrelated business income taxes that is derived directly or indirectly from tax consequences or tax strategy described in the published guidance that lists the transaction; or
- Is identified in published guidance by type, class, or role as party to a prohibited tax shelter transaction.

Entity manager. An *entity manager* is any person with authority or responsibility similar to that exercised by an officer, director, or trustee, and, for any act, the person that has final authority or responsibility with respect to such act.

Prohibited tax shelter transaction. Generally, a prohibited tax shelter transaction is a transaction that is a listed transaction (including subsequently listed transaction), a confidential transaction, or a transaction with contractual protection. See definitions of these terms later.

Note. In general, if the IRS determines by published guidance that a transaction will be excluded from the definition of listed transaction, confidential transaction, or transaction with contractual protection, the transaction will not be considered a prohibited tax shelter transaction.

Listed transaction. A listed transaction is a transaction that is the same as or substantially similar to any of the types of transactions that the IRS has determined to be a tax avoidance transaction and are identified by notice, regulation, or other form of published guidance as a listed transaction. For existing guidance see:

- Notice 2004-67, 2004-41 I.R.B. 600;
- Notice 2005-13, 2005-9 I.R.B. 630; and
- Notice 2007-57, 2007-29 I.R.B. 87.

For updates to this list go to the IRS web page at *www.irs.gov/businesses/corporations* and click on *Abusive Tax Shelters and Transactions.* The IRS may issue new or update the existing notice, regulation, announcement, or other forms of published guidance that identify transactions as listed transactions. You can find a notice or ruling in the Internal Revenue Bulletin at *www.irs.gov/pub/irs-irbs/irbXX-YY.pdf*, where XX is the two-digit year and YY is the two-digit bulletin number. For example, you can find Notice 2004-67, 2004-41 I.R.B. 600, at *www.irs.gov/pub/irs-irbs/irb04-41.pdf.*

Subsequently listed transaction. A subsequently listed transaction is a transaction that is identified in published guidance as a listed transaction after the tax-exempt entity has entered into the transaction and that was not a confidential transaction or transaction with contractual protection at the time the entity entered into the transaction. See section 4965(e)(2) for more information.

Substantially similar. A transaction is substantially similar to another transaction if it is expected to obtain the same or similar types of tax consequences and is either factually similar or based on the same or similar tax strategy. Receipt of an opinion regarding the tax consequences of the transaction is not relevant to the determination of whether the transaction is the same as or substantially similar to another transaction. Further, the term substantially similar must be broadly construed in favor of disclosure. See Regulations section 1.6011-4(c)(4) for examples.

Confidential transaction. A confidential transaction is a transaction this is offered under conditions of confidentiality and for which a minimum fee (defined below) was paid. A transaction is considered to be offered

under conditions of confidentiality if the advisor places a limitation on disclosure of the tax treatment or tax structure of the transaction and the limitation on disclosure protects the confidentiality of the advisor's tax strategies. The transaction is treated as confidential even if the conditions of confidentiality are not legally binding. See Regulations section 1.6011-4(b)(3) for more information.

Minimum fee. For a corporation, or a partnership or trust in which all of the owners or beneficiaries are corporations (looking through any partners or beneficiaries that are themselves partners or trusts), the minimum fee is $250,000. For all others, the minimum fee is $50,000. The minimum fee includes all fees paid directly or indirectly for the tax strategy, advice or analysis of the transaction (whether or not related to the tax consequences of the transaction), implementation and documentation of the transaction, and tax preparation fees to the extent they exceed customary return preparation fees. Fees do not include amounts paid to a person, including an advisor, in that person's capacity as a party to the transaction.

Transaction with contractual protection. A transaction with contractual protection is a transaction for which a participant (or related party as defined under section 267(b) or 707(b)) has the right to a full refund or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained. It also includes a transaction for which fees are contingent on the realization of tax benefits from the transaction. For exceptions and other details, see Regulations section 1.6011-4(b)(4) and Rev. Proc. 2007-20, 2007-7 I.R.B. 517.

Entity-Level Excise Tax

For Form 990 and 990-EZ filers, section 4965(a)(1) imposes an entity level excise tax for each taxable year that the tax-exempt entity is a party to a prohibited tax shelter transaction and has net income or proceeds attributable to the transaction which are properly allocable to that taxable year. The amount of the excise tax depends on whether the tax-exempt entity knew or had reason to know that the transaction was a prohibited tax shelter transaction at the time it became a party to the transaction.

To figure and report the excise tax imposed on a tax-exempt entity for being a party to a prohibited tax shelter transaction, file Form 4720.

For more information about this excise tax including information about how it is figured, see the Instructions for Form 4720.

Required Disclosure

Certain tax-exempt entities are required to file disclosure information of:

- Such entity being a party to any prohibited tax shelter transaction, and
- The identity of any other known party to the prohibited tax shelter transaction.

Use Form 8886-T to report the disclosure. Entities that fail to file the required disclosure are subject to a nondisclosure penalty of $100 for each day the failure continues with a maximum penalty for any one disclosure of $50,000.

Also, if the IRS makes a written demand on any entity subject to this penalty, giving the entity a reasonable date to make the disclosure and the entity fails to make disclosure by that date, the entity is subject to a penalty of $100 for each day after the date specified by the IRS until disclosure is made (with a maximum penalty for any one disclosure of $10,000). See Instructions for Form 8886-T for more information.

Excise Tax on Entity Managers

Section 4965(a)(2) imposes an excise tax on any tax-exempt entity manager who approves or otherwise causes the entity to be a party to a prohibited tax shelter transaction and knows (or has reason to know) that the transaction is a prohibited tax shelter transaction. The excise tax, in the amount of $20,000, is assessed for each approval or other act causing the organization to be a party to the prohibited tax shelter transaction. To report this tax, file Form 4720.

X. Requirements for a Properly Completed Form 990 or Form 990-EZ

Public inspection. In general, all information the organization reports on or with its Form 990, or Form 990-EZ, including attachments, will be available for public inspection. Note, however, the public inspection rules for the Schedule B (Form 990, 990-EZ, or 990-PF), a required attachment for organizations that file Form 990 or Form 990-EZ. Make sure the forms and attachments are clear enough to photocopy legibly.

Signature. To make the return complete, an officer of the organization authorized to sign it must sign in the space provided. For a corporation, or association, this officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate or association officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation or association. For a trust, the authorized trustee(s) must sign.

The paid preparer must:

- Sign the return in the space provided for the preparer's signature.
- Enter the preparer's social security number (SSN), preparer tax identification number (PTIN), or employer identification number (EIN), only if the Form 990, or Form 990-EZ, is for a section 4947(a)(1) nonexempt charitable trust that is not filing Form 1041.
- Complete the required preparer information.
- Give a copy of the return to the organization.

Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

Recordkeeping. The organization's records should be kept for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must be kept for 3 years from the date the return is due or filed, whichever is later. Keep records that verify the organization's basis in property for as long as they are needed to figure the basis of the original or replacement property.

The organization should also keep copies of any returns it has filed. They help in preparing future returns and in making computations when filing an amended return.

Rounding off to whole dollars. The organization may round off cents to whole dollars on the return and schedules. If the organization does round to whole dollars, it must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, $1.39 becomes $1 and $2.50 becomes $3.

If the organization has to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Completing all lines. Unless the organization is permitted to use certain DOL forms or Form 5500 as partial substitutes for Form 990, or Form 990-EZ (see *General Instruction F*), do not leave any applicable lines blank or attach any other forms or schedules instead of entering the required information on the appropriate line on Form 990 or Form 990-EZ.

Some parts of the Form 990 (for example, Line 51 or Line 75) require the organization to acquire information from certain persons regarding their

relationships with each other and with other organizations. The organization is not required to provide information about such business relationships if it is unable to secure the information after making a reasonable effort to obtain it; in such case, the organization shall (in response to the question) report the efforts undertaken. An example of a reasonable effort is for the Form 990 preparer or an officer eligible to sign the Form 990 to distribute a questionnaire annually to each officer, director, trustee, and key employee listed in Part V-A; each highest compensated employee listed in Schedule A, Part I; and each highest compensated professional and other independent contractor listed in Schedule A, Parts II-A and II-B. The questionnaire should require the name and title, date, and signature of each person reporting this information. The questionnaire should contain the pertinent definitions set out in the instructions.

Assembling Form 990 or Form 990-EZ. Before filing the Form 990, or Form 990-EZ, assemble the package of forms and attachments in the following order:

- Form 990 or Form 990-EZ.
- Schedule A (Form 990 or 990-EZ). The requirement to attach Schedule A (Form 990 or 990-EZ) applies to all section 501(c)(3) organizations and all section 4947(a)(1) nonexempt charitable trusts that file Form 990 or Form 990-EZ.
- Schedule B (Form 990, 990-EZ, or 990-PF).
- Attachments to Form 990 or Form 990-EZ.
- Attachments to Schedule A (Form 990 or 990-EZ).
- Attachments to Schedule B (Form 990, 990-EZ, or 990-PF).

Attachments. Use the schedules on the official form unless more space is needed. If the organization uses attachments, the attachments must:

1. Show the form number and tax year;
2. Show the organization's name and EIN;
3. Identify clearly the Part or line(s) to which the attachments relate;
4. Include the information required by the form and use the same format as the form;
5. Follow the same Part and line sequence as the form; and
6. Be on the same size paper as the form.

☑ Checklist for a Properly Completed Return

_____	Complete Schedule A (Form 990 or 990-EZ) if the organization is a section 501(c)(3), 501(e), (f), (k), or (n) organization or a section 4947(a)(1) nonexempt charitable trust.
_____	Complete Schedule A (Form 990 or 990-EZ), Part IV-A, *Support Schedule*, if the organization is required to check a box on line 10, 11a, 11b, or 12 of Part IV of Schedule A.
_____	File Form 990 instead of Form 990-EZ if the organization's gross receipts are $100,000 or more or total assets at the end of the year are $250,000 or more, or the organization is a sponsoring organization, or controlling organization under section 512(b)(13).
_____	Indicate the correct tax year in the heading of the form.
_____	Have an officer of the organization sign the return.
_____	Complete all Balance Sheet columns (Part IV (and IV-A and IV-B) of Form 990; Part II of Form 990-EZ). Indicate "N/A" if a line, column, or Part does not apply. Indicate too, on the applicable line, if a schedule is attached. Do not substitute another balance sheet instead of completing the Part II Balance Sheet of Form 990-EZ.
_____	Attach all required pages and schedules to the return. Include a list of subordinates if filing a group return.
_____	Double-check the accuracy of the organization's EIN, tax period, and group exemption number (GEN), if applicable.
_____	Indicate the correct 501(c) subsection under which the organization is tax-exempt. If there has been a change, attach a copy of the latest determination letter. If the letter is unavailable, attach a description of the organization's primary exempt purpose.
_____	Be aware that the Form 990, Form 990-EZ, the Schedule A (Form 990 or 990-EZ), and the attachments to be filed with these forms, are publicly disclosable. Note, however, the specific public inspection rules in the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF).

_____ Section 501(c)(3) organizations required to complete lines 26, 27, or 28 of Schedule A (Form 990 or 990-EZ) must prepare lists for their own records to substantiate amounts on those lines. These lists are not to be filed with the return.

_____ Do not check the *Termination* box in the heading of the Form 990 or 990-EZ unless the organization has ceased operations.

Specific Instructions for Form 990

See also the *General Instructions* that apply to both Form 990 and Form 990-EZ.

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Completing the Heading of Form 990

The instructions that follow are keyed to items in the heading for Form 990.

Item A. Accounting Period

File the 2007 return for calendar year 2007 and fiscal years that begin in 2007 and end in 2008. For a fiscal year return, fill in the tax year space at the top of page 1. See *General Instruction G* for additional information on accounting periods and methods.

Item B. Checkboxes

Address change, name change, and initial return. Check the appropriate box if the organization changed its address since it filed its previous return, or if this is the first time the organization is filing either a Form 990 or a Form 990-EZ.

If the tax-exempt organization has changed its name, attach the following documents:

IF the organization is .	THEN attach . . .
A corporation	Amendments to the articles of incorporation with proof of filing with the state of incorporation.
A trust	Amendments to the trust agreement signed by the trustee.
An association	Amendments to the articles of association, constitution, bylaws, or other organizing document, with the signatures of at least two officers/members.

Final return and Amended return. Organizations should file final returns when they cease to be section 501(a) organizations or section 527 organizations; for example, when they cease operations and dissolve. See the instructions for line 79 that discuss liquidations, dissolutions, terminations, or substantial contractions.

If the return is an amended return, check the box. There are amended return requirements when filing with a state. See *General Instructions E* and *J*.

Application pending. If the organization's application for exemption is pending, check this box and complete the return.

Item C. Name and Address

If the organization operates under a name different from its legal name, give the legal name of the organization but identify its alternate name, after the legal name, by writing "aka" (also known as) and the alternate name of the organization. However, if the organization has changed its name, follow the instructions for *Name change* in *Item B — Checkboxes.*

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

For foreign addresses, enter information in the following order: city, province or state, and the name of the country. Follow the foreign country's practice in placing the postal code in the address. Please do not abbreviate the country name.

If a change in address occurs after the return is filed, use Form 8822 to notify the IRS of the new address.

Item D. Employer Identification Number

The organization should have only one federal employer identification number (EIN). If it has more than one and has not been advised which to use, notify the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

State what numbers the organization has, the name and address to which each number was assigned, and the address of its principal office. The IRS will advise the organization which number to use.

- A section 501(c)(9) voluntary employees' beneficiary association must use its own EIN and not the EIN of its sponsor.
- A disregarded entity, as described in Regulations sections 301.7701-1 through 301.7701-3, however, may use the EIN of the organization in Part IX if the disregarded entity does not have its own EIN. See *General Instruction A* and the instructions for Part IX.

Item E. Telephone Number

Enter a telephone number of the organization that members of the public and government regulators may use during normal business hours to obtain information about the organization's finances and activities. If the organization does not have a telephone number, enter the telephone number of an organization official who can provide such information.

Item F. Accounting Method

An organization must indicate the method of accounting used in preparing this return. See *General Instruction G.*

Item G. Website

Show the organization's website address if a website is available. Otherwise, write "N/A" (not applicable). Consider adding the organization's email address to its website.

Item H. Group Return, etc.

See *General Instruction R.* Attach the required list, if applicable, or the organization will be contacted later for the missing information.

Item I. Group Exemption Number

The group exemption number (GEN) is a number assigned by the IRS to the central/parent organization of a group that has a group ruling.

Enter the four-digit group exemption number if "Yes" was checked in item H(a) and H(d). Contact the central/parent organization if the organization is unsure of the GEN assigned.

Item J. Organization Type

If the organization is exempt under section 501(c), check the applicable box and insert, within the parentheses, the number that identifies the type of section 501(c) organization the filer is. See the chart in *General Instruction C.* The term section 501(c)(3) includes organizations exempt under sections 501(e), (f), (k), and (n). Check the applicable box if the organization is a section 527 political organization. See *General Instruction U.*

If the organization is a section 4947(a)(1) nonexempt charitable trust, check the applicable box. Note also the discussion regarding Schedule A (Form 990 or 990-EZ) and Form 1041 in *General Instruction D* and the instructions to line 92 of Form 990.

Item K. Gross Receipts of $25,000 or Less

Check this box if the organization is not a section 509(a)(3) supporting organization and its gross receipts are normally not more than $25,000, but the organization chooses to file Form 990. If the organization chooses to file Form 990, be sure to file a complete return. For a discussion on gross receipts for this purpose, see *General Instruction B.* Also, see *General Instruction X* for a discussion on a complete return.

CAUTION *To figure if a section 501(c)(15) organization qualifies for tax exemption for the year, see the definition of gross receipts for section 501(c)(15) purposes under* Section 501(c)(15) Organizations *in* General Instruction A. *Do not use the section 501(c)(15) definition of gross receipts to figure if the organization's gross receipts are normally $25,000 or less.*

Item L. Figuring Gross Receipts

The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses. See the gross receipts discussion in *General Instruction B.*

CAUTION *To figure if a section 501(c)(15) organization qualifies for tax exemption for the year, see the definition of gross receipts for section 501(c)(15) purposes under* Section 501(c)(15) Organizations *in* General Instruction A. *Do not use the section 501(c)(15) definition of gross receipts to figure the amount to enter here.*

Item M. Schedule B (Form 990, 990-EZ, or 990-PF)

Whether or not the organization enters any amount on line 1e of Form 990, the organization must either check the box in item M or attach Schedule B (Form 990, 990-EZ, or 990-PF). The organization return will be incomplete if it does not either check the box in item M or file Schedule B (Form 990, 990-EZ, or 990-PF). See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF), for more information.

TIP Contributor *includes individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations.*

Guidelines for Meeting the Requirements for Schedule B (Form 990, 990-EZ, or 990-PF)

Section 501(c)(3) org. meeting the 1/3 support test of 170(b)(1)(A)

If	A section 501(c)(3) organization that met the 1/3 support test of the regulations under 509(a)(1)/170(b)(1)(A) did not receive a contribution of the greater of $5,000 or 2% of the amount on line 1e of Form 990, from any one contributor,*
Then	The organization should check the box in item M to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).
Otherwise	Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

Section 501(c)(7), (8), or (10) Organization

If	A section 501(c)(7), (8), or (10) organization did not receive *any* contribution or bequest for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (and did not receive any noncharitable contributions of $5,000 or more as described below under general rule),
Then	The organization should check the box in item M to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).
Otherwise	Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

All Other Form 990 or Form 990-EZ Organizations (General rule)

If	The organization did not show as part of line 1e of the Form 990, a contribution of $5,000 or more from any one contributor,*
Then	The organization should check the box in item M to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).
Otherwise	Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

* Total a contributor's gifts of $1,000 or more to determine if a contributor gave $5,000 or more. Do not include smaller gifts.

Part I. Revenue, Expenses, and Changes in Net Assets or Fund Balances

All organizations filing Form 990 with the IRS or any state must complete Part I. Some states that accept Form 990 in place of their own forms require additional information.

Line 1. In General

Contributions, Gifts, Grants, and Similar Amounts Received

- Report the amount contributed to donor advised funds on line 1a.
- On lines 1b through 1d, report amounts received as voluntary contributions (other than contributions to donor advised funds; that is, payments, or the part of any payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization.
- Report gross amounts of contributions collected in the charity's name by fundraisers.
- Report all expenses of raising contributions in *Fundraising*, column (D), Part II, and on line 15 of Part I. The organization must show on line 30 professional fundraising fees relating to the gross amounts of contributions collected in the charity's name by fundraisers.

- Report the value of noncash contributions at the time of the donation. For example, report the gross value of a donated car at the time the car was received as a donation.
- For grants, see *Grants That Are Equivalent to Contributions*, on the following page.

Reporting for line 1, in accordance with SFAS 116, is acceptable for Form 990 purposes, but not required by IRS. However, see *General Instruction E.*

An organization that receives a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 1. Accruals of present value increments to the unpaid grant should also be reported on line 1 in future years.

Contributions Can Arise From Special Events When an Excess Payment Is Received for Items Offered

Fundraising activities relate to soliciting and receiving contributions. However, special fundraising activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games can produce both contributions and revenue.

If a buyer at such a special event pays more for goods or services than their retail value, report, as a contribution, both on line 1b and on line 9a (within the parentheses), any amount paid in excess of the retail value. This situation usually occurs when organizations seek public support through solicitation programs that are in part special events or activities and are in part solicitations for contributions. The primary purpose of such solicitations is to receive contributions and not to sell the merchandise at its retail value even though this might produce a profit.

Example. An organization announces that anyone who contributes at least $40 to the organization can choose to receive a book worth $16 retail value. A person who gives $40, and who chooses the book, is really purchasing the book for $16 and also making a contribution of $24. The contribution of $24, which is the difference between the buyer's payment and the $16 retail value of the book, would be reported on line 1b and again on line 9a (within the parentheses). The revenue received ($16 retail value of the book) would be reported in the right-hand column on line 9a.

If a contributor gives more than $40, that person would be making a larger contribution, the difference between the book's retail value of $16 and the amount actually given. Rev. Rul. 67-246, 1967-2 C.B. 104, explains this principle in detail. See also the *Lines 9a through 9c* instructions and Pub. 526.

Report the expenses that relate directly to the sale of the book on line 9b. Report the expenses of raising contributions (shown within the parentheses on line 9a and again on line 1b) in *Fundraising*, column (D), Part II, and on line 15 of Part I.

CAUTION *At the time of any solicitation or payment, organizations that are eligible to receive tax-deductible contributions should advise patrons of the amount deductible for federal tax purposes. See* General Instruction L.

Contributions Can Arise From Special Events When Items of Only Nominal Value Are Given or Offered

If an organization offers goods or services of only nominal value through a special event or distributes free, unordered, low-cost items to patrons, report the entire amount received for such benefits as a contribution on line 1b (direct public support). Report all related expenses in *Fundraising*, column (D), Part II. See *General Instruction L* for a definition of benefits that have a nominal or insubstantial value.

Section 501(c)(3) Organizations

Correctly dividing gross receipts from special events into revenue and contributions is especially important for a section 501(c)(3) organization that claims public support as described in section 509(a)(1)/170(b)(1)(A)(vi) or section 509(a)(2). In the public support computations of these Code sections, the revenue portion of gross receipts may be (a) excluded entirely, (b) treated as public support, or (c) if the revenue represents unrelated trade or business income, treated as nonpublic support.

Section 501(c)(3) organizations must separate gross receipts from special events into revenue and contributions when preparing the *Support Schedule* in Part IV-A of Schedule A (Form 990 or 990-EZ).

Section 501(c)(9), (17), and (18) Organizations

These organizations provide participants with life, sickness, accident, welfare, and unemployment insurance, pensions, or similar benefits, or a combination of these benefits. When such an organization receives payments from participants or their employers to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

Donations of Services and the Use of Property Are Not Contributions

In Part I, do not include as contributions on line 1 the value of services donated to the organization, or items such as the free use of materials, equipment, or facilities. See the instructions for Part III and for Part VI, line 82, for the optional reporting of such amounts in Parts III and VI.

Any unreimbursed expenses of officers, employees, or volunteers do not belong on the Form 990 or Form 990-EZ. See the discussions for charitable contributions and employee business expenses in Pub. 526 and Pub. 463, respectively.

Grants That Are Equivalent to Contributions

Grants that encourage an organization receiving the grant to carry on programs or activities that further its exempt purposes are grants that are equivalent to contributions. Report them on line 1. The grantor may require that the programs of the grant recipient (grantee) conform to the grantor's own policies and may specify the use of the grant, such as use for the restoration of a historic building or a voter registration drive.

A grant is still equivalent to a contribution if the grant recipient provides a service or makes a product that benefits the grantor incidentally. See *Examples* in the line 1d instructions. However, a grant is a payment for services, and not a contribution, if the grant requires the grant recipient to provide that grantor with a specific service, facility, or product rather than to give a direct benefit primarily to the general public or to that part of the public served by the organization. In general, do not report as contributions any payments for a service, facility, or product that primarily give some economic or physical benefit to the payer (grantor).

Example. A public interest organization described in section 501(c)(4) makes a grant to another organization to conduct a nationwide survey to determine voter attitudes on issues of interest to the grantor. The grantor plans to use the results of the survey to plan its own program for the next 3 years. Under these circumstances, since the survey serves the grantor's direct needs and benefits the grantor more than incidentally, the grant to the organization making the survey is not a contribution. The grant recipient should not report the grant as a contribution but should report it on line 2 as program service revenue.

Treat research to develop products for the payer's use or benefit as directly serving the payer. However, generally, basic research or studies in the physical or social sciences should not be treated as serving the payer's needs.

See Regulations section 1.509(a)-3(g) to determine if a grant is a contribution reportable on line 1b or a revenue item reportable elsewhere on Form 990.

Line 1a. Contributions to Donor Advised Funds

Complete line 1a only if the organization is a sponsoring organization that maintains one or more donor advised funds. Enter the gross amounts of contributions, gifts, grants, and bequests received for all donor advised funds the organization maintains.

A *sponsoring organization* is any organization which:

- Is described in section 170(c), except for governmental entities described in section 170(c)(1),
- Is not a private foundation as defined in section 509(a), and
- Maintains one or more donor advised funds.

In general, a *donor advised fund* is a fund or account:

1. Which is separately identified by reference to contributions of a donor or donors;
2. Which is owned and controlled by a sponsoring organization; and
3. For which the donor (or any person appointed or designated by the donor) has or expects to have advisory privileges concerning the distribution or investment of amounts held in the donor advised funds or accounts because of the donor's status as a donor.

Exception. A *donor advised fund* does not include:

1. Any fund or account that makes distributions only to a single identified organization or governmental entity, or
2. Any fund or account for a person described in **3** above that gives advice about which individuals receive grants for travel, study, or other similar purposes, if:

a. The person's advisory privileges are performed exclusively by such person in their capacity as a committee member of which all of the committee members are appointed by the sponsoring organization.

b. No combination of persons with advisory privileges described in **3** above, or persons related to those in **3** above, directly or indirectly control the committee.

c. All grants from the fund or account are awarded on an objective and nondiscriminatory basis according to a procedure approved in advance by the board of directors of the sponsoring organization. The procedure must be designed to ensure that all grants meet the requirements of sections 4945(g)(1), (2), or (3).

Line 1b. Direct Public Support

Contributions, gifts, grants, and similar amounts received. Enter the gross amounts of contributions, gifts, grants, and bequests that the organization received directly from the public. Do not include any amounts previously reported on line 1a on this line. Include:

- All donated items. For example, a car is donated to an organization. Immediately after the organization receives the donated car, the organization sells the car. The organization includes the value of the car as of the time of its receipt as a contribution on line 1b and includes it in the total on line 1e as a noncash contribution.
- All funds or the entire value of noncash items raised by an outside fundraiser in a charity's name and not just the amount actually received by the charity. For example, a corporation solicits and sells cars in a charity's name. When a car is received, its entire value is reported as a contribution.
- Amounts received from individuals, trusts, corporations, estates, and foundations, or raised by an outside professional fundraiser.
- Contributions and grants from public charities and other exempt organizations that are neither fundraising organizations nor affiliates of the filing organization.
- See the instructions for line 1c.

Membership dues. 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. See the instructions for line 3.

Government contributions (grants). Report government grants on line 1d if they represent contributions, or on line 2 (and on line 93(g) of Part VII), if they represent fees for services. See the instructions under the heading, *Grants That Are Equivalent to Contributions*, earlier and the instructions for line 1d later.

Commercial co-venture. Report amounts contributed by a commercial co-venture on line 1b as a contribution received directly from the public. These are amounts received by an organization (donee) for allowing an outside organization (donor) to use the donee's name in a sales promotion campaign. In such a campaign, the donor advertises that it will contribute a certain dollar amount to the donee organization for each unit of a particular product or service sold or for each occurrence of a specific type.

Contributions received through special events. Report contributions received through special events on line 1b. See the preceding line 1 instructions and the instructions for *Lines 9a through 9c.*

Line 1c. Indirect Public Support

Enter the total contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as a United Way organization and certain sectarian federations). These organizations 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.

Include on line 1c amounts contributed by other organizations closely associated with the reporting organization. This includes contributions received from a parent organization, subordinate, or another organization with the same parent. National organizations that share in fundraising campaigns conducted by their local affiliates should report the amount they receive on line 1c.

Do not include any amounts previously reported on line 1a on this line.

Line 1d. Government Contributions (Grants)

The general line 1 instructions, under the heading, *Grants That Are Equivalent to Contributions*, earlier, apply to this item in particular. A grant or other payment from a governmental unit is treated as a contribution if its primary purpose is to enable the donee 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 grantor even if the public pays part of the expense of providing the service or facility.

The following are examples of governmental grants and other payments that are treated as contributions.

Examples.

1. Payments by a governmental unit for the construction or maintenance of library or hospital facilities open to the public.

2. Payments under government programs to nursing homes or homes for the aged in order to provide health care or other services to their residents.

3. Payments to child placement or child guidance organizations under government programs serving children in the community. The general public gets the primary and direct benefit from these payments and any benefit to the governmental unit itself would be indirect and insubstantial as compared to the public benefit.

Do not include any amounts previously reported on line 1a on this line.

Line 1e. Total Contributions, etc.

Enter the total of amounts reported on lines 1a through 1d. In the entry spaces in the description column for line 1e, enter the separate totals for cash and noncash contributions, gifts, grants, and similar amounts received. The total of the two amounts must equal the total on line 1e.

Report as cash contributions, only contributions received in the form of cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization. If the organization records pledges as contributions, at the time the pledges are made (rather than when the pledges are collected), include as cash contributions, only those pledges actually collected in cash during the year and pledges uncollected at the end of the year that are reasonably expected to be paid in cash in a later year.

Report all other contributions, as noncash contributions in the space provided. Be sure to include as a noncash contribution donated items like cars and clothing valued as of the time of their receipt even if these items were made available for sale immediately after they were received. See *General Instruction L* and Schedule B (Form 990, 990-EZ, or 990-PF), and the instructions for lines 1 and 1b for a discussion of noncash contributions. Noncash contributions do not include donated services, which may be reported on line 82 and in the narrative section of Part III.

Schedule of Contributors. Attach Schedule B (Form 990, 990-EZ, or 990-PF). See *General Instruction L* and the *Specific Instructions for Completing the Heading of Form 990, Item M.*

Lines 2 through 11

CAUTION *Do not enter any contributions on lines 2 through 11. Enter all contributions on line 1. If the organization enters contributions on lines 2 through 11, it will be unable to complete Part VII correctly. Line 105 (the sum of amounts entered in columns (B), (D), and (E) for lines 93 through 103 of Part VII,* Analysis of Income-Producing Activities*) should match the total of amounts entered for correlating lines 2 through 11 of Part I. See the instructions for Part VII.*

Line 2. Program Service Revenue Including Medicare, Medicaid Payments and Government Fees and Contracts

Enter the total of program service revenue (exempt function income) as reported in Part VII, lines 93(a) through (g), columns (B), (D), and (E). Program services are primarily those that form the basis of an organization's exemption from tax. For a more detailed description of program services, refer to the instructions for Part II, column (B), *Program services.*

Example. A hospital would report on this line all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), hospital parking lot fees, room charges, laboratory fees for hospital patients, and related charges for services.

Insurance premiums. A section 501(c)(15) organization would report on this line all of its insurance premiums received. The amount reported here for insurance premiums should correlate with the amounts reported on line 93, columns (B), (D), and (E).

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. See the line 1d instructions for reporting guidelines when payments are received from a government agency for providing a service, facility, or product for the primary benefit of the general public.

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. When an organization rents to an unaffiliated exempt organization at less than fair rental value for the purpose of aiding that tenant's exempt function, the reporting organization should report such rental income as program service revenue on line 2. See also the instructions for line 6a. 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 special events or activities) that generate fees for services may 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 in accordance with generally accepted accounting principles 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 may report, as program service revenue on line 2, sales of inventory items otherwise reportable on line 10a. In that event, show the applicable cost of goods sold as program service expense on line 13 of Part I and in column (B) of Part II. All other organizations, however, should not report sales of inventory items on line 2.

Line 3. Membership Dues and Assessments

Enter members' and affiliates' dues and assessments that are not contributions.

Dues and assessments received that compare reasonably with available benefits. When dues and assessments are received that

compare reasonably with membership benefits received, report such dues and assessments on line 3.

Organizations described in section 501(c)(5), (6), or (7) generally provide benefits that have a reasonable relationship to dues, although benefits to members may be indirect.

Dues or assessments received that exceed the value of available membership benefits. Whether or not membership benefits are used, dues received by an organization, to the extent they are more than the monetary value of the membership benefits available to the dues payer, are a contribution that should be reported on line 1b. See Rev. Rul. 54-565, 1954-2 C.B. 95 and Rev. Rul. 68-432, 1968-2 C.B. 104.

Dues received primarily for the organization's support. If a member pays dues mainly to support the organization's activities and not to obtain benefits of more than nominal monetary value, those dues are a contribution to the organization includible on line 1b.

Examples of membership benefits. These include subscriptions to publications, newsletters (other than one about the organization's activities only), free or reduced-rate admissions to events the organization sponsors, the use of its facilities, and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, do not include intangible benefits, such as the right to attend meetings, vote or hold office in the organization, and the distinction of being a member of the organization.

Line 4. Interest on Savings and Temporary Cash Investments

Enter the amount of interest income from savings and temporary cash investments reportable on line 46. So-called dividends or earnings received from mutual savings banks, money market funds, etc., are actually interest and should be entered on line 4.

Line 5. Dividends and Interest from Securities

Enter the amount of dividend and interest income from equity and debt securities (stocks and bonds) of the type reportable on line 54. Include amounts received from payments on securities loans, as defined in section 512(a)(5). Do not include any capital gains dividends that are reportable on line 8. See the instructions for line 2 for reporting income from program-related investments.

Line 6a. Gross Rents

Enter on line 6a the rental income received for the year from investment property reportable on line 55. Do not include on line 6a rental income related to the reporting 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. Rental income received from an unaffiliated exempt organization is generally considered as unrelated to the reporting organization's exempt purpose and reportable on line 6a. However, note an exception given in the instructions for line 2 when the reporting organization aids an unaffiliated organization with its exempt function.

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

Line 6b. Rental Expenses

Enter 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. Report in column (B) of Part II *Program services* any rental expenses allocable to rental income reportable as program service revenue on line 2.

Line 6c. Net Rental Income or (Loss)

Subtract line 6b from line 6a. Show any loss in parentheses.

Line 7. Other Investment Income

Enter the amount of investment income not reportable on lines 4 through 6 and describe the type of income in the space provided or in an attachment. The income should be the gross amount derived from investments reportable on line 56. Include, for example, royalty income from mineral interests owned by the organization. However, do not include income from program-related investments. See the instructions for line 2. Also, do not include unrealized gains and losses on investments carried at market value. See the instructions for line 20.

Lines 8a through 8d. Gains (or Losses) From Sale of Assets Other Than Inventory

Report, on lines 8a through 8c, all sales of securities in column (A). Use column (B) to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other noninventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).

On line 8a, 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 8b. On line 8c, enter the net gain or loss.

On lines 8a and 8c, also report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts. Indicate the source on the schedule described later.

Combine the gain and/or loss figures reported on line 8c, columns (A) and (B) and report that total on line 8d. Do not include any unrealized gains or losses on securities carried at market value in the books of account. See the instructions for line 20.

For reporting sales of securities on Form 990, the organization may 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, generally, for reporting sales of securities on Form 990-T, do not use the average cost basis to determine gain or loss.

Nonpublicly traded securities and noninventory items. Attach a schedule showing the sale or exchange of nonpublicly traded securities and the sale or exchange of other assets that are not inventory items. The schedule should show security transactions separately from the sale of other assets. Show for each of these assets:

- Date acquired and how acquired,
- Date sold and to whom sold,
- Gross sales price,
- Cost, other basis, or if donated, value at time acquired (state which),
- Expense of sale and cost of improvements made after acquisition, and
- If depreciable property, depreciation since acquisition.

Publicly traded securities. On the attached schedule, for sales of publicly traded securities through a broker, total the gross sales price, the cost or other basis, and the expenses of sale on all such securities sold, and report lump-sum figures in place of the detailed reporting required by the above paragraph. Publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an

established exchange and for which market quotations are published or otherwise readily available.

Lines 9a through 9c. Special Events and Activities

On the appropriate line, enter the gross revenue, expenses, and net income (or loss) from all special events and activities, such as dinners, dances, carnivals, raffles, bingo games, other gaming activities, and door-to-door sales of merchandise.

These activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds that are other than contributions to finance the organization's exempt activities. This is done by offering goods or services that have more than a nominal value (compared to the price charged) for a payment that is more than the direct cost of those goods or services.

The gross revenue from gaming activities and other special events must be reported in the right-hand column on line 9a without reduction for cash or noncash prizes, cost of goods sold, compensation, fees, or other expenses. Check the box for gaming if the organization conducted directly, or through a promoter, any amount of gaming during the year.

Gaming includes, but is not limited to: bingo, pull tabs, instant bingo, raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights, Las Vegas nights, and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.

Characterizing any required payment as a donation or contribution on tickets or on advertising or solicitation materials does not affect how such payments should be reported on Form 990 or Form 990-EZ. As discussed in the instructions for line 1, the amount of the contribution is the excess of the amount paid over the retail value of the goods or services received by the payer. See also Pub. 526.

Special events may generate both revenue and contributions. Special events sometimes generate both contributions and revenue. When a buyer pays more than the retail value of the goods or services furnished, enter:

- As gross revenue, on line 9a (in the right-hand column), the retail value of the goods or services,
- As a contribution, on both line 1b and line 9a (within the parentheses), the amount received that exceeds the retail value of the goods or services given.

Report on line 9b only the expenses directly attributable to the goods or services the buyer receives from a special event. Fundraising expenses attributable to contributions, reported on both line 1b and line 9a (within the parentheses), are reportable in Part II, column (D), *Fundraising*. If the organization includes an expense on line 9b, do not report it again on line 10b or in Part II. Expenses reported on line 10b relate to sales of inventory. Expenses reported in Part II, column (D), relate to contributions raised through fundraising.

Example. At a special event, an organization received $100 in gross receipts for goods valued at $40. The organization entered gross revenue of $40 on line 9a (in the right-hand column) and entered a contribution of $60 on both line 1b and line 9a (within the parentheses). The contribution of $60 was the difference between the gross revenue of $40 and the gross receipts of $100.

The expenses directly relating to the sale of the goods would be reported on line 9b. However, all expenses of raising contributions would be reported in column (D), *Fundraising*, Part II and not on line 9b.

For more details about contributions received through fundraising, and contributions and revenue received through special events, see the line 1 instructions. See also *General Instruction L* and its references.

Sales or gifts of goods or services of only nominal value. If the goods or services given or offered at special events have only nominal value, include all of the receipts as contributions on line 1b and all of the related expenses as fundraising expenses on line 15 and in column (D) of Part II. See *General Instruction L* for a description of nominal or insubstantial benefits.

An activity may generate only contributions. An activity that generates only contributions, such as a solicitation campaign by mail, is not a special event and should not be reported on line 9.

Contributions from such an activity are reportable on line 1, and the related fundraising expenses are reportable in column (D), Part II.

The proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for the awarding of prizes (so-called sweepstakes or lotteries) are contributions, reportable on line 1, and the related expenses are fundraising expenses, reportable in column (D) of Part II. However, raffles and lotteries in which a payment of at least a specified minimum amount is required for each entry are special events, reportable on line 9, unless the prizes awarded have only nominal value. Reporting payments in their entirety as contributions when gifts or services given are nominal in value is discussed above.

Attached schedule. Attach a schedule listing the three largest fundraising events, as measured by gross receipts. If gaming is conducted, treat different types of gaming separately to determine the three largest events. For example, treat bingo and pull tabs as separate fundraising events. Describe each of these events by listing the type of event and the number of occasions that the event occurred and show (for each event):

1. Gross receipts,
2. Contributions included in gross receipts (see *Special events may generate both revenue and contributions,* earlier),
3. Gross revenue (gross receipts less contributions),
4. Direct expenses, and
5. Net income or (loss) (gross revenue less direct expenses).

For gaming, direct expenses include: cash and noncash prizes, compensation to bingo callers and workers, rental of gaming equipment, cost of bingo supplies such as pull tab deals, etc.

Include the same information, in total figures, for all other special events held that were not among the three largest. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

An example of this schedule of special events might appear in columnar form as follows:

Special Events (and the number of occasions that the event occurred):	(A) #	(B) #	(C) #	All Other	Total
Gross Receipts	$xx	$xx	$xx	$xx	$xx
Less: Contributions	xx	xx	xx	xx	xx
Gross Revenue	xx	xx	xx	xx	xx
Less: Direct Expenses	xx	xx	xx	xx	xx
Net Income or (Loss)	$xx	$xx	$xx	$xx	$xx

If the organization uses the above schedule, report the total for *Contributions* on line 1b of Form 990 and on line 9a (within the parentheses). Report the totals for *Gross Revenue*, in the right-hand column, on line 9a; *Direct Expenses* on line 9b; and *Net Income or (Loss)* on line 9c.

Lines 10a through 10c. Gross Profit or (Loss) from Sales of Inventory

Enter the gross sales (less returns and allowances), cost of goods sold, and

gross profit or (loss) from the sale of inventory items. These sales do not include items sold at special events that are reportable on line 9. Sales of inventory items reportable on line 10 are sales of those items the organization makes to sell to others or buys for resale. Sales of investments on which the organization expected to profit by appreciation and sale are not reported here. Report sales of investments on line 8.

On line 10a, report gross sales revenue from sales of inventory items, whether the sales activity is an exempt function of the organization or an unrelated trade or business.

On line 10b, report the cost of goods sold related to the sales of such inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a proportion of overhead expenses. Marketing and distribution costs are not included in cost of goods sold but are reported in Part II, column (B), *Program services.*

Attached schedule. In an attached schedule, give a breakdown of items sold; for example, sales of food, souvenirs, electronic equipment, uniforms, or educational publications.

Line 11. Other Revenue

Enter the total amount from Part VII, lines 103(a) through (e) (Other revenue), columns (B), (D), and (E). This figure represents the total income from all sources not covered by lines 1 through 10 of Part I. Examples of income includible on line 11 are interest on notes receivable not held as investments or as program-related investments (defined in the line 2 instructions); interest on loans to officers, directors, trustees, key employees, and other employees; and royalties that are not investment income or program service revenue.

Lines 13 through 15—Program Services, Management and General, and Fundraising Expenses

Section 4947(a)(1) nonexempt charitable trusts and section 501(c)(3) and (4) organizations. Complete Part II and then enter on lines 13 through 15 the appropriate amounts from the totals for columns (B), (C), and (D) reported on line 44, Part II.

All other organizations. All other organizations are not required to complete lines 13 through 15 of the Form 990.

Line 16. Payments to Affiliates

This expense classification is used to report certain types of payments to organizations affiliated with (closely related to) a reporting agency.

Payments to affiliated state or national organizations. Dues paid by the local charity to its affiliated state or national (parent) organization are usually reported on line 16. Report on this line predetermined quota support and dues (excluding membership dues of the type described below) by local agencies to their state or national organizations for unspecified purposes; that is, general use of funds for the national organization's own program and support services.

Purchases from affiliates. Purchases of goods or services from affiliates are not reported on line 16 but are reported as expenses in the usual manner.

Expenses for providing goods or services to affiliates. In addition to payments made directly to affiliated organizations, expenses incurred in providing goods or services to affiliates may be reported on line 16 if:

1. The goods or services provided are not related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the state or national organization); and
2. The costs involved are not connected with the management and general or fundraising functions of the reporting organization. For example, when a local organization gives a copy of its mailing list to the state or national organization, the expense of preparing the copy provided may be reported on line 16, but not expenses of preparing and maintaining the local organization's master list.

Federated fundraising agencies. These agencies (see the instructions for line 1c) should include in their own support the full amount of contributions received in connection with a solicitation campaign they conduct, even though donors designate specific agencies to receive part or all of their individual contributions. These fundraising organizations should report the allocations to participating agencies as grants and allocations (line 22b) and quota support payments to their state or national organization as payments to affiliates (line 16).

Voluntary awards or grants to affiliates. Do not report on line 16 voluntary awards or grants made by the reporting agency to its state or national organization for specified purposes. Report these awards or grants on line 22b, *Other Grants and Allocations.*

Membership dues paid to other organizations. Report membership dues paid to obtain general membership benefits, such as regular services, publications, and materials, from other organizations as *Other expenses* on line 43. This is the case, for example, if a charitable organization pays dues to a trade association comprised of otherwise unrelated members.

Attached schedule. Attach a schedule listing the name and address of each affiliate that received payments reported on line 16. Specify the amount and purpose of the payments to each affiliate.

TIP *Properly distinguishing between payments to affiliates and grants and allocations is especially important if the organization uses Form 990 for state reporting purposes. See* General Instruction E. *If the organization uses Form 990 only for reporting to the IRS, payments to affiliated state or national organizations that do not represent membership dues reportable as* Other expenses *on line 43 (see instructions, earlier) may be reported either on line 16 or line 22 and explained in the required attachment.*

Line 17. Total Expenses

Organizations using only column (A) of Part II should enter the total of line 16 and line 44 of column (A), Part II, on line 17. Other organizations should enter the total of lines 13 through 16. Organizations using Form 5500 or an approved DOL form as a partial substitute for Form 990 should enter the total expense figure from Form 5500, or from the required reconciliation schedule if Form LM-2 or LM-3 is used. See *General Instruction F.*

Line 18. Excess or (Deficit) for the Year

Enter the difference between lines 12 and 17. If line 17 is more than line 12, enter the difference in parentheses.

Line 19. Net Assets or Fund Balances, Beginning of Year

Enter the balance at the beginning of the year as reported in column (A) of line 73 (or from Form 5500 or an approved DOL form if *General Instruction F* applies). The balance at the beginning of the year for line 19 was the end of the year balance for line 21 and 73 as reported on the organization's prior year return.

Line 20. Other Changes in Net Assets or Fund Balances

Attach a schedule explaining any changes in net assets or fund balances between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity; unrealized gains and losses on investments carried at market value; and any difference between fair

market value and book value of property given as an award or grant. See *General Instruction G* regarding the reporting of a section 481(a) adjustment to conform to SFAS 116.

Line 21. Net Assets or Fund Balances, End of Year

Enter the total of lines 18, 19, and 20. This total figure must equal the amount reported for the end of the year in column (B) of line 73.

Part II—Statement of Functional Expenses

In General—

Column (A)

All organizations must complete column (A) unless they are using an approved DOL form or Form 5500 as a partial substitute for Form 990. See *General Instruction F*.

Columns (B), (C), and (D)

These columns are optional for all organizations except section 4947(a)(1) nonexempt charitable trusts and section 501(c)(3) and (4) organizations. Section 4947(a)(1) nonexempt charitable trusts and section 501(c)(3) and (4) organizations must complete columns (B), (C), and (D).

In Part II, the organization's expenses are designated by object classification (for example, salaries, legal fees, supplies, etc.) and allocated into three functions: *Program services* (column (B)); *Management and general* (column (C)); and *Fundraising* (column (D)). These functions are explained below in the instructions for the columns. Do not include in Part II any expense items the organization must report on lines 6b, 8b, 9b, 10b, or 16 in Part I.

For reporting to the IRS only, use the organization's normal accounting method to report total expenses in column (A) and to segregate them into functions under columns (B), (C), and (D). However, for state reporting requirements, see *General Instructions E* and *G*. If the accounting system does not provide for this type of segregation, a reasonable method of allocation may be used. The amounts reported should be accurate and the method of allocation documented in the organization's records.

Report, in the appropriate column, expenses that are directly attributable to a particular functional category. In general, allocate expenses that relate to more than one functional category. For example, allocate employees' salaries on the basis of each employee's time. For some shared expenses such as occupancy, supplies, and depreciation of office equipment, use an appropriate basis for each kind of cost. However, the organization should report some other shared expenses in column (C) only. The column instructions below discuss allocating expenses.

Column (A)—Total

For column (A), total each line item of columns (B), (C), and (D) in Part II. Except for expenses the organization reports on lines 6b, 8b, 9b, 10b, or 16 of Part I, the organization should use column (A) to report all expenses the organization paid or incurred.

Column (B)—Program Services

Program services are mainly those activities that the reporting organization was created to conduct and which, along with any activities commenced subsequently, form the basis of the organization's current exemption from tax. They may be self-funded or funded out of contributions, accumulated income, investment income, or any other source. Fundraising expenses should not be reported as program-related expenses even though one of the functions of the organization is to solicit contributions for other organizations.

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

If an organization receives a grant to do research, produce an item, or perform a service, either to meet the grantor's specific needs or to benefit the public directly, the costs incurred represent program service expenses. Do not treat these costs as fundraising expenses, even if the organization reports the grant on line 1 as a contribution.

Column (C)— Management and General

Use column (C) to report the organization's expenses for overall function and management, rather than for its direct conduct of fundraising activities or program services. Overall management usually includes the salaries and expenses of the chief officer of the organization and that officer's staff. If part of their time is spent directly supervising program services and fundraising activities, their salaries and expenses should be allocated among those functions.

Other expenses to report in column (C) include those for meetings of the board of directors or similar group; committee and staff meetings (unless held in connection with specific program services or fundraising activities); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, personnel, and other centralized services; preparation, publication, and distribution of an annual report; and investment expenses (however, report rental income expenses on line 6b and program-related income expenses in column (B)).

The organization should report only general expenses in column (C). Do not 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 total expenses incurred in soliciting contributions, gifts, grants, etc. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns; (b) soliciting bequests and grants from foundations or other organizations, or government grants reportable on line 1d; (c) participating in federated fundraising campaigns; (d) preparing and distributing fundraising manuals, instructions, and other materials; and (e) conducting special events that generate contributions reportable on line 1b, in addition to revenue reportable in the right-hand column on line 9a. However, report any expenses that are directly attributable to revenue shown on line 9a (for example, the direct expenses incurred in furnishing the goods or services sold) on line 9b.

Allocating Indirect Expenses

Colleges, universities, hospitals, and other organizations that accumulate indirect expenses in various cost centers (such as the expenses of operating and maintaining the physical plant) that are reallocated to the program services and other functional areas of the organization in single or multiple steps may find it easier to report these expenses in the following optional manner:

First, report the expenses of these indirect cost centers on lines 25 through 43 of column (C), *Management and general*, along with the expenses properly reportable in that column.

Second, allocate the total expenses for each cost center to columns (B), (C), and (D) (*Program services, Management and general,*

and *Fundraising)* as a separate item entry on line 43, *Other Expenses*. Enter the name of the cost center on line 43. If any of the cost center's expenses are to be allocated to the expenses listed in Part I (such as the expenses attributable to special events and activities), enter these expenses as a negative figure in columns (A) and (C). This prevents reporting the same expense in both Parts I and II. If part of the total cost center expenses are to be allocated to columns (B), *Program services*, and (D), *Fundraising*, enter these expenses as positive amounts in these columns and as single negative amounts in column (C), *Management and general*. Do not make any entries in column (A), *Total*, 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 25 through 43 of column (C) would be $150,000 before the indirect cost center allocations were made. Assume that $10,000 (of the $100,000 total expenses of the cost center) 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 II under this optional method:

1. Indicate the cost center, the expenses of which are being allocated, on line 43, as Allocation of (specify) expenses;
2. Enter a decrease of $5,000 on the same line in the column (A), *Total*, representing the special event expenses that were already reported on line 9b in Part I;
3. Enter $70,000 on the same line in column (B), *Program services*;
4. Enter $10,000 on the same line in column (D), *Fundraising*; and
5. Enter a decrease of $85,000 on the same line in column (C), *Management and general*, to represent the allocations to functional areas other than management and general.

Line	(A)	(B)	(C)	(D)
25–43a	$ 150,000	$ —	$150,000	$ —
43b Allocation of the $100,000 indirect cost center expenses reported in (C) . .	(5,000)	70,000	(85,000)	10,000
44	$ 145,000	$ 70,000	$ 65,000	$ 10,000

After making these allocations, the column (C) total (line 44, column (C)) 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 II. This reporting method would actually be needed more for multiple step allocations involving two or more cost centers. The total expenses of the first would be allocated to the other functions, including an allocation of part of these expenses to the second cost center. The expenses of the second cost center would then be allocated to other functions and any remaining cost centers to be allocated, 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 do not permit the allocation to other functions of expenses that should be reported as management and general expenses.*

Line 22. Grants and Allocations

The following instructions apply to lines 22a and 22b.

Report voluntary awards and grants to affiliated organizations for specific (restricted) purposes or projects also on line 22, but not required payments to affiliates reportable on line 16.

Report scholarship, fellowship, and research grants to individuals on line 22. Certain other payments to, or for the benefit of, individuals may be reportable on line 23 instead. See the instructions for line 23 for details.

Report only the amount of actual grants and awards on line 22. Report expenses incurred in selecting recipients, or monitoring compliance with the terms of a grant or award, on lines 25 through 43.

In the spaces provided, give separate totals for cash and noncash grants and allocations made. Cash grants include only grants and allocations paid by cash, checks, money orders, wire transfers, and other charges against funds on deposit at a financial institution.

Reporting for line 22, in accordance with SFAS 116, is acceptable for Form 990 purposes, but not required by IRS. However, see *General Instruction E*.

An organization that makes a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 22. Accruals of present value increments to the unpaid grant should also be reported on line 22 in future years.

Line 22a. Grants Paid From Donor Advised Funds

Enter the amount of awards and grants to individuals and organizations paid from donor advised funds on line 22a. See the line 1a instructions for the definition of a donor advised fund. See the line 22 instructions, above, for general information on the reporting of grants and allocations paid. See the instructions for line 22b for information about the required schedule.

Line 22b. Other Grants and Allocations

CAUTION *Do not include on line 22b amounts paid from a donor advised fund.*

Enter the amount of other awards and grants (not included on line 22a) to individuals and organizations selected by the filing organization. United Way and similar fundraising organizations should include allocations to member agencies.

Attached schedule. Attach a schedule of amounts reported on line 22a and a separate schedule for line 22b as applicable. Any grants or allocations reported on line 22b that were approved during the year, but not paid by the due date for filing Form 990 (including extensions), must be identified and listed separately in the schedule for line 22b. On the applicable schedule show: (a) each class of activity; (b) grantee's name, address, and the amount given; and (c) (in the case of grants to individuals) relationship of grantee if related by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

On the applicable schedule, classify activities in more detail than in such broad terms as charitable, educational, religious, or scientific. For example, identify payments for nursing services, laboratory construction, or fellowships.

If property other than cash is given, also show on the applicable schedule: (a) a description of the property; (b) its book value and how the book value was determined; (c) its fair market value and how the fair market value was determined; (d) the date of the gift. If the fair market value of the property when the organization gave it is the measure of the award or grant, record any difference between fair market value and book value in the

organization's books of account and on line 20.

Colleges, universities, and primary and secondary schools are not required to list the names of individuals who were provided scholarships or other financial assistance whether they are the recipients of federal grant money or not. Instead, these organizations must (a) group each type of financial aid provided; (b) indicate the number of individuals who received the aid; and (c) specify the aggregate dollar amount.

Line 23. Specific Assistance to Individuals

Enter the amount of payments to, or for the benefit of, particular clients or patients, including assistance rendered by others at the expense of the filing organization. Do not include grants to other organizations that select the person(s) to receive the assistance available through the use of the grant funds. For example, report a payment to a hospital to cover the medical expenses of a particular individual on line 23, but do not report a contribution to a hospital to provide some service to the general public or to unspecified charity patients on this line. Also, do not include scholarship, fellowship, or research grants to individuals even though selected by the grantor organization. Report these grants on line 22b, or line 22a, if applicable.

Attached schedule. Attach a schedule showing the total payments for each particular class of activity, such as food, shelter, and clothing for indigents or disaster victims; medical, dental, and hospital fees and charges; and direct cash assistance to indigents. For payments to indigent families, do not identify the individuals.

Line 24. Benefits Paid to or for Members

For an organization that provides benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), attach a schedule. Show amounts of: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits (state their nature). Do not report the cost of employment-related benefits the organization provides its officers and employees on this line. Report those expenses on lines 27 and 28.

Line 25. Compensation of Current and Former Officers, Directors and Certain Disqualified and Other Persons

Compensation. *Compensation* includes all forms of income earned or received for services provided.

In Part V-A, give the name and compensation (if any) of each current officer, director, trustee, and key employee, along with the other information requested. In Part V-B, give the name and compensation (if any) of each former officer, director, trustee, and key employee, along with the other information requested. See the Part V-A instructions for a definition of key employee.

Form 941 must be filed to report income tax withholding and social security and Medicare taxes. The organization must also file Form 940 to report federal unemployment taxes unless the organization is not subject to these taxes. See Pub.15 (Circular E) for details. See also the discussion of the *Trust Fund Recovery Penalty* given in *General Instruction D*.

Lines 25a and 25b

Enter on line 25a the total compensation for the tax year for the current officers, directors, trustees, and key employees listed in Part V-A. Enter on line 25b the total compensation for the tax year for the former officers, directors, trustees, and key employees listed in Part V-B.

Section 501(c)(3) and (c)(4) organizations and section 4947(a)(1) non-exempt charitable trusts must allocate the total compensation in column (A) for lines 25a and lines 25b by functional expense in columns (B), (C), and (D).

Example. Allocate the total compensation figure of line 25a, column (A), by functional expenses represented by line 25a, columns (B), (C), and (D). For instance, if key employee A spent 90% of her time running a program which constitutes the basis of the organization's exempt purpose and 10% in general management of the organization itself, key employee A's compensation should be allocated 90% to column (B), program services, and 10% to column (C), management and general. Conversely, if Director B is not paid as a member of the board, but is employed by the organization as a part-time fundraiser, all of Director B's compensation should be allocated to column (D), fundraising.

Line 25c. Compensation and Other Distributions to Disqualified Persons

Enter the total compensation or other distributions provided to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3) for the year. For a definition of compensation, see the instructions for line 25. Distributions include anything of value provided to a disqualified person that constitutes an expense of the organization (such as interest on loans owed to the disqualified person), but not business expenses paid under an accountable plan or *de minimis* fringe benefits. Do not include on line 25c, amounts previously included on lines 25a or 25b.

For a definition of disqualified persons, see *Disqualified Persons* under *General Instruction P*, earlier.

Line 26. Salaries and Wages of Employees Not Included on Lines 25a, b, and c

Enter the total amount of employees' salaries and wages, fees, bonuses, severance payments, and payments of compensation deferred in a prior year to all employees not reported on lines 25a, b, or c.

Line 27. Pension Plan Contributions Not Included on Lines 25a, b, and c

Enter the employer's share of contributions to qualified and nonqualified pension plans for the year. Do not include contributions to qualified pension plans under section 401(a) for current or former officers, directors, trustees, or key employees, that were reported on lines 25a, b, or c.

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

Line 28. Employee Benefits Not Included on Lines 25a–27

Enter the organization's contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan included on line 27.

Do not include contributions on behalf of current or former officers, directors, trustees, and key employees, that were included on lines 25a, b, or c. Report expenses for employee events such as a picnic or holiday party on line 28.

Line 29. 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. Do not include taxes withheld from employees' salaries and paid to the various governmental units such as

federal and state income taxes and the employees' shares of social security and Medicare taxes.

Line 30. Professional Fundraising Fees

Enter on line 30 fundraising fees paid to independent contractors and outside vendors and suppliers in carrying out fundraising activities. Include on line 30 fundraising expenses such as printing, paper, envelopes, postage, mailing list rental, and equipment rental, incurred in a fundraising activity conducted by an independent contractor. Fundraising expenses also include amounts the organization reimburses to a fundraiser.

For purposes of line 30, fundraising activities include gaming, vehicle and other property donation programs, and special events. Fees and expenses incurred by the organization, whether by payment to independent contractors, vendors, or suppliers, or by deduction from proceeds received by the organization, are included on line 30.

Do not include on line 30 salaries of employees who undertake fundraising as part of their employment duties. Compensation related to fundraising paid to non-key employees is allocated to line 26, Column (D). Compensation related to fundraising paid to officers, directors, trustees, and key employees is allocated to line 25, Column (D).

In addition to completing line 30, the organization should keep for its permanent records a list of fees and expenses for each fundraising activity. Do not include this list with the organization Form 990.

Line 31. Accounting Fees

Enter the total accounting and auditing fees charged by outside firms and individuals who are not employees of the reporting organization.

Line 32. Legal Fees

Enter the total legal fees charged by outside firms and individuals who are not employees of the reporting organization. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 43, *Other expenses.*

Line 33. Supplies

Enter the total for office, classroom, medical, and other supplies used during the year, as determined by the organization's normal method of accounting for supplies.

Line 34. Telephone

Enter the total telephone, telegram, and similar expenses for the year.

Line 35. Postage and Shipping

Enter the total amount of postage, parcel delivery, trucking, and other delivery expenses, including the cost of shipping materials. Include the costs of outside mailing services on this line.

Line 36. Occupancy

Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities (other than telephone expenses reported on line 34), outside janitorial services, mortgage interest, property insurance, real estate taxes, and similar expenses.

Occupancy expenses paid or incurred for program-related income, reportable on line 2, are included on line 36. Do not subtract rental income received from renting or subletting rented space from the amount reported for occupancy expense on line 36. If the activities of the organization's tenant are related to the reporting organization's exempt purpose, report rental income as program-service revenue and allocable occupancy expenses on line 36. However, if the tenant's activities are not program-related, report such rental income on line 6a and related rental expenses on line 6b.

Do not include, as an occupancy expense, depreciation (reportable on line 42) or any salaries of the reporting organization's own employees (reportable on line 26).

Line 37. Equipment Rental and Maintenance

Enter the cost of renting and maintaining office equipment and other equipment, except for automobile and truck expenses reportable on lines 35 and 39.

Line 38. Printing and Publications

Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films, and other informational materials on this line. Also include the cost of any purchased publications. However, do not include any expenses, such as salaries or postage, for which a separate line is provided in Part II.

Line 39. Travel

Enter the total travel expenses, including transportation costs (fares, mileage allowances, and automobile expenses), meals and lodging, and *per diem* payments.

Line 40. Conferences, Conventions, and Meetings

Enter the total expenses incurred by the organization in conducting meetings related to its activities. Include such expenses as the rental of facilities, speakers' fees and expenses, and printed materials. Include the registration fees (but not travel expenses) paid for sending any of the organization's staff to conferences, meetings, or conventions conducted by other organizations. However, do not include on this line the salaries and travel expenses of the reporting organization's own officers, directors, trustees, and employees who participate.

Line 41. Interest

Enter the total interest expense for the year. Do not include any interest attributable to rental property (reportable on line 6b) or any mortgage interest treated as occupancy expense on line 36.

Line 42. Depreciation, Depletion, etc.

If the organization records depreciation, depletion, and similar expenses, enter the total for the year. Include any depreciation (amortization) of leasehold improvements. The organization is not required to use the Modified Accelerated Cost Recovery System (MACRS) to compute the depreciation reported on Form 990 or Form 990-EZ. If the organization records depreciation using MACRS, attach Form 4562, or a schedule showing the same information required by Form 4562. If the organization does not use MACRS, attach a schedule showing how depreciation was computed.

For an explanation of acceptable methods for computing depreciation, see Pub. 946.

If the organization claims a deduction for depletion, attach a schedule explaining the deduction.

Line 43. Other Expenses

Show the type and amount of each functional expense for which a separate line is not provided. The organization may report minor miscellaneous expenses as a single total. The total of minor miscellaneous expenses grouped together on line 43 cannot exceed 5% of the total of all functional expenses on line 44.

The following expenses must be categorized and reported separately on line 43:

1. For health care organizations, payments to heath care professionals who are not employees of the health care organization.
2. Investment counseling and other professional fees. (Do not include professional fundraising fees, accounting fees, or legal fees on line 43; these are reportable on lines 30 through 32.)

3. Penalties, fines, and judgments.
4. Unrelated business income taxes.
5. Insurance and real estate taxes not attributable to rental property or reported as occupancy expenses.
6. Other expenses the organization tracks, not included on other lines of Part II.
7. Payments of travel or entertainment expenses (including reimbursements for such costs) for any federal, state or local government officials (as determined under section 4946(c)) and their family members (as determined under section 4946(d)). The reported total amount should include:

a. Each separate expenditure relating to a government official or family member of such official that exceeds $200, and

b. Aggregate expenditures relating to a government official or family member of such official that exceed $1,000 for the year.

CAUTION *Do not double count expenditures that are described in both **a** and **b** above. For expenditures that are not specifically identifiable to a particular individual, the organization may use any reasonable allocation method to estimate the cost of the expenditure to an individual. Amounts not described in **a** and **b** above may be included in this amount or, provided that such amounts do not exceed 5% of total functional expenses, may be grouped with other minor miscellaneous expenses. The organization is responsible for keeping records for all travel and entertainment expenses related to a government official regardless of whether reported in this amount or as other minor miscellaneous expenses.*

State reporting—miscellaneous expenses. Some states that accept Form 990, or Form 990-EZ, in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized regardless of amount. See *General Instruction E.*

Line 44. Total Functional Expenses

Add lines 22a through 43g and enter the totals on line 44 in columns (A), (B), (C), and (D). Report the total amounts for columns (B), (C), and (D) in Part I, lines 13 through 15.

Reporting of Joint Costs

Organizations that included in program service expenses (column (B) of Part II) any joint costs from a combined educational campaign and fundraising solicitation must disclose how the total joint costs of all such combined activities were reported in Part II.

Organizations answering "Yes" to the joint-cost question following line 44 must furnish the relevant financial data in the spaces provided.

An organization conducts a combined educational campaign and fundraising solicitation when it solicits contributions (by mail, telephone, broadcast media, or any other means) and includes, with the solicitation, educational material or other information that furthers a bona fide nonfundraising exempt purpose of the organization.

Expenses attributable to providing information regarding the organization itself, its use of past contributions, or its planned use of contributions received are not program service expenses and should not be included in column (B). This is true whether or not the organization accounts for joint costs in accordance with the AICPA's Statement of Position 98-2, *Accounting for Costs of Materials and Activities of Not-for-Profit Organizations and State and Local Government Entities that Include Fund Raising.* Any method of allocating joint costs to program service expenses must be reasonable under the facts and circumstances of each case. Most states with reporting requirements for charitable and other organizations that solicit contributions either require or allow the reporting of joint costs according to Statement of Position 98-2 standards.

Part III—Statement of Program Service Accomplishments

A program service is a major (usually ongoing) objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters.

Step	Action
1	State the organization's primary exempt purpose.
2	All organizations must describe their exempt purpose achievements for each of their four largest program services (as measured by total expenses incurred). If there were four or fewer of such activities, describe each program service activity. • Describe program service accomplishments through measurements such as clients served, days of care, therapy sessions, or publications issued. • Describe the activity's objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity. • Give reasonable estimates for any statistical information if exact figures are not readily available. Indicate that this information is estimated. • Be clear, concise, and complete in the description. Avoid adding an attachment.
3	If part of the total expenses of any program service consists of grants and allocations reported on line 22a or 22b, enter the amount of grants and allocations in the space provided and include the grants and allocations in the *Expenses* column. If the amount of grants and allocations entered includes foreign grants, check the box to the left of the entry space for *Program services expenses.* • Section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts, must show the amount of grants and allocations to others and must enter the total expenses for each program service reported. • For all other organizations, completing the *Program Services Expenses* column (and the *Grants and allocations* entry) in Part III is optional.
4	Attach a schedule that lists the organization's other program services. • The detailed information required for the four largest services is not necessary for this schedule. • Section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts, however, must show the expenses attributable to their program services.
5	The organization may show the amount of any donated services, or use of materials, equipment, or facilities it received or utilized in connection with a specific program service. • Disclose the applicable amounts of any donated services, etc., on the lines for the narrative description of the appropriate program service. • Do not include these amounts in the expense column in Part III. • See the instructions for line 82.

Part IV—Balance Sheets

All organizations, except those that meet one of the exceptions in *General Instruction F,* must complete all of Part IV and may not submit a substitute balance sheet. Failure to complete Part IV may result in penalties for filing an incomplete return. See *General Instruction K.* If there is no amount to report in column (A), *Beginning of year,* place a zero in that column.

See *General Instruction E* for details on completing a Form 990, or Form 990-EZ, to be filed with any state or local governmental agency.

When a schedule is required to be attached for any line item in Part IV, it is only for the end-of-year balance sheet figure reported in column (B). Give the end-of-year figures for any receivables or depreciable assets and the related allowances for doubtful accounts or accumulated depreciation reported within the description column.

Line 45. Cash—Non-Interest-Bearing

Enter the total of non-interest-bearing checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest-bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 46. Savings and Temporary Cash Investments

Enter the total of interest-bearing checking accounts, savings and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than 1 year. Report the income from these investments on line 4.

Line 47. Accounts Receivable

Enter the total accounts receivable (reduced by the allowance for doubtful accounts) from the sale of goods and/or the performance of services. Report claims against vendors or refundable deposits with suppliers or others here, if not significant in amount. Otherwise, report them on line 58, *Other assets*. Report any receivables due from officers, directors, trustees, or key employees on line 50. Report receivables (including loans and advances) due from other employees on line 51a.

Line 48a. Pledges Receivable

Enter the total pledges receivable recorded as of the beginning and end of the year. Do not include the amount of pledges estimated to be uncollectible.

Line 49. Grants Receivable

Enter the total grants receivable from governmental agencies, foundations, and other organizations as of the beginning and end of the year. Organizations that follow SFAS 116 may report the present value of the grants receivable as of each balance sheet date.

Line 50a. Receivables From Current and Former Officers, Directors, Trustees, and Key Employees

Report all receivables due from current and former officers, directors, trustees, and key employees, and all secured and unsecured loans to such persons, on line 50a and in an attached schedule discussed below. Report interest from such receivables on line 11. For a definition of key employee, see the instructions in Part V-A.

In the required schedule, report each receivable separately even if more than one loan was made to the same person or the same terms apply to all loans. Report salary advances, and other advances for the personal use and benefit of the recipient, and receivables subject to special terms, or arising from nontypical transactions, as separate loans for each current and former officer, director, trustee, and key employee. For credit unions, report only loans, or receivables that are not made on the same terms as all other members of the organization.

Schedule format. For each outstanding loan, or other receivable that must be reported separately, the attached schedule should show the following information (preferably in columnar form):

1. Borrower's name and title,
2. Original amount,
3. Balance due,
4. Date of note,
5. Maturity date,
6. Repayment terms,
7. Interest rate,
8. Security provided by the borrower,
9. Purpose of the loan, and
10. Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc., common stock—$9,000).

Line 50b. Receivables From Other Disqualified Persons

Report all receivables due from disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) for the year on line 50b and in a required attached schedule. Do not include on line 50b, amounts reported on line 50a.

For a definition of disqualified persons, see *Disqualified Person* under *General Instruction P*, earlier.

Report each receivable separately even if more than one loan was made to the same person or the same terms apply to all loans. Report advances for the personal use and benefit of the recipient, and receivables subject to special terms, or arising from nontypical transactions, as separate loans for each disqualified person that is not a current or former officer, director, trustee, or key employee. For credit unions, report only loans, or receivables that are not made on the same terms as all other members of the organization.

Schedule format. For each outstanding loan, or other receivable that must be reported separately, the attached schedule should show the following information (preferably in columnar form):

1. Borrower's name and title,
2. Original amount,
3. Balance due,
4. Date of note,
5. Maturity date,
6. Repayment terms,
7. Interest rate,
8. Security provided by the borrower,
9. Purpose of the loan, and
10. Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc., common stock—$9,000).

Line 51. Other Notes and Loans Receivable

Line 51a. Enter on line 51a the combined total of receivables (both notes and loans) to non-key employees. Do not include the following on line 51a.

- Receivables reported on line 50.
- Program-related investments. (Report program-related investments on line 58.)
- Notes receivable acquired as investments (report receivables acquired as investments on line 56).

For notes and loans that represent program-related investments (defined in the line 2 instructions), report the interest income on line 2. For all other notes and loans receivable included on line 51, report the income on line 11.

Line 51b. Enter on line 51b the total amount of doubtful accounts.

Notes receivable. Enter the amount of all notes receivable not listed on line 50 and not acquired as investments. Attach a schedule similar to that requested in the instructions for line 50. The schedule should also describe the family or business relationship of the borrower to any officer, director, trustee, key employee, or substantial contributor of the organization.

Notes receivable from loans by a credit union to its members and scholarship loans by a section 501(c)(3) organization do not have to be itemized. However, identify these loans as such on a schedule and indicate the total amount of such loans that are outstanding.

For a note receivable from another organization exempt under the same paragraph of section 501(c) as the filing organization, list only the name of the

borrower and the balance due. For example, a section 501(c)(3) organization would have to provide the full details of a loan to a section 501(c)(4) organization but would have to provide only the name of the borrower and the balance due on a note from a loan to another section 501(c)(3) organization.

Loans receivable. Enter the gross amount of loans receivable, less the allowance for doubtful accounts, from the normal activities of the filing organization such as loans by a credit union to its members or scholarship loans by a section 501(c)(3) organization. A schedule of these loans is not required.

Report loans to current and former officers, directors, trustees, and key employees on line 50. Report loans to non-key employees, vendors, suppliers, and independent contractors on line 51. Attach a schedule similar to that called for in the instructions for line 50. The schedule should also describe the family or business relationship, if any, between the borrower and any officer, director, trustee, key employee, or *substantial contributor* of the organization as defined in section 507(d)(2)(A).

Family relationships include an individual's spouse, ancestors, children, grandchildren, great-grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great-grandchildren, and siblings.

Business relationships are employment and contractual relationships, and common ownership of a business where any officers, directors, or trustees, individually or together, possess more than a 35% ownership interest in common. *Ownership* is voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust. Employment and contractual relationships include relationships through a sole proprietorship or partnership (for example, a borrower is employed by a partnership in which one of the organization's directors is a partner) but not through a corporation (for example, a borrower is employed by a corporation in which one of the organization's directors is a shareholder, director, or officer).

See *General Instruction X* regarding due diligence requirements to determine business relationships.

TIP *Report program-related investments on line 58.*

Line 52. Inventories For Sale Or Use

Enter the amount of materials, goods, and supplies purchased, manufactured by the organization, or donated and held for future sale or use.

Line 53. Prepaid Expenses and Deferred Charges

Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs, and expenses incurred for a solicitation campaign of a future accounting period.

Line 54a. Investments—Publicly Traded Securities

Enter the book value, which may be market value, of securities held as investments. Check the appropriate box to indicate whether the securities are reported at cost or fair market value. Publicly traded securities include common and preferred stocks, bonds (including governmental obligations such as bonds and Treasury bills), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available.

Do not report stock holdings that represent 5% or more of the outstanding shares of stock of the same class. Instead, report them on line 54b. Report dividends and interest from these securities on line 5 of Part I, Revenue.

Line 54b. Investments—Other Securities

Enter the book value, which may be market value, of securities held as investments that are not publicly traded or that represent 5% or more of the outstanding shares of the same class. Check the appropriate box to indicate whether the securities are reported at cost or fair market value. When valuing securities at fair market value, use commonly accepted valuation methods. (See Regulations section 20.2031-2.)

Attach a schedule that lists the securities held at the end of the year. Indicate whether the securities are listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end-of-year market value. Do not include amounts reported on line 46.

Securities not publicly traded. Securities that are not publicly traded include investments such as stock in a closely held company whose stock is not available for sale to the general public or which is not widely traded.

Attached schedule. On the attached schedule, give the following information for each security held at the end of the organization's tax year.

- A description of the security, including the value recorded at the time of receipt in the case of donated securities,
- The book value of the security, and
- The valuation method that was used (cost or the total book value of all securities listed on the attachment must agree with the amount entered on line 54b, column (B)).

Line 55. Investments—Land, Buildings, and Equipment

Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment held for investment purposes, such as rental properties. Attach a schedule listing these fixed assets held as investments at the end of the year. Show for each item or category listed, the cost or other basis, accumulated depreciation, and book value. Report the income from these assets on line 6a.

Line 56. Investments—Other

Enter the amount of all other investment holdings not reported on line 54a, 54b, or 55. Attach a schedule, listing and describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end-of-year market value. Report the income from these assets on line 7. Do not include program-related investments. See the instructions for line 58.

Line 57. Land, Buildings, and Equipment

Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment owned by the organization and not held for investment. This includes any property, plant, and equipment owned and used by the organization in conducting its exempt activities. Attach a schedule listing these fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 58. Other Assets, Including Program-Related Investments

List and show the book value of each category of assets not reportable on lines 45 through 57. If more space is needed, attach a schedule (see *Attachment* under *General Instruction X*) and enter the total book value of all categories of other assets on line 58. For interest earned on notes and loans

that represent program-related investments, report income on line 2.

One type of asset reportable on line 58 is program-related investments. These are investments made primarily to accomplish an exempt purpose of the filing organization rather than to produce income.

Line 59. Total Assets

Enter the total of lines 45 through 58. The amounts on line 59 must equal the amounts on line 74 for both the beginning and end of the year.

Line 60. Accounts Payable and Accrued Expenses

Enter the total of accounts payable to suppliers and others and accrued expenses, such as salaries payable, accrued payroll taxes, and interest payable.

Line 61. Grants Payable

Enter the unpaid portion of grants and awards that the organization has made a commitment to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

Line 62. Deferred Revenue

Include revenue that the organization has received but not yet earned as of the balance sheet date under its method of accounting.

Line 63. Loans From Officers, Directors, Trustees, and Key Employees

Enter the unpaid balance of loans received from current and former officers, directors, trustees, and key employees. See the instructions for Part V-A for the definition of key employee. For loans outstanding at the end of the year, attach a schedule that shows, for each loan, the name and title of the lender and the information specified in items 2 through 10 of the instructions for line 50a.

Line 64a. Tax-Exempt Bond Liabilities

Enter the amount of tax-exempt bonds (or other obligations) issued by the organization on behalf of a state or local governmental unit, or by a state or local governmental unit on behalf of the organization, and for which the organization has a direct or indirect liability. Tax-exempt bonds include state or local bonds and any obligations, including direct borrowing from a lender, or certificates of participation, the interest on which is excluded from the income of the recipient for federal income tax purposes under section 103.

If the tax-exempt bond or obligation is in the form of a mortgage, include the amount of the mortgage on line 64a, and not on line 64b. For such mortgage, include in the above listing, the maturity date of the debt, repayment terms, interest rate, and any security provided by the organization.

Line 64a does not, however, refer to situations where the organization only has a contingent liability, as it would if it were a guarantor of tax-exempt bonds issued by a related entity. Contingent liabilities, such as those that arise from guarantees, must be included as an entry in the separately attached schedule required for line 64a.

Attachment. For all such bonds and obligations outstanding at any time during the year, attach a schedule showing for each separate issue:

- The purpose of the issue,
- The amount of the issue outstanding, and
- The unexpended bond proceeds, if any.

Also, show if any portion of any bond financed facility was used by a third party (other than a governmental unit or a Section 501(c)(3) organization). If so, list the percentage of space used by the third party.

Line 64b. Mortgages and Other Notes Payable

Enter the amount of mortgages and other notes payable at the beginning and end of the year. Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable and, for each nonmortgage note payable, the name of the lender and the other information specified in items 2 through 10 of the instructions for line 50a. The schedule should also identify the relationship of the lender to any officer, director, trustee, or key employee of the organization.

Line 65. Other Liabilities

List and show the amount of each liability not reportable on lines 60 through 65. Attach a separate schedule if more space is needed.

Lines 67 through 69. Net Assets

The Financial Accounting Standards Board issued Financial Statements of Not-for-Profit Organizations (SFAS 117). SFAS 117 provides standards for external financial statements certified by an independent accountant for certain types of nonprofit organizations. SFAS 117 does not apply to credit unions, voluntary employees' beneficiary associations, supplemental unemployment benefit trusts, section 501(c)(12) cooperatives, and other member benefit or mutual benefit organizations.

While some states may require reporting in accordance with SFAS 117, the IRS does not (see *General Instruction E*). However, a Form 990, or Form 990-EZ, return prepared in accordance with SFAS 117 will be acceptable to the IRS.

Organizations that follow SFAS 117. If the organization follows SFAS 117, check the box above line 67. Classify and report net assets in three groups—unrestricted, temporarily restricted, and permanently restricted—based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. Show the sum of the three classes of net assets on line 73. On line 74, add the amounts on lines 66 and 73 to show total liabilities and net assets. This figure should be the same as the figure for *Total assets* on line 59.

Line 67. Unrestricted

Enter the balances per books of the unrestricted class of net assets. Unrestricted net assets are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. All funds without donor-imposed restrictions must be classified as unrestricted, regardless of the existence of any board designations or appropriations.

Line 68. Temporarily Restricted

Enter the balance per books for the temporarily restricted class of net assets. Donors' temporary restrictions may require that resources be used in a later period or after a specified date (time restrictions), or that resources be used for a specified purpose (purpose restrictions), or both.

Line 69. Permanently Restricted

Enter the total of the balances for the permanently restricted class of net assets. Permanently restricted net assets are (a) assets, such as land or works of art, donated with stipulations that they be used for a specified purpose, be preserved, and not be sold or (b) assets donated with stipulations that they be invested to provide a permanent source of income. The latter result from gifts and bequests that create permanent endowment funds.

Organizations that do not follow SFAS 117. If the organization does not follow SFAS 117, check the box above line 70 and report account balances on lines 70 through 72. Report net assets or fund balances on line 73. Complete line 74 to report the sum of the total liabilities and net assets.

Some states that accept Form 990, or Form 990-EZ, as their basic reporting form may require a separate statement of changes in net assets/fund balances. See *General Instruction E*.

Line 70. Capital Stock, Trust Principal, or Current Funds

For corporations, enter the balance per books for capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received upon issuance) of all classes of stock issued and, as yet, uncancelled. For trusts, enter the amount in the trust principal or corpus account. For organizations continuing to use the fund method of accounting, enter the fund balances for the organization's current restricted and unrestricted funds.

Line 71. Paid-In or Capital Surplus, or Land, Bldg., and Equipment Fund

Enter the balance per books for all paid-in capital in excess of par or stated value for all stock issued and uncancelled. If stockholders or others gave donations that the organization records as paid-in capital, include them here. Report any current-year donations the organization included on line 71 in Part I, line 1. Enter the fund balance for the land, building, and equipment fund on this line.

Line 72. Retained Earnings or Accumulated Income, Endowment, or Other Funds

For corporations, enter the balance in the retained earnings, or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance per books in the accumulated income or similar account. For those organizations using fund accounting, enter the total of the fund balances for the permanent and term endowment funds as well as balances of any other funds not reported on lines 70 and 71.

Line 73. Total Net Assets or Fund Balances

For organizations that follow SFAS 117, enter the total of lines 67 through 69. For all other organizations, enter the total of lines 70 through 72. Enter the beginning-of-the-year figure on line 73, column (A), in Part I, line 19. The end-of-the-year figure on line 73, column (B) must agree with the figure on line 21 of Part I.

Line 74. Total Liabilities and Net Assets/Fund Balances

Enter the total of lines 66 and 73. This amount must equal the amount for total assets reported on line 59 for both the beginning and end of the year.

Parts IV-A and IV-B—Reconciliation Statements

Use these reconciliation statements to reconcile the differences between the revenue and expenses shown on the organization's audited financial statements prepared in accordance with SFAS 117 and the revenue and expenses shown on the organization's Form 990.

If the organization did not receive an audited financial statement for 2007 (or the fiscal year for which it is completing this Form 990) and prepared the return in accordance with SFAS 117, it does not need to complete Parts IV-A or IV-B and should instead enter "N/A" on line **a** of each Part.

These two Parts do not have to be completed on group returns.

On line **d1** of Parts IV-A and IV-B, include only those investment expenses netted against investment income in the revenue portion of the organization's audited financial statements. Do not include program-related investment expenses or other expenses reported as program service expenses in the audited statement of activities.

Part V-A — Current Officers, Directors, Trustees, and Key Employees

List each person who was a current officer, director, trustee, or key employee (defined below) of the organization or disregarded entity described in Regulations sections 301.7701-1 through 301.7701-3 at any time during the year even if they did not receive any compensation from the organization. If person is listed in Part V-A, then list all of that person's compensation from the organization in Part V-A, whether received as a current officer, as a former officer, or in another capacity (for example, independent contractor).

For purposes of reporting all amounts in columns (B) through (E) in Part V-A, either use the organizations tax year, or the calendar year ending within such tax year.

Enter a zero in columns (B), (C), (D), or (E) if no hours were entered in column (B) and no compensation, contributions, expenses, and other allowances were paid during the reporting period, or deferred for payment to a future reporting period.

Aid in the processing of the organization's return by grouping together, preferably at the end of its list, those who received no compensation. Be careful not to repeat names.

Give the preferred address at which officers, directors, etc., want the Internal Revenue Service to contact them.

Use an attachment if there are more persons to list in Part V-A.

Show all forms of cash and noncash compensation received by each listed officer, director, etc., whether paid currently or deferred.

If the organization pays any other person, such as a management services company, for the services provided by any of its officers, directors, trustees, or key employees, report the compensation and other items in Part V-A as if the organization had paid the officers, directors, etc., directly. Also see Ann. 2001-33, 2001-17 I.R.B. 1137.

A failure to fully complete Part V-A can subject both the organization and the individuals responsible for such failure to penalties for filing an incomplete return. See *General Instruction K*. In particular, entering the phrase on Part V-A, "Information available upon request," or a similar phrase, is not acceptable.

The organization may also provide an attachment to explain the entire 2007 compensation package for any person listed in Part V-A.

Each person listed in Part V-A should report the listed compensation on his or her income tax return unless the Code specifically excludes any of the payments from income tax. See Pub. 525 for details.

Key employee. A *key employee* is any person having responsibilities, powers, or influence similar to those of officers, directors, or trustees. The term includes the chief management and administrative officials of an organization (such as an executive director or chancellor).

A chief financial officer and the officer in charge of the administration or program operations are both key employees if they have the authority to control the organization's activities, its finances, or both.

Column (A)

Report the name and address of each person who was a current officer, director, trustee, or key employee (defined above), during the tax year or, if using the calendar year, at any time during the calendar year or tax year.

Column (B)

In column (B), a numerical estimate of the average hours per week devoted to the position is required for a complete answer. Statements such as "as needed," "as required," or "40+" are unacceptable.

Column (C)

For each person listed, report salary, fees, bonuses, and severance payments paid. Include current-year payments of amounts reported or reportable as deferred compensation in any prior reporting period.

Column (D)

Include in this column all forms of deferred compensation and future severance payments (whether or not funded; whether or not vested; and whether or not the deferred compensation plan is a qualified plan under section 401(a)). Include also payments to welfare benefit plans on behalf of the officers, directors, etc. Such plans provide benefits such as medical, dental, life insurance, severance pay, disability, etc. Reasonable estimates may be used if precise cost figures are not readily available.

Unless the amounts were reported in column (C), report, as deferred compensation in column (D), salaries and other compensation earned during the reporting period, but not yet paid by the date the organization files its return.

Column (E)

Enter both taxable and nontaxable fringe benefits (other than *de minimis* fringe benefits described in section 132(e)). Include expense allowances or reimbursements that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. See Pub. 525 for more information.

Line 75b. Business Relationships

For a definition of *family and business relationships*, see *Family relationships* and *Business relationships* on line 51 of these instructions.

Line 75c. Compensation from Related Organizations

Answer "Yes," to this question if any of the organization's listed officers, directors, trustees, key employees, highest compensated employees, or highest compensated professional or other independent contractors received aggregate compensation amounts of $50,000 or more from the organization and all related organizations (as defined below). For this purpose, compensation includes any amount that would be reportable in columns (C), (D), and (E) of Form 990, Part V-A, if provided by the organization. See *General Instruction X* regarding due diligence requirements to determine business relationships.

Required attachment. If the organization answered "Yes," it must attach a schedule that lists, for each officer, director, trustee, key employee, highest compensated employee, or highest compensated professional or other independent contractor, the information requested in 1 and 2, below.

1. For *Relationships* 1 through 5, provide:

a. The name of the officer, director, etc., receiving compensation from a related organization or organizations;

b. The name and EIN of each related organization that provided the compensation;

c. A description of the relationship between the organization and the related organization(s); and

d. The amount of compensation each related organization provided. Use the same format as required by columns (C) through (E) of Part V-A.

2. If the organizations are related only by *Relationship 6* or if the *Volunteer exception* to *Relationship 2* applies, report the following information, but do not report compensation paid by the related organization(s).

a. The name of the officer, director, etc., receiving compensation from a related organization(s);

b. The name and EIN of each related organization that provided such compensation; and

c. A description of the relationship between the organization and the related organization(s).

Reporting compensation. Report compensation paid by a related organization for only that time period during which a relationship existed between the organization and the related organization. Report compensation paid by a related organization in the same period (either calendar or fiscal year) as the organization reports compensation it paid.

Definition of related organization. Organizations may be related in several ways; the relationships are not mutually exclusive. *Related organizations* are tax-exempt or taxable organizations related to the tax-exempt organization in one or more of the following ways.

- ***Relationship 1.*** One organization owns or controls the other organization.
- ***Relationship 2.*** The same person(s) owns or controls both organizations.
- ***Relationship 3.*** The organizations have a relationship as supporting and supported organizations under section 509(a)(3) (see *Example 1*, later).
- ***Relationship 4.*** The organizations use a common paymaster. For a definition of common paymaster and illustrated examples, see Regulations section 31.3121(s)-1(b).
- ***Relationship 5.*** The other organization pays part of the compensation that the organization would otherwise be contractually obligated to pay (see *Example 2*, later).
- ***Relationship 6.*** The organizations conduct joint programs or share facilities or employees.

Ownership. The term ownership is holding (directly or indirectly) 50% or more of the voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.

Control. The term control is having 50% or more of the voting power in a governing body, or the power to appoint 50% or more of an organization's governing body, or the power to approve an organization's budgets or expenditures (an effective veto power over the organization's budgets and expenditures). Also, control can be indirect by owning or controlling another organization with such power.

The term governing body is defined by the relevant state law. Generally, the governing body of a corporation is its board of directors and the governing body of a trust is its board of trustees.

Reporting exceptions. The following exceptions apply:

- ***Bank or financial institution trustee exception.*** If the organization and the other organization are related only because they are both controlled by a common trustee that is a bank or financial institution, the organization does not need to report either the relationship or the trustee's compensation from the related organization.
- ***Common independent contractor exception.*** If an independent contractor listed in Schedule A, Part II-A or II-B does not exercise substantial influence, as defined in section 4958(f)(1) and Regulations section 53.4958-3 (treating the organization as though it were an applicable tax-exempt organization under section 4958(e)), over either the organization or the related organization, the organization does not need to report either the relationship or the independent contractor's compensation from the related organization. However, this exception does not apply to a management services company that performs for the organization functions similar to those of president, chief executive officer, chief operating officer,

treasurer, or chief financial officer. Compensation paid by a related organization to such a management company must be reported by the organization unless another exception applies. See *Examples 4* and *5* later.

- ***Volunteer exception.*** If *Relationship 2* is met only because the same individuals control both the tax-exempt organization and a for-profit organization that is not owned or controlled directly or indirectly by one or more tax-exempt organizations, and none of the Relationships described in 1 or 3 through 5 are met, then the tax-exempt organization does not have to report the compensation from the for-profit organization of any persons serving the tax-exempt organization as a volunteer without compensation other than reimbursement of expenses under an accountable plan (treating the volunteer as an employee for this purpose). See *Example 3* later).

TIP *Providing information on compensation received from related organizations does not violate the disclosure provisions of section 7216(a). See also section 6033(a)(1).*

Examples illustrating relationships.

Example 1. X, a hospital auxiliary, raises funds for Hospital Y. Z, another hospital auxiliary, coordinates the efforts of Hospital Y's volunteer staff. Both X and Z are supporting organizations of Hospital Y and are considered related organizations to Hospital Y. Hospital Y is also considered a supported organization of the auxiliaries.

Hospital Y must report (in an attachment to line 75c) the compensation, if any, paid by each of the auxiliaries to the officers, directors, trustees, or key employees listed in the hospital's Form 990, Part V-A, or highest-compensated employees listed in the hospital's Schedule A, Part I, or highest-compensated professional or other independent contractors listed in the hospital's Schedule A, Part II-A or II-B. Both X and Z must report (in an attachment to line 75c) the compensation, if any, paid by Hospital Y to an officer, director, etc., of the auxiliary.

Example 2. Bob, a key employee of Organization B, a 501(c)(4) social welfare organization, conducts fundraising among Organization B's members, with the proceeds going to Organization A, a 501(c)(3) public charity, to carry out disaster relief. The Chief Executive Officers (CEOs) of Organizations A and B agree that Organization A will pay a portion of Bob's salary for a period of time in recognition of Bob's role in the fundraising assistance of Organization B. Because Organization A is paying to Bob a portion of Bob's compensation that Organization B would otherwise be contractually committed to pay, Organizations A and B are related organizations for Form 990 reporting purposes. Organization B must report the payment from Organization A to Bob in an attachment to line 75c. If, instead, Organization B reimbursed Organization A for a portion of Bob's compensation and all of Bob's compensation was reported as paid by Organization A, then *Relationship 5* would not apply.

Example 3. Tom is the sole trustee of Organization A, a tax-exempt organization, and Organization B, a for-profit taxable organization wholly owned by Tom. So, Organizations A and B are related under *Relationship 2* because they are controlled by the same person. In this situation, Tom's compensation from Organization B (as well as the name and EIN of Organization B, and a description of the relationship between the two organizations) is reported in an attachment to line 75c of Organization A's Form 990.

However, if Tom serves Organization A without compensation and none of the other relationships described in 1 or 3 through 5 are met, then because of the *Volunteer exception*, Tom's compensation from Organization B is not reported by Organization A. However, the relationship between Organization A and Organization B must be reported.

Example 4. Organization A is filing its Form 990. Organization B is a taxable subsidiary of Organization A; so, Organizations A and B are related under *Relationship 1* because A controls B.

Organization A contracts with Company Y for janitorial services. Company Y is listed as one of Organization A's highest-compensated independent contractors. Organization B also contracts with Company Y for janitorial services. Company Y is not a 35% controlled entity of a disqualified person for organization A or Organization B. So, Company Y is listed in Organization A's Schedule A, Part II-B, and Company Y also receives compensation from Organization B, which is related to Organization A.

However, Company Y meets the requirements of the *Common independent contractor exception*, earlier. Company Y is not considered to exercise substantial influence over either Organization A or Organization B if they were applicable tax-exempt organizations within the meaning of section 4958(e). Because of the *Common independent contractor exception* earlier, the relationship between Company Y and Organization B, and Company Y's compensation from Organization B for such janitorial services is not reported by Organization A.

None of Organization A's officers, directors, etc., receive compensation from Organization B. In conclusion, Organization A does not report its relationship with Organization B in an attachment to line 75c, and Organization A answers "No" on line 75c.

Example 5. The facts are the same as in *Example 4*, except that one of Organization A's officers, Sue, receives compensation from Organization B. Organization A must report in an attachment to line 75c its relationship with Organization B, and Sue's compensation from Organization B for services provided to Organization B. Even though Organization A must report Sue's compensation from Organization B, Organization A does not report Company Y's compensation from Organization B because of the *Common independent contractor exception.*

Part V-B. Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits

List each former officer, director, trustee, and key employee (as defined in Part V-A) of the organization or disregarded entity described in Regulations sections 301.7701-1 through 301.7701-3 that received compensation or other benefits during the reporting year. A reasonable effort should be made to determine whether any persons that were paid compensation or held loans are former officers, etc. Do not list persons in Part V-B that are listed in Part V-A, even if they were former officers, etc. for part of the year.

For purposes of reporting all amounts in columns (B) through (E) in Part V-B, either use the organization's tax year, or the calendar year ending within such tax year.

Give the preferred address at which these former officers, directors, etc., want the Internal Revenue Service to contact them.

Use an attachment if there are more persons to list in Part V-B.

Show all forms of cash and noncash compensation or benefits received by each listed former officer, director, etc., whether paid currently or deferred.

If the organization pays any other person, such as a management services company, for the services provided by any of its former officers, directors, trustees, or key employees, report the compensation and other items in Part V-B as if the organization had paid the former officers, directors, etc., directly.

A failure to fully complete Part V-B can subject both the organization and the individuals responsible for such failure to penalties for filing an incomplete return. See *General Instruction K.* In particular, entering the phrase on Part V-B, "Information available upon request," or a similar phrase, is not acceptable.

The organization may also provide an attachment to explain the entire 2007 compensation package for any person listed in Part V-B.

Each person listed in Part V-B should report the listed compensation on his or her income tax return unless the Code specifically excludes any of the payments from income tax. See Pub. 525 for details.

Column (A)

Report the name and address of each person who was a former officer, director, trustee, or key employee (defined in *Part V-A*) at any time during the calendar year.

Column (B)

In column (B), report all secured and unsecured loans and salary advances to former officers, directors, trustees, and key employees. For credit unions, report only loans not made on the same terms as for all other members.

Column (C)

For each person listed, report salary, fees, bonuses, and severance payments paid. Include current-year payments of amounts reported or reportable as deferred compensation in any prior year.

Column (D)

Include in this column all forms of deferred compensation and future severance payments (whether or not funded; whether or not vested; and whether or not the deferred compensation plan is a qualified plan under section 401(a)). Include also payments to welfare benefit plans on behalf of the officers, directors, etc. Such plans provide benefits such as medical, dental, life insurance, severance pay, disability, etc. Reasonable estimates may be used if precise cost figures are not readily available.

Unless the amounts were reported in column (C), report, as deferred compensation in column (D), salaries and other compensation earned during the period covered by the return, but not yet paid by the date the organization files its return.

Column (E)

Enter both taxable and nontaxable fringe benefits (other than *de minimis* fringe benefits described in section 132(e)). Include expense allowances or reimbursements that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. See Pub. 525 for more information.

Part VI—Other Information

- Section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts must also complete and attach a Schedule A (Form 990 or 990-EZ) to their Form 990 or Form 990-EZ. See *General Instruction D* for information on Schedule A (Form 990 or 990-EZ).
- Answer "Yes," or "No," to each applicable question.

Line 76. Change in Activities

Attach a statement to explain any changes during the past 3 years in the activities the organization conducts to further its exempt purpose, or in the methods of conducting these activities. However, if a change has been reported to the IRS on a previously filed attachment, do not report the change again. An activity previously listed as current or planned in the organization's application for recognition of exemption does not have to be reported unless the method of conducting such activity has changed. Also, include any major program activities that are being discontinued.

Line 77. Changes In Organizing or Governing Documents

Attach a conformed copy of any changes to the articles of incorporation, or association, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document.

A *conformed copy* is one that agrees with the original document and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official do not have to be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for details. When a number of changes are made, attach a copy of the entire revised organizing instrument or governing document.

However, if the exempt organization changes its legal structure, such as from a trust to a corporation, it must file a new exemption application to establish that the new legal entity qualifies for exemption.

Line 78. Unrelated Business Income

Political organizations described in section 527 are not required to answer this question.

Check "Yes" on line 78a if the organization's total gross income from all of its unrelated trades and businesses is $1,000 or more for the year. Gross income is the amount of gross receipts less the cost of goods sold. See Pub. 598 for a description of unrelated business income and the Form 990-T filing requirements for section 501(c), (e), (f), (k), and (n) organizations having such income.

Form 990-T is not a substitute for Form 990. Report on Form 990, or Form 990-EZ, items of income and expense that are also reported on Form 990-T when the organization is required to file both forms.

CAUTION *All tax-exempt organizations must pay estimated taxes for their unrelated business income if they expect their tax liability to be $500 or more. Use Form 990-W to compute this tax.*

Line 79. Liquidation, Dissolution, Termination, or Substantial Contraction

For a complete liquidation of a corporation or termination of a trust, check the *Termination* box in the heading on page 1 of the form. If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining what took place.

On the attached statement, show whether the assets have been distributed and the date of distribution. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing the names and addresses of all persons

who received the assets distributed in liquidation or termination, the kinds of assets distributed to each one, and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets except transfers for full consideration or distributions from current income.

A *major disposition of assets* is any disposition for the tax year that is:

1. At least 25% of the fair market value of the organization's net assets at the beginning of the tax year; or
2. One of a series of related dispositions begun in earlier years that add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions depends on the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

Line 80. Relation To Other Organizations

Answer "Yes" if most (more than 50%) of the organization's governing body, officers, directors, trustees, or membership are also officers, directors, trustees, or members of any other organization.

Disregard any coincidental overlap of membership with another organization; that is, when membership in one organization is not a condition of membership in another organization. For example, assume that a majority of the members of a section 501(c)(4) civic organization also belong to a local chamber of commerce described in section 501(c)(6). The civic organization should answer "No" on line 80a if it does not require its members to belong to the chamber of commerce.

Also, disregard affiliation with any statewide or nationwide organization. Thus, the civic organization in the above example would still answer "No" on line 80a even if it belonged to a state or national federation of similar organizations. A local labor union whose members are also members of a national labor organization would answer "No" on line 80a.

Line 81. Expenditures For Political Purposes

CAUTION *Political organizations described in section 527 are not required to answer this question.*

A *political expenditure* is one intended to influence the selection, nomination, election, or appointment of anyone to a federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. It does not matter whether the attempt succeeds.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

All section 501(c) organizations. An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under section 527(f)(1).

If a section 501(c) organization establishes and maintains a section 527(f)(3) separate segregated fund, it is the fund's responsibility to file its own Form 1120-POL if the fund meets the Form 1120-POL filing requirements. Do not include the segregated fund's receipts, expenditures, and balance sheet items on the Form 990, or Form 990-EZ, of the section 501(c) organization that establishes and maintains the fund. When answering questions 81a and 81b on its Form 990, this section 501(c) organization should disregard the political expenses and Form 1120-POL filing requirement of the segregated fund.

However, when a section 501(c) organization transfers its own funds, to a separate segregated section 527(f)(3) fund for use as political expenses, the 501(c) organization must report the transferred funds as its own political expenses on its Form 990 or Form 990-EZ.

Section 501(c)(3) organizations. A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

A section 501(c)(3) organization must pay a section 4955 excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization who knowingly agrees to a political expenditure must pay a section 4955 excise tax, unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

When a section 501(c)(3) organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures:

- Remuneration to such individual (a candidate or prospective candidate) for speeches or other services;
- Travel expenses of such individual;
- Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by such individual;
- Expenses of advertising, publicity, and fundraising for such individual; and
- Any other expense that has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of such individual.

An organization is effectively controlled by a candidate or prospective candidate only if such individual has a continuing, substantial involvement in the day-to-day operations or management of the organization.

A determination of whether the primary purpose of an organization is promoting the candidacy or prospective candidacy of an individual for public office is made on the basis of all the facts and circumstances. See section 4955 and Regulations section 53.4955.

Use Form 4720 to figure and report the excise taxes.

Line 82. Donated Services or Facilities

Because Form 990, or Form 990-EZ, is open to public inspection, the organization may want the return to show contributions the organization received in the form of donated services or the use of materials, equipment, or facilities at less than fair rental value. If so, and if the organization's records either show the amount and value of such items or give a clearly objective basis for an estimate, the organization may choose to enter this optional information on line 82b. The IRS does not require any organization to keep such records. However, do not include the value of such items in Part I or II, or in the expense column in Part III. The organization may indicate the value of donated services or use of materials, equipment, or facilities in Part III in the narrative description of program services rendered. See the instructions for Part III.

Line 83a. Public Inspection Requirements

Answer "Yes" only if the organization complied with its public inspection obligations described in *General Instruction M.*

Line 83b. Disclosure Requirements For *Quid Pro Quo* Contributions

See *General Instruction L.*

Line 84a. Solicitations of Contributions

All organizations that qualify under section 170(c) to receive contributions that are deductible as charitable contributions for federal income tax purposes, enter "N/A." See *General Instruction L.*

Line 85. Section 501(c)(4), (5), or (6) Organizations

Reporting membership dues, lobbying, and political expenses under section 6033(e). Only certain organizations that are tax-exempt under:

- Section 501(c)(4) (social welfare organizations),
- Section 501(c)(5) (agricultural and horticultural organizations), or
- Section 501(c)(6) (business leagues)

are subject to (a) the section 6033(e) notice and reporting requirements, and (b) a potential proxy tax. These organizations must report their total lobbying expenses, political expenses, and membership dues, or similar amounts, on line 85 of Form 990.

Section 6033(e) notice and reporting requirements and proxy tax. Section 6033(e) requires certain section 501(c)(4), (5), and (6) organizations to tell their members what portion of their membership dues were allocable to the political or lobbying activities of the organization. If an organization does not give its members this information, then the organization is subject to a proxy tax. The tax is reported on Form 990-T.

However, if the organization meets *Exception 1* or *2*, it is excluded from the notice, reporting, and proxy tax requirements of section 6033(e). See also Rev. Proc. 98-19, 1998-1 C.B. 547.

Exception 1. Section 6033(e)(3) exception for organizations whose dues are nondeductible. *(Check "Yes" for line 85a.)*

1. All organizations exempt from tax under section 501(a), other than section 501(c)(4), (5), and (6) organizations.
2. Local associations of employees' and veterans' organizations described in section 501(c)(4), but not section 501(c)(4) social welfare organizations.
3. Labor unions and other labor organizations described in section 501(c)(5), but not section 501(c)(5) agricultural and horticultural organizations.
4. Section 501(c)(4), (5), and (6) organizations that receive more than 90% of their dues from:
   a. Section 501(c)(3) organizations,
   b. State or local governments,
   c. Entities whose income is exempt from tax under section 115, or
   d. Organizations described in 1 through 3, above.
5. Section 501(c)(4) and (5) organizations that receive more than 90% of their annual dues from:
   a. Persons,
   b. Families, or
   c. Entities who each paid annual dues of $95 or less in 2007 (adjusted annually for inflation). See Rev. Proc. 2006-53 which is on page 996 of the Internal Revenue Bulletin 2006-48 at *www.irs.gov/pub/irs-irbs/irb06-48.pdf*
6. Any organization that receives a private letter ruling from the IRS stating that the organization satisfies the section 6033(e)(3) exception.
7. Any organization that keeps records to substantiate that 90% or more of its members cannot deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.
8. Any organization that is not a membership organization.

Special rules treat affiliated social welfare organizations, agricultural and horticultural organizations, and business leagues as parts of a single organization for purposes of meeting the nondeductible dues exception. See Rev. Proc. 98-19.

Exception 2. Section 6033(e)(1) $2,000 in-house lobbying exception. *(Check "Yes" for line 85b.)* An organization satisfies the $2,000 in-house lobbying exception if it:

1. Did not receive a waiver for proxy tax owed for the prior year,
2. Did not make any political expenditures or foreign lobbying expenditures during the 2007 reporting year, and
3. Made lobbying expenses during the 2007 reporting year consisting only of in-house direct lobbying expenses totaling $2,000 or less, but excluding:
   a. Any allocable overhead expenses, and
   b. All direct lobbying expenses of any local council regarding legislation of direct interest to the organization or its members.

Dues notices. An organization that checked "No" for both lines 85a and 85b, and is thus responsible for reporting on line 85c through 85h, must send dues notices to its members at the time of assessment or payment of dues, unless the organization chooses to pay the proxy tax instead of informing its members of the nondeductible portion of its dues. These dues notices must reasonably estimate the dues allocable to the nondeductible lobbying and political expenditures reported on line 85d.

IF . . .	THEN . . .
The organization's lobbying and political expenses are more than its membership dues for the year,	The organization must: (a) Allocate all membership dues to its lobbying and political activities, and (b) Carry forward any excess lobbying and political expenses to the next tax year.
The organization: (a) Had only *de minimis* in-house expenses ($2,000 or less) and no other nondeductible lobbying or political expenses; or (b) Paid a proxy tax, instead of notifying its members on the allocation of dues to lobbying and political expenses*; or (c) Established that substantially all of its membership dues, etc., are not deductible by members.	The organization need not disclose to its membership the allocation of dues, etc., to its lobbying and political activities.

*Such as political campaign or grassroots lobbying expenses.

Members of the organization cannot take a trade or business expense deduction on their tax returns for the portion of their dues, etc., allocable to the organization's lobbying and political activities.

Proxy tax.

IF . . .	THEN . . .
The organization's actual lobbying and political expenses are more than it estimated in its dues notices,	The organization is liable for a proxy tax on the excess and reports it on Form 990-T.
The organization: (a) Elects to pay the proxy tax, and (b) Chooses not to give its members a notice allocating dues to lobbying and political activities,	All the members' dues remain eligible for a section 162 trade or business expense deduction.
The organization: (a) Makes a reasonable estimate of dues allocable to nondeductible lobbying and political activities, and (b) Agrees to adjust its estimate in the following year*.	The IRS may permit a waiver of the proxy tax.

*A facts and circumstances test determines whether or not a reasonable estimate was made in good faith.

Allocation of costs to lobbying activities and influencing legislation. An organization that is subject to the lobbying disclosure rules of section 6033(e) must use a reasonable

allocation method to determine its total costs of its direct lobbying activities; that is, costs to influence:
- Legislation, and
- The actions of a covered executive branch official through direct communication (for example, President, Vice President, or cabinet-level officials, and their immediate deputies) (sections 162(e)(1)(A) and (D)).

Reasonable methods of allocating costs to direct lobbying activities include, but are not limited to:
- The ratio method,
- The gross-up and alternative gross-up methods, and
- A method applying the principles of section 263A.

See Regulations sections 1.162-28 and 1.162-29 and the special rules and definitions for these allocation methods given below.

An organization that is subject to the lobbying disclosure rules of section 6033(e) must also determine its total costs of:
- *De minimis* in-house lobbying,
- Grassroots lobbying, and
- Political activities.

There are no special rules related to determining these costs.

All methods. For all the allocation methods, include labor hours and costs of personnel whose activities involve significant judgment with respect to lobbying activities (lobbying personnel).

Special rules and definitions.

Ratio and gross-up methods.

1. May use even if volunteers conduct activities.
2. May disregard labor hours and costs of clerical or support personnel (other than lobbying personnel) under the ratio method.

Alternative gross-up method.
- Disregard labor hours, and
- Costs of clerical or support personnel (other than lobbying personnel).

Third-party costs are those paid to:
- Outside parties for conducting lobbying activities,
- Dues paid to another membership organization that were declared to be nondeductible lobbying expenses, and
- Travel and entertainment costs for lobbying activities.

Direct contact lobbying is a:
- Meeting,
- Telephone conversation,
- Letter, or
- Similar means of communication that is with a:

1. Legislator (other than a local legislator), or
2. Covered executive branch official and that otherwise qualifies as a lobbying activity.

Treat all hours spent by a person in connection with direct contact lobbying as labor hours allocable to lobbying activities.

Do not treat the hours spent by a person who engages in research and other background activities related to direct contact lobbying, but who makes no direct contact with a legislator, or covered executive branch official, as direct contact lobbying.

De minimis rule. If less than 5% of a person's time is spent on lobbying activities, and there is no direct contact lobbying, an organization may treat that person's time spent on lobbying activities as zero.

Influencing legislation is:
- Any attempt to influence legislation through a lobbying communication; and
- All activities, such as research and coordination for the purpose of making or supporting a lobbying communication, even if not yet made.

A ***lobbying communication*** is any communication with any member or employee of a legislative body, or any other government official participating in the formulation of the legislation that:
- Refers to specific legislation and reflects a view on that legislation, or
- Provides support for views in a prior lobbying communication.

Purpose for engaging in an activity is based on all the facts and circumstances. If an organization's lobbying communication was for a lobbying and a nonlobbying purpose, the organization must make a reasonable allocation of costs to influencing legislation.

Correction of prior year lobbying costs. If in a prior year, an organization treated costs incurred for a future lobbying communication as a lobbying cost to influence legislation, but after the organization filed a timely return, it appears the lobbying communication will not be made under any foreseeable circumstance, the organization may apply these costs to reduce its current year's lobbying costs, but not below zero. The organization may carry forward any amount of the costs not used to reduce its current year's lobbying costs to subsequent years.

Example: Ratio method. X Organization incurred:

1. 6,000 labor hours for all activities,
2. 3,000 labor hours for lobbying activities (three employees),
3. $300,000 for operational costs, and
4. No third-party lobbying costs.

X Organization allocated its lobbying costs as follows:

Lobbying labor hrs. / Total labor hrs.		Total costs of operations		Allocable third-party costs		Costs allocable to lobbying activities
$\frac{3,000}{6,000}$	×	$300,000	+	0	=	$150,000

Examples: Gross-up method and Alternative gross-up method. A and B are employees of Y Organization.

1. A's activities involve significant judgment with respect to lobbying activities.
2. A's basic lobbying labor costs (excluding employee benefits) are $50,000.
3. B performs clerical and support activities for A.
4. B's labor costs (excluding employee benefits) in support of A's activities are $15,000.
5. Allocable third-party costs are $100,000.

If Y Organization uses the gross-up method to allocate its lobbying costs, Y multiplies 175% times its basic labor costs (excluding employee benefits) for all of the lobbying of its personnel and adds its allocable third-party lobbying costs as follows:

175% × $65,000	+	$100,000	=	$213,750
Basic lobbying labor costs of A + B		Allocable third-party costs		Costs allocable to lobbying activities

If Y Organization uses the alternative gross-up method to allocate its lobbying costs, Y multiplies 225% times its basic labor costs (excluding employee benefits) for all of the lobbying hours of its lobbying personnel and adds its third-party lobbying costs as follows:

225% × $50,000	+	$100,000	=	$212,500
Basic lobbying labor costs of A		Allocable third-party costs		Costs allocable to lobbying activities

Section 263A cost allocation method. The examples that demonstrate this method are found in Regulations section 1.162-28(f).

Line 85a. Section 6033(e)(3) Exception For Nondeductible Dues

If the organization meets any of the criteria of *Exception 1* in the line 85 instructions, answer "Yes" to question 85a. By doing so, the organization is declaring that substantially all of its membership dues were nondeductible. Skip lines 85b through 85h.

Line 85b. In-House Lobbying Expenditures

An organization is exempt from the notice, reporting, and proxy tax liability

rules of section 6033(e) if it meets *Exception 2*, the $2,000 in-house lobbying exception. Both exceptions are discussed in the instructions for line 85.

An organization should answer "Yes" to question 85b if it met all of the requirements of *Exception 2*. Skip lines 85c through 85h.

If the organization's in-house direct lobbying expenditures during the 2007 reporting year were $2,000 or less, but the organization also paid or incurred other lobbying or political expenditures during the 2007 reporting year, or received a waiver for proxy tax owed for the prior year, it should answer "No" to question 85b and complete lines 85c through 85h. However, the $2,000 or less of in-house direct lobbying expenditures should not be included in the total on line 85d.

Definitions.

Grassroots lobbying refers to attempts to influence any segment of the general public regarding legislative matters or referendums.

Direct lobbying includes attempting to influence:
- Legislation through communication with legislators and other government officials, and
- The official actions or positions of covered executive branch officials through direct communication.

Direct lobbying does not include attempting to influence:
- Any local council on legislation of direct interest to the organization or its members, and
- The general public regarding legislative matters (grassroots lobbying).

Other lobbying includes:
- Grassroots lobbying,
- Foreign lobbying,
- Third-party lobbying, and
- Dues paid to another organization that were used to lobby.

In-house expenditures include:
- Salaries, and
- Other expenses of the organization's officials and staff (including amounts paid or incurred for the planning of legislative activities).

In-house expenditures do not include:
- Any payments to other taxpayers engaged in lobbying or political activities as a trade or business.
- Any dues paid to another organization that are allocable to lobbying or political activities.

Line 85c. Dues, Assessments, and Similar Amounts Received

Enter the total dues, assessments, and similar amounts allocable to the 2007 reporting year.

The term *dues* is the amount the organization requires a member to pay in order to be recognized as a member.

Payments that are similar to dues include:

1. Members' voluntary payments,
2. Assessments to cover basic operating costs, and
3. Special assessments to conduct lobbying and political activities.

Line 85d. Lobbying and Political Expenditures

Include on line 85d the total amount of expenses paid or incurred during the 2007 reporting year in connection with:

1. Influencing legislation;
2. Participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for any public office;
3. Attempting to influence any segment of the general public with respect to elections, legislative matters, or referendums; or
4. Communicating directly with a covered executive branch official in an attempt to influence the official actions or positions of such official.

Also include on line 85d:

1. Excess lobbying and political expenditures carried over from the preceding tax year.
2. An amount equal to the taxable lobbying and political expenditures reported on line 85f for the preceding tax year, if the organization received a waiver of the proxy tax imposed on that amount.

Do not include:

1. Any direct lobbying of any local council or similar governing body with respect to legislation of direct interest to the organization or its members.
2. In-house direct lobbying expenditures, if the total of such expenditures is $2,000 or less (excluding allocable overhead).
3. Political expenditures for which the section 527 tax has been paid (on Form 1120-POL).

- Reduce the current year's lobbying expenditures, but not below zero, by costs previously allocated in a prior year to lobbying activities that were cancelled after a return reporting those costs was filed.
- Carry forward any amounts not used as a reduction to subsequent years.

Line 85e. Dues Declared Nondeductible In Notices To Members

Enter the total amount of dues, etc., allocable to the 2007 reporting year that members were notified were nondeductible under section 162(e).

Example:
- Membership dues: $100,000 for the 2007 reporting year,
- Organization's timely notices to members—25% of membership dues nondeductible, and
- Line 85e entry—$25,000.

Line 85f. Taxable Lobbying and Political Expenditures

The taxable amount reportable on line 85f is the amount of dues, etc.:

1. Allocable to the 2007 reporting year, and
2. Attributable to lobbying and political expenditures that the organization did not timely notify its members were nondeductible.

If the amount on line 85c (dues, etc.) is greater than the amount on line 85d (lobbying & political expenses), then:

Line 85d (lobbying & political expenses)
Less
Line 85e (dues shown in notices)
Equals
Line 85f (taxable lobbying & political expenses)

If the amount on line 85c (dues, etc.) is less than the amount on line 85d (lobbying & political expenses), then:

Line 85c (dues, etc.)
Less
Line 85e (dues shown in notices)
Equals
Line 85f (taxable lobbying & political expenses), and

Line 85d (lobbying & political expenses)
Less
Line 85c (dues, etc.)
Equals
The excess amount to be carried over to the following tax year and reported on line 85d (lobbying & political expenses), or its equivalent, on the year 2008 Form 990.

See *Examples* given below.

Lines 85g and 85h. Proxy Tax and Waivers

An organization must pay the section 6033(e) proxy tax on the amount reported on line 85f unless it has the option to check "Yes" on line 85h.

If the amount on line 85f is zero, or less than zero, enter on:

Line 85g	N/A
Line 85h	N/A

If the organization sent dues notices to its members at the time of assessment or payment of dues that reasonably estimated the dues allocable to the nondeductible lobbying and political expenditures reported on line 85d, enter on:

Line 85g	No
Line 85h	Yes

Include the amount from the 2007 Form 990, line 85f, on the year 2008 Form 990, line 85d, or its equivalent.

If the organization did not send these dues notices, enter on:

Line 85g	Yes
Line 85h	No

Report the proxy tax on Form 990-T.

Underreporting of lobbying expenses. An organization is subject to the proxy tax for the 2007 reporting year for underreported lobbying and political expenses only to the extent that these expenses (if actually reported) would have resulted in a proxy tax liability for that year. A waiver of proxy tax for the tax year only applies to reported expenditures.

An organization that underreports its lobbying and political expenses is also subject to the section 6652(c) daily penalty for filing an incomplete or inaccurate return.

Examples

Organizations A and B:

1. Reported on the calendar year basis.
2. Incurred only grassroots lobbying expenses (did not qualify for the under $2,000 in-house lobbying exception (*de minimis* rule)).
3. Allocated dues to the tax year in which received.

For Organization A— Dues, assessments, and similar amounts received in 2007 were greater than its lobbying expenses for 2007.

Workpapers (for 2007 Form 990)—Organization A

1. Total dues, assessments, etc., received	$800	
2. Lobbying expenses paid or incurred		$600
3. Less: Total nondeductible amount of dues notices	100	100
4. (Subtract line 3 from both lines 1 and 2)	$700	$500
5. Taxable amount of lobbying expenses (smaller of the two amounts on line 4)		$500

TIP *The amounts on lines 1, 2, 3, and 5 of the workpapers were entered on lines 85c through 85f of the 2007 Form 990.*

Because dues, etc., received were greater than lobbying expenses, there is no carryover of excess lobbying expenses to line 85d of the year 2008 Form 990.

See the instructions for lines 85g and 85h for the treatment of the $500.

For Organization B— Dues, assessments, and similar amounts received in 2007 were less than its lobbying expenses for 2007.

Workpapers (for 2007 Form 990)—Organization B

1. Total dues, assessments, etc., received	$400	
2. Lobbying expenses paid or incurred		$600
3. Less: Total nondeductible amount of dues notices	100	100
4. (Subtract line 3 from both lines 1 and 2)	$300	$500
5. Taxable amount of lobbying expenses (smaller of the two amounts on line 4)	$300	

TIP *The amounts on lines 1, 2, 3, and 5 of the workpapers were entered on lines 85c through 85f of the 2007 Form 990.*

Because dues, etc., received were less than lobbying expenses, excess lobbying expenses of $200 must be carried forward to line 85d of the year 2008 Form 990 (excess of $600 of lobbying expenses over $400 dues, etc., received). The $200 will be included along with the other lobbying and political expenses paid or incurred in the 2008 reporting year and reportable on line 85d (or the equivalent line) of the year 2008 Form 990.

See the instructions for lines 85g and 85h for the treatment of the $300.

Line 86. Section 501(c)(7) Organizations

Gross receipts test. A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts) may be from public use of a social club's facilities.

Gross receipts are the club's income from its usual activities and include:
- Charges,
- Admissions,
- Membership fees,
- Dues,
- Assessments, and
- Investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments.

Gross receipts do not include:
- Capital contributions (see Regulations section 1.118-1),
- Initiation fees, or
- Unusual amounts of income (such as the sale of the clubhouse).

CAUTION *College fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues, do include initiation fees in their gross receipts.*

If the 35% and 15% limits do not affect the club's exempt status, include the income shown on line 86b on the club's Form 990-T.

Investment income earned by a section 501(c)(7) organization is not tax-exempt income unless it is set aside for:
- Religious,
- Charitable,
- Scientific,
- Literary,
- Educational purposes, or
- Prevention of cruelty to children or animals.

If the combined amount of an organization's gross investment income (that is not set aside for charitable purposes) and other unrelated business income exceeds $1,000, it must report the investment income and other unrelated business income on Form 990-T.

Nondiscrimination policy. A section 501(c)(7) organization is not exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion, if the social club:

1. Is an auxiliary of a fraternal beneficiary society exempt under section 501(c)(8), and
2. Limits its membership to the members of a particular religion; or the membership limitation is:

a. A good-faith attempt to further the teachings or principles of that religion, and

b. Not intended to exclude individuals of a particular race or color.

Line 87. Section 501(c)(12) Organizations

One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85% of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term *gross income* is gross receipts without reduction for any cost of goods sold.

Gross income for mutual or cooperative electric companies is figured by excluding any income received or accrued from:

1. Qualified pole rentals,
2. Any provision or sale of electric energy transmission services or ancillary service if the services are provided on a nondiscriminatory open access basis under an open access transmission tariff; approved or

accepted by the Federal Energy Regulatory Commission (FERC) or under an independent transmission provider agreement approved or accepted by FERC (other than income received or accrued directly or indirectly from a member),

3. The provision or sale of electric energy distribution services or ancillary services if the services are provided on a nondiscriminatory, open-access basis to distribute electric energy not owned by the mutual or electric cooperative company:

a. To end-users who are served by distribution facilities not owned by the company or any of its members (other than income received or accrued directly or indirectly from a member), or

b. Generated by a generation facility not owned or leased by the company or any of its members and which is directly connected to distribution facilities owned by such company or any of its members (other than income received or accrued directly or indirectly from a member).

4. From any nuclear decommissioning transaction, or

5. From any asset exchange or conversion transaction.

For a mutual or cooperative telephone company, *gross income* also does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, or from the sale of display listings in a directory furnished to the telephone company's members. Also, gross income does not include amounts received or accrued as qualified pole rentals.

Line 88a.

Answer "Yes" to this question if at any time during the tax year, the organization owned a 50% or greater interest in a taxable corporation or partnership or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3. If an organization answers "Yes" on line 88a, complete *Part IX, Information Regarding Taxable Subsidiaries and Disregarded Entities.*

Line 88b.

Answer "Yes" if at any time during the tax year, the organization owned more than 50% of the:

- Stock (by vote or value) in a corporation,
- Interest (either profit or capital) in a partnership, or
- Beneficial interest in any other entity.

The organization must apply section 318 in determining its ownership of stock in a corporation and use similar principles in determining its ownership interests in other entities.

If the organization answered "Yes," to line 88b, complete *Part XI, Information Regarding Transfers To and From Controlled Entities.*

Line 89a. Section 501(c)(3) Organizations: Disclosure of Excise Taxes Imposed Under Section 4911, 4912, or 4955

Section 501(c)(3) organizations must disclose any excise tax imposed during the year under section 4911 (excess lobbying expenditures), 4912 (disqualifying lobbying expenditures), or, unless abated, 4955 (political expenditures). See sections 4962 and 6033(b).

Line 89b. Section 501(c)(3) and 501(c)(4) Organizations: Disclosure of Section 4958 Excess Benefit Transactions and Excise Taxes

Sections 6033(b) and 6033(f) require section 501(c)(3) and (4) organizations to report the amount of taxes imposed under section 4958 (excess benefit transactions) involving the organization, unless abated, as well as any other information the Secretary may require concerning those transactions. See *General Instruction P* for a discussion of excess benefit transactions.

Attach a statement describing any excess benefit transaction, the disqualified person or persons involved, and whether or not the excess benefit transaction was corrected.

Line 89c. Taxes Imposed on Organization Managers or Disqualified Persons

For line 89c, enter the amount of taxes imposed on organization managers or disqualified persons under sections 4912, 4955, and 4958, unless abated.

Line 89d. Taxes Reimbursed by the Organization

For line 89d, enter the amount of tax on line 89c that was reimbursed by the organization. Any reimbursement of the excise tax liability of a disqualified person or organization manager will be treated as an excess benefit unless (1) the organization treats the reimbursement as compensation during the year the reimbursement is made, and (2) the total compensation to that person, including the reimbursement, is reasonable.

Line 89e. Prohibited Tax Shelter Transactions

Answer "Yes" if the organization was a party to a prohibited tax shelter transaction as described in section 4965(e) at any time during the tax year. See *General Instruction W* for information about prohibited tax shelter transactions.

If the organization answered "Yes," it must complete Form 8886-T.

Line 89f. Applicable Insurance Contract Interest

Answer "Yes" if after August 17, 2006, but before August 17, 2008, the organization directly or indirectly acquired an applicable insurance contract which is a part of a structured transaction involving a pool of such contracts. If the organization answered "Yes," it also must complete Form 8921.

An *applicable insurance contract* is any life insurance, annuity, or endowment contract to which an applicable exempt organization and a person other than an applicable exempt organization have directly or indirectly held an interest in the contract (whether or not at the same time). However, an applicable insurance contract does not include any life insurance, annuity, or endowment contract if:

1. All persons directly or indirectly holding any interest in the contract (other than applicable exempt organizations) have an insurable interest in the insured under the contract independent of any interest of an applicable exempt organization in the contract, or

2. The sole interest in the contract of an applicable exempt organization or each person other than an applicable exempt organization is as a named beneficiary, or

3. The sole interest in the contract of each person other than an applicable exempt organization is:

a. As a beneficiary of a trust holding an interest in the contract, but only if the person's designation as the beneficiary was made without consideration and solely on a purely gratuitous basis, or

b. As a trustee who holds an interest in the contract in a fiduciary capacity solely for the benefit of applicable exempt organizations or persons described above in 1, 2, or 3a.

An *applicable exempt organization* is any organization to which contributions received are deductible for income tax purposes, estate and gift tax purposes, and Indian tribal governments.

Line 89g. Disclosure of Excess Business Holdings

Answer "Yes" if the organization is a supporting organization or a donor advised fund maintained by a sponsoring organization; had excess business holdings during its tax year; and began its tax year after August 17,

2006. See the Instructions for Form 4720, *Schedule C*, to determine if the organization is subject to the excess business holdings tax under section 4943. If the organization answered "Yes" to line 89g, it must also complete Form 4720.

Donor advised funds. For purposes of the excise tax on excess business holdings under section 4943, a donor advised fund will be treated as a private foundation. For a definition of donor advised funds, and a sponsoring organization, see the instructions for *Line 1a. Contributions to Donor Advised Funds.* Also see, *Donor advised funds* under *Excess Benefit Transaction*, in *General Instruction P*, to determine who is considered a disqualified person for purposes of determining the excise tax on excess business holdings for a donor advised fund.

Supporting organizations. Only certain supporting organizations are subject to the excess business holdings tax under section 4943. These include:

- Type III supporting organizations that are not functionally integrated; and
- Type II supporting organizations that accept any gift or contribution from a person who, by himself or in connection with a related party, controls the supported organization of such Type II supporting organization.

To determine if the organization is a supporting organization and if so, what type of supporting organization it is, see the Instructions for Schedule A, *Line 13. Supporting Organizations.*

Also see, *Supporting organizations* under *Excess Benefit Transaction*, in *General Instruction P*, to determine who is considered a disqualified person for purposes of determining the excise tax on excess business holdings for a supporting organization.

Line 90a. List of States

List each state with which the organization is filing a copy of this return in full or partial satisfaction of state filing requirements.

Line 90b. Number of Employees

Enter the number of employees on the organization's payroll during the pay period including March 12, 2007, as shown on its Form 941 or Form 943 (January-March calendar quarter return only). Do not include household employees, persons who received no pay during the pay period, pensioners, or members of the Armed Forces.

Line 91b. Foreign Accounts

Check the "Yes" box if either 1 or 2 below applies:

1. At any time during the calendar year, the organization had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); and

   a. The combined value of the accounts was more than $10,000 at any time during the calendar year; and

   b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.

2. The organization owns more than 50% of the stock in any corporation that would answer "Yes" to item 1 above.

If the "Yes" box is checked, enter the name of the foreign country or countries. Attach a separate sheet if more space is needed. File Form TD F 90-22.1 by June 30, 2008, with the Department of the Treasury at the address shown on the form.

Form TD F 90-22.1 is available by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at *www.irs.gov*. Do not file Form TD F 90-22.1 with the IRS or attach it to Form 990.

Line 92. Section 4947(a)(1) Nonexempt Charitable Trusts

Section 4947(a)(1) nonexempt charitable trusts that file Form 990 instead of Form 1041 and have no taxable income under Subtitle A may use Form 990 to meet its Section 6012 filing requirement by checking the box on line 92. Also, enter on line 92 the total of exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.

Part VII—Analysis of Income-Producing Activities

Political organizations described in section 527 are not required to complete this Part.

An organization is exempt from income taxes only if its primary purpose is to engage in the type of activity for which it claims exemption.

An exempt organization is subject to a tax on unrelated business taxable income if such income is from a trade or business that is regularly carried on by the organization and is not substantially related to the organization's performance of its exempt purpose or function. Generally, a tax-exempt organization with gross income of $1,000 or more for the year from an unrelated trade or business must file Form 990-T and pay any tax due.

In Part VII, show whether revenue, also reportable on lines 2 through 11 of Part I, was received from activities related to the organization's purpose or activities unrelated to its exempt purpose. Enter gross amounts unless indicated otherwise. Show also any revenue excludable from the definition of unrelated business taxable income.

The sum of amounts entered in columns (B), (D), and (E) for lines 93 through 103 of Part VII should match amounts entered for correlating lines 2 through 11 of Part I. Use the following table to verify the relationship of Part VII with Part I.

TIP *Contributions that are reportable on lines 1a through 1e of Part I are not reportable in Part VII.*

Amounts in Part VII on Line:	Correspond to Amounts in Part I on Line:
93(a) through (g)	2
94	3
95	4
96	5
97 and 98	6c
99	7
100	8d
101	9c
102	10c
103(a) through (e)	11
105 (plus line 1e, Part I)	12

Completing Part VII

Column (A)

In column (A), identify any unrelated business income reportable in column (B) by selecting a business code from the *Codes for Unrelated Business Activity* in the 2007 Instructions for Form 990-T.

Use the current codes listed in the 2007 Instructions for Form 990-T.

Column (B)

In column (B), enter any revenue received from activities unrelated to the exempt purpose of the organization. See the Instructions for Form 990-T and Pub. 598 for a discussion of what is unrelated business income. If the organization enters an amount in column (B), then it must enter a business code in column (A).

Column (C)

In column (C), enter an exclusion code from the *Exclusion Codes* list on the last page of the *Specific Instructions* for Form 990 to identify any revenue excludable from unrelated business income. If more than one exclusion code applies to a particular revenue item, use the lowest numbered exclusion code that applies. If nontaxable revenues from several sources are reportable on the same line in column (D), use the exclusion code that applies to the largest revenue source. If the list of exclusion codes does not include an item of revenue

that is excludable from unrelated business income, enter that item in column (E) and see the instructions for column (E).

Column (D)

For column (D), identify any revenue received that is excludable from unrelated business income. If the organization enters an amount in column (D), it must enter an exclusion code in column (C).

Column (E)

For column (E), report any revenue from activities related to the organization's exempt purpose; for example, income received from activities that form the basis of the organization's exemption from taxation. 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. Explain in Part VIII how any amount reported in column (E) relates to the accomplishment of the organization's exempt purposes.

Lines 93(a) through (g). Program Service Revenue

List the organization's revenue-producing program service activities on these lines. Program service activities are primarily those that form the basis of an organization's exemption from tax. Enter in the appropriate columns, gross revenue from each program service activity and the business and exclusion codes that identify this revenue. See the explanation of program service revenue in the instructions for Part I, line 2. For 501(c)(15) reporting of insurance premiums received, refer to instructions for Part I, line 2.

Line 93(f). Medicare and Medicaid Payments

Enter the revenue received from Medicare and Medicaid payments. See the *Example* of program service revenue in the instructions for Part I, line 2.

Line 93(g). Fees and Contracts From Government Agencies

In the appropriate columns, enter gross revenue earned from fees and contract payments by government agencies for a service, facility, or product that benefited the government agency primarily, either economically or physically. Do not include government grants that enabled the organization to benefit the public directly and primarily. See Part I, line 1d instructions for the distinction between government grants that represent contributions and payments from government agencies for a service, product, or facility that primarily benefited the government agencies.

Report on line 2 of Part I (program service revenue) the sum of the entries in columns (B), (D), and (E) for lines 93(a) through (g).

Lines 94 through 96. Dues, Assessments, Interest, and Dividends

In the appropriate columns, report the revenue received for these line items. General instructions for lines 94 through 96 are given in the instructions for Part I, lines 3 through 5.

Lines 97 and 98. Rental Income (Loss)

Report net rental income from investment property on these lines. Also report here rental income from unaffiliated exempt organizations. Report rental income, however, from an exempt function (program service) on line 93. Refer to the instructions for Part I, line 6. A more detailed discussion of rental income is given in the Instructions for Form 990-T and Pub. 598.

Rents from real property are usually excluded in computing unrelated business taxable income, as are incidental amounts (10% or less) of rental income from personal property leased with real property (mixed lease). In a mixed lease where the rent attributable to personal property is more than 50% of the total rent, neither rent from real or personal property is excluded from unrelated business taxable income. The exclusion also does not apply when the real or personal property rentals depend wholly or partly on the income or profits from leased property, other than an amount based on a fixed percentage or percentage of gross receipts or sales.

The rental exclusion from unrelated business taxable income does not apply to debt-financed real property. In general, debt-financed property is any property that the organization finances by debt and holds to produce income instead of for exempt purposes. An exempt organization's income from debt-financed property is treated as unrelated business taxable income and is subject to tax in the same proportion as the property remains financed by the debt. If substantially all (85% or more) of any property is used for an organization's exempt purposes, the property is not treated as debt-financed property. The rules for debt-financed property do not apply to rents from personal property.

Lines 99 through 102

In the appropriate columns, report the revenue received for these line items. General instructions for lines 99 through 102 are given in the instructions for Part I, lines 7 through 10.

Lines 103(a) through (e). Other Revenue

List any *Other revenue* activity on these lines. These activities are discussed in the instructions for line 11, Part I. In the appropriate columns, enter the revenue received from these activities. Select applicable business and exclusion codes. Report as *Other revenue,* on line 11 of Part I, the total revenue entered in columns (B), (D), and (E) for lines 103(a) through (e).

Line 105. Total

Enter the total revenue reported on line 104 for columns (B), (D), and (E). The amount reported on line 105, plus the amount on line 1e of Part I, should equal the amount entered for *Total revenue* on line 12 of Part I.

Part VIII—Relationship of Activities to the Accomplishment of Exempt Purposes

To explain how an amount entered in Part VII, column (E), was related or exempt function income, show the line number of the amount in column (E) and give a brief description of how the activity reported in column (E) specifically contributed to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes). Activities that generate exempt-function income are activities that form the basis of the organization's exemption from tax.

Also give the line number and an explanation for any income entered in column (E) that is specifically excluded from gross income other than by sections 512, 513, or 514. If no amount is entered in column (E), do not complete Part VIII.

Example. M, an organization described in section 501(c)(3), operates a school for the performing arts. Admission is charged at student performances. M reported admission income in column (E) of Part VII and explained in Part VIII that performances before an audience were an essential part of the students' training and related to the exempt purpose of the organization.

Because M also reported interest from state bonds in column (E) of Part VII, M explained in Part VIII that such interest was excluded from gross income by section 103.

If additional space is needed, see *Attachments* in *General Instruction X*.

Part IX—Information Regarding Taxable Subsidiaries and Disregarded Entities

Column (A). Enter the name, address, and EIN of each taxable corporation or partnership and each disregarded entity in which the organization held a 50% or greater interest at any time during the year. If a disregarded entity does not have its own EIN, state that it uses the organization's EIN.

Columns (D) and (E). Enter the corporation's or partnership's total income and end-of-year total assets as reported on each entity's federal tax return for the year ending within the year covered by the parent organization's Form 990. Since the financial information of a disregarded entity is reported on its parent organization's return, enter in column (D) the amount on line 12, *Total revenue*, that is attributable to the disregarded entity. Enter in column (E) the amount on line 59, *Total assets*, column (B), that is attributable to the disregarded entity.

Part X—Information Regarding Transfers Associated With Personal Benefit Contracts

See *General Instruction V* which also discusses the reporting requirements for this Part.

If, in connection with any transfer of funds to a charitable organization, the organization directly or indirectly pays premiums on any personal benefit contract, or there is an understanding or expectation that any person will directly or indirectly pay such premiums, the organization must report the premiums it paid and the premiums paid by others, but treated as paid by the organization, on Form 8870. The organization must report and pay an excise tax, equal to premiums paid, on Form 4720.

Part XI — Information Regarding Transfers To and From Controlled Entities

Line 106. Answer "Yes" and complete the schedule if at any time during the tax year the organization made any loans or transfers to a corporation, partnership, or other entity, which it controlled within the meaning of section 512(b)(13). In column (c), describe each loan or transfer (including but not limited to interest, annuities, royalties, or rents). In column (d) enter the amount for each loan or transfer to each controlled entity. Report only the total of all payments for a specific transfer transaction. For example, for a loan, report only the total of all payments rather than each individual payment for that loan. If additional space is needed, attach a statement. See *Attachments* in *General Instruction X*.

Line 107. Answer "Yes" and complete the schedule if at any time during the tax year, the organization received any transfers of funds or payments from a controlled entity within the meaning of section 512(b)(13).

In column (c), describe each transfer. Indicate in the description if such transfer is a qualifying specified payment (described in line 108) and indicate the type of transfer such as interest, annuities, royalties, rents, dividends, fees or other payments for services, or contributions to capital, and loans.

In column (d), enter the amount received for each type of payment. If additional space is needed, attach a statement. See *Attachments* in *General Instruction X*.

Line 108. Answer "Yes" if the organization had a contract covering payments from a controlled entity of interest, annuities, royalties, or rents, but only if the contract was in writing, legally enforceable, and in effect on August 17, 2006. Also, answer "Yes" if the contract described above had been renewed with substantially similar terms.

Exclusion Codes

General Exceptions

01— Income from an activity that is not regularly carried on (section 512(a)(1))

02— Income from an activity in which labor is a material income-producing factor and substantially all (at least 85%) of the work is performed with unpaid labor (section 513(a)(1))

03— Section 501(c)(3) organization—Income from an activity carried on primarily for the convenience of the organization's members, students, patients, visitors, officers, or employees (hospital parking lot or museum cafeteria, for example) (section 513(a)(2))

04— Section 501(c)(4) local association of employees organized before 5/27/69—Income from the sale of work-related clothes or equipment and items normally sold through vending machines; food dispensing facilities; or snack bars for the convenience of association members at their usual places of employment (section 513(a)(2))

05— Income from the sale of merchandise, substantially all of which (at least 85%) was donated to the organization (section 513(a)(3))

Specific Exceptions

06— Section 501(c)(3), (4), or (5) organization conducting an agricultural or educational fair or exposition—Qualified public entertainment activity income (section 513(d)(2))

07— Section 501(c)(3), (4), (5), or (6) organization—Qualified convention and trade show activity income (section 513(d)(3))

08— Income from hospital services described in section 513(e)

09— Income from noncommercial bingo games that do not violate state or local law (section 513(f))

10— Income from games of chance conducted by an organization in North Dakota (section 311 of the Deficit Reduction Act of 1984, as amended)

11— Section 501(c)(12) organization—Qualified pole rental income (section 513(g)) and/or member income (described in section 501(c)(12)(H))

12— Income from the distribution of low-cost articles in connection with the solicitation of charitable contributions (section 513(h))

13— Income from the exchange or rental of membership or donor list with an organization eligible to receive charitable contributions by a section 501(c)(3) organization; by a war veterans' organization; or an auxiliary unit or society of, or trust or foundation for, a war veterans' post or organization (section 513(h))

Modifications and Exclusions

14— Dividends, interest, payments with respect to securities loans, annuities, income from notional principal contracts, loan commitment fees, and other substantially similar income from ordinary and routine investments excluded by section 512(b)(1)

15— Royalty income excluded by section 512(b)(2)

16— Real property rental income that does not depend on the income or profits derived by the person leasing the property and is excluded by section 512(b)(3)

17— Rent from personal property leased with real property and incidental (10% or less) in relation to the combined income from the real and personal property (section 512(b)(3))

18— Gain (or loss, to the extent allowed) from the sale of investments and other non-inventory property and from certain property acquired from financial institutions that are in conservatorship or receivership (sections 512(b)(5) and 512(b)(16)(A))

19— Income or loss from the lapse or termination of options to buy or sell securities, or real property, and from the forfeiture of good-faith deposits for the purchase, sale, or lease of investment real property (section 512(b)(5))

20— Income from research for the United States; its agencies or instrumentalities; or any state or political subdivision (section 512(b)(7))

21— Income from research conducted by a college, university, or hospital (section 512(b)(8))

22— Income from research conducted by an organization whose primary activity is conducting fundamental research, the results of which are freely available to the general public (section 512(b)(9))

23— Income from services provided under license issued by a Federal regulatory agency and conducted by a religious order or school operated by a religious order, but only if the trade or business has been carried on by the organization since before May 27, 1959 (section 512(b)(15))

Foreign Organizations

24— Foreign organizations only—Income from a trade or business NOT conducted in the United States and NOT derived from United States sources (patrons) (section 512(a)(2))

Social Clubs and VEBAs

25— Section 501(c)(7), (9), or (17) organization—Non-exempt function income set aside for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(3)(B)(i))

26— Section 501(c)(7), (9), or (17) organization—Proceeds from the sale of exempt function property that was or will be timely reinvested in similar property (section 512(a)(3)(D))

27— Section 501(c)(9), or (17) organization—Non-exempt function income set aside for the payment of life, sick, accident, or other benefits (section 512(a)(3)(B)(ii))

Veterans' Organizations

28— Section 501(c)(19) organization—Payments for life, sick, accident, or health insurance for members or their dependents that are set aside for the payment of such insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(4))

29— Section 501(c)(19) organization—Income from an insurance set-aside (see code 28 above) that is set aside for payment of insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (Regulations section 1.512(a)-4(b)(2))

Debt-financed Income

30— Income exempt from debt-financed (section 514) provisions because at least 85% of the use of the property is for the organization's exempt purposes (**Note:** *This code is only for income from the 15% or less non-exempt purpose use.) (section 514(b)(1)(A))*

31— Gross income from mortgaged property used in research activities described in section 512(b)(7), (8), or (9) (section 514(b)(1)(C))

32— Gross income from mortgaged property used in any activity described in section 513(a)(1), (2), or (3) (section 514(b)(1)(D))

33— Income from mortgaged property (neighborhood land) acquired for exempt purpose use within 10 years (section 514(b)(3))

34— Income from mortgaged property acquired by bequest or devise (applies to income received within 10 years from the date of acquisition) (section 514(c)(2)(B))

35— Income from mortgaged property acquired by gift where the mortgage was placed on the property more than 5 years previously and the property was held by the donor for more than 5 years (applies to income received within 10 years from the date of gift) (section 514(c)(2)(B))

36— Income from property received in return for the obligation to pay an annuity described in section 514(c)(5)

37— Income from mortgaged property that provides housing to low and moderate income persons to the extent the mortgage is insured by the Federal Housing Administration (section 514(c)(6)) (**Note:** *In many cases, this would be exempt function income reportable in column (E). It would not be so in the case of a section 501(c)(5) or (6) organization, for example, that acquired the housing as an investment or as a charitable activity.*)

38— Income from mortgaged real property owned by: a school described in section 170(b)(1)(A)(ii); a section 509(a)(3) affiliated support organization of such a school; a section 501(c)(25) organization, or by a partnership in which any of the above organizations owns an interest if the requirements of section 514(c)(9)(B)(vi) are met (section 514(c)(9))

Special Rules

39— Section 501(c)(5) organization—Farm income used to finance the operation and maintenance of a retirement home, hospital, or similar facility operated by the organization for its members on property adjacent to the farm land (section 1951(b)(8)(B) of Public Law 94-455)

40— Annual dues not exceeding $136 (subject to inflation) paid to a section 501(c)(5) agricultural or horticultural organization (section 512(d))

Trade or Business

41— Gross income from an unrelated activity that is regularly carried on but, in light of continuous losses sustained over a number of tax periods, cannot be regarded as being conducted with the motive to make a profit (not a trade or business)

Other

42— Receipt of qualified sponsorship payments described in section 513(i)

43— Exclusion of any gain or loss from the qualified sale, exchange, or other disposition of any qualifying brownfield property (section 512(b)(19))

Specific Instructions for Form 990-EZ

See also the *General Instructions* that apply to both Form 990 and Form 990-EZ.

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Completing the Heading of Form 990-EZ

The instructions that follow are keyed to items in the heading for Form 990-EZ.

Item A—Accounting Period

File the 2007 return for calendar year 2007 and fiscal years that begin in 2007 and end in 2008. For a fiscal year return, fill in the tax year space at the top of page 1.

Item B—Checkboxes

Address change, name change, and initial return. Check the appropriate box if the organization changed its address since it filed its previous return, or if this is the first time the organization is filing either a Form 990 or a Form 990-EZ.

If the tax-exempt organization has changed its name, attach the following documents:

IF the organization is .	THEN attach . . .
A corporation	An amendment to the articles of incorporation with proof of filing with the state of incorporation.
A trust	An amendment to the trust agreement signed by the trustee.
An association	An amendment to the articles of association, constitution, bylaws, or other organizing document, along with signatures of at least two officers/members.

Final return and amended return. Organizations should file final returns when they cease to be section 501(a) organizations or section 527 organizations; for example, when they cease operations and dissolve. See the instructions for line 36 that discuss liquidations, dissolutions, terminations, or substantial contractions.

If the return is an amended return, check the box. There are amended return requirements when filing with a state. See *General Instructions E* and *J*.

Application pending. If the organization's application for exemption is pending, check this box and complete the return.

Item C—Name and Address

If the organization operates under a name different from its legal name, give the legal name of the organization but identify its alternate name, after the legal name, by writing "aka" (also known as) and the alternate name of the organization. However, if the organization has changed its name, follow the instructions for *Name change* in *Item B—Checkboxes*.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line C/O followed by the third party's name and street address or P.O. box.

For foreign addresses, enter information in the following order: City, province or state, and the name of the country. Follow the foreign country's practice in placing the postal code in the address. Please do not abbreviate the country name.

If a change of address occurs after the return is filed, use Form 8822 to notify the IRS of the new address.

Item D—Employer Identification Number

The organization should have only one federal employer identification number (EIN). If the organization has more than one EIN and has not been advised which to use, notify the Internal Revenue Service Center, Ogden, UT 84201-0027. State what numbers the organization has, the name and address to which each number was assigned, and the address of its principal office. The IRS will advise the organization which number to use.

CAUTION *A section 501(c)(9) voluntary employees' beneficiary association must use its own EIN and not the EIN of its sponsor.*

Item E—Telephone Number

Enter a telephone number of the organization that members of the public and government regulators may use during normal business hours to obtain information about the organization's finances and activities. If the organization does not have a telephone number, enter the telephone number of an organization official who can provide such information.

Item F—Group Exemption Number

The group exemption number (GEN) is a number assigned by the IRS to the central/parent organization of a group that has a group ruling.

If the organization is covered by a group exemption letter, enter the four-digit group exemption number. Contact the central/parent organization if the organization is unsure of the GEN assigned.

Item G—Accounting Method

Indicate the method of accounting used in preparing this return. See *General Instruction G*.

Item H—Schedule B (Form 990, 990-EZ, or 990-PF)

Whether or not the organization enters any amount on line 1 of Form 990-EZ, the organization must either check the box in item H or attach Schedule B (Form 990, 990-EZ, or 990-PF). Failure to either check the box in item H or file Schedule B (Form 990, 990-EZ, or 990-PF) will result in a determination that the return is incomplete. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF), for more information.

TIP Contributor *includes individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations.*

Guidelines for Meeting the Requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

Section 501(c)(3) Org. Meeting the 1/3 Support Test of 170(b)(1)(A)

If	A section 501(c)(3) organization that met the 1/3 support test of the regulations under 509(a)(1)/170(b)(1)(A) did not receive a contribution of the greater of $5,000 or 2% of the amount on line 1 of Form 990-EZ, from any one contributor,*
Then	The organization should check the box in item H to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).
Otherwise	Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

Section 501(c)(7), (8), or (10) Organizations

If	A section 501(c)(7), (8), or (10) organization did not receive *any* contribution or bequest for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (and did not receive any noncharitable contributions of $5,000 or more as described below under **general rule**),
Then	The organization should check the box in item H to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).
Otherwise	Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

All Other Form 990 or Form 990-EZ Organizations (General rule)

If	The organization did not show as part of line 1 of the Form 990-EZ, a contribution of $5,000 or more from any one contributor,*
Then	The organization should check the box in item H to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).
Otherwise	Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

* Total a contributor's gifts of $1,000 or more to determine if a contributor gave $5,000 or more. Do not include smaller gifts.

Item I—Website

Show the organization's website address if a website is available. Otherwise, write "N/A" (not applicable). Consider adding the organization's email address to its website.

Item J— Organization Type

If the organization is exempt under section 501(c), check the applicable box and insert, within the parentheses, the number that identifies the type of section 501(c) organization the filer is. See the chart in *General Instruction C.* The term section 501(c)(3) includes organizations exempt under sections 501(e), (f), (k), and (n). Check the box if the organization is a section 527 political organization. See *General Instruction U.*

If the organization is a section 4947(a)(1) nonexempt charitable trust, check the applicable box. Note also the discussion regarding Schedule A (Form 990 or 990-EZ) and Form 1041 in *General Instruction D* and the instructions for line 43.

Item K—Gross Receipts of $25,000 or Less

Check this box if the organization is not a section 509(a)(3) supporting organization and its gross receipts are normally not more than $25,000 but the organization chooses to file Form 990-EZ. If the organization chooses to file Form 990-EZ, be sure to file a complete return. See *General Instruction B* for a discussion on gross receipts and *General Instruction X* for a discussion on a complete return.

CAUTION *To figure if a section 501(c)(15) organization qualifies for tax-exemption for the year, see the definition of gross receipts for section 501(c)(15) purposes under* Section 501(c)(15) Organizations *in* General Instruction A. *Do not use the section 501(c)(15) definition of gross receipts to figure if the organization's gross receipts are normally $25,000 or less.*

Item L—Figuring Gross Receipts

Only those organizations with gross receipts of less than $100,000 and total assets of less than $250,000 at the end of the year can use the Form 990-EZ. If the organization does not meet these requirements, it must file Form 990. The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses. See the gross receipts discussion in *General Instruction B.*

CAUTION *To figure if a section 501(c)(15) organization qualifies for tax-exemption for the year, see the definition of gross receipts for section 501(c)(15) purposes under* Section 501(c)(15) Organizations *in* General Instruction A. *Do not use the section 501(c)(15) definition of gross receipts to figure the amount to enter here.*

Part I—Revenue, Expenses, and Changes in Net Assets or Fund Balances

All organizations filing Form 990-EZ with the IRS or any state must complete Part I. Some states that accept Form 990-EZ in place of their own forms may require additional information. See *General Instruction E.*

Line 1. Contributions, Gifts, Grants, and Similar Amounts Received

A. What is included on line 1

- Report amounts received as voluntary contributions; for example, payments, or the part of any payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization.
- Enter the gross amounts of contributions, gifts, grants, and bequests that the organization received from individuals, trusts, corporations, estates, affiliates, foundations, public charities, and other exempt organizations, or raised by an outside professional fundraiser.
- Report the value of noncash contributions at the time of the donation. For example, report the gross value of a donated car as of the time the car was received as a donation.
- Report all related expenses on lines 12 through 16. The organization must show on line 13 professional fundraising fees relating to the gross amounts of contributions collected in the charity's name by fundraisers.

Reporting for line 1, in accordance with SFAS 116, Accounting for Contributions Received and Contributions Made, is acceptable for Form 990-EZ, or Form 990, purposes, but not required by the IRS. However, see *General Instruction E.*

An organization that receives a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 1. Accruals of present value increments to the unpaid grant should also be reported on line 1 in future years.

1. Contributions can arise from special events when an excess payment is received for items offered. Fundraising activities relate to soliciting and receiving contributions. However, special fundraising activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games can produce both contributions and revenue. Report as a contribution, both on line 1 and on line 6a (within the parentheses), any amount received through such a special event that is greater than the fair market value (retail value) of the merchandise or services furnished by the organization to the contributor.

This situation usually occurs when organizations seek support from the public through solicitation programs that are in part special events or activities and are in part solicitations for contributions. The primary purpose of such solicitations is to receive contributions and not to sell the merchandise at its retail value even though this might produce a profit.

Example. An organization announces that anyone who contributes at least $40 to the organization can choose to receive a book worth $16 retail value. A person who gives $40, and who chooses the book, is really purchasing the book for $16 and also making a contribution of $24. The contribution of $24, which is the difference between the buyer's payment and the $16 retail value of the book, would be reported on line 1 and again on line 6a (within the parentheses). The revenue received ($16 retail value of the book) would be reported in the right-hand column on

line 6a. Any expenses directly relating to the sale of the book would be reported on line 6b. Any fundraising expenses relating to the contribution of $24 would be reported on lines 12 through 16.

If a contributor gives more than $40, that person would be making a larger contribution, the difference between the book's retail value of $16 and the amount actually given. See also the instructions for line 6 and Pub. 526.

CAUTION *At the time of any solicitation or payment, organizations that are eligible to receive tax-deductible contributions should advise patrons of the amount deductible for federal tax purposes. See General Instruction L.*

2. Contributions can arise from special events when items of only nominal value are given or offered. If an organization offers goods or services of only nominal value through a special event, or distributes free, unordered, low-cost items to patrons, report the entire amount received for such benefits as a contribution on line 1. Report all related expenses on lines 12 through 16.

See *General Instruction L* for a definition of benefits that have a nominal or insubstantial value.

3. Section 501(c)(3) organizations. These organizations must compute the amounts of revenue and contributions received from special events according to the above instructions when preparing their *Support Schedule* in Part IV-A of Schedule A (Form 990 or 990-EZ).

4. Grants equivalent to contributions. Grants made to encourage an organization receiving the grant to carry on programs or activities that further the grant recipient's exempt purposes are grants that are equivalent to contributions. Report them on line 1. The grantor may specify which of the recipient's activities the grant may be used for, such as an adoption program or a disaster relief project.

A grant is still equivalent to a contribution if the grant recipient performs a service, or produces a work product, that benefits the grantor incidentally (but see line 1, instruction B1, below).

5. Contributions received through other fundraising organizations. Contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies (such as United Way) are included on line 1.

6. Contributions received from associated organizations. Include on line 1 amounts contributed by other organizations closely associated with the reporting organization. This includes contributions received from a parent organization, subordinate, or another organization having the same parent.

7. Contributions from a commercial co-venture. Include amounts contributed by a commercial co-venture on line 1. These contributions are amounts received by the organization for allowing an outside organization (donor) or individual to use the recipient organization's name in a sales promotion campaign.

8. Contributions or grants from governmental units. A grant, or other payment from a governmental unit, is treated as a grant equivalent to a contribution if its primary purpose is to enable the recipient 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 grantor (even if the public pays part of the expense of providing the service or facility). (See also line 1, instruction B1, below.)

9. Contributions in the form of membership dues. Include on line 1 membership dues and assessments to the extent they are contributions and not payments for benefits received. (See line 3, instruction C1.)

B. What is not included on line 1

1. Grants that are payments for services are not contributions. A grant is a payment for services, and not a contribution, when the terms of the grant provide the grantor with a specific service, facility, or product, rather than providing a benefit to the general public or that part of the public served by the grant recipient. The recipient organization would report such a grant as income on line 2 (program service revenue).

2. Donations of services. Do not include the value of services donated to the organization, or items such as the free use of materials, equipment, or facilities, as contributions on line 1. However, for the optional reporting of such amounts, see the instruction for donated services in Part III.

Any unreimbursed expenses of officers, employees, or volunteers do not belong on the Form 990 or Form 990-EZ. See the instructions for charitable contributions and employee business expenses in Pub. 526 and 463, respectively.

3. Section 501(c)(9), (17), and (18) organizations. These organizations provide participants with life, sickness, accident, welfare and unemployment insurance, pension(s), or similar benefits, or a combination of these benefits. When such an organization receives payments from participants, or their employers, to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

C. How to value noncash contributions

See *General Instruction L* and Schedule B (Form 990, 990-EZ, or 990-PF).

D. Schedule of contributors

Attach Schedule B (Form 990, 990-EZ, or 990-PF). See *General Instruction L* and the *Specific Instructions for Completing the Heading of Form 990-EZ*, Item H.

Line 2—Program Service Revenue Including Medicare, Medicaid Payments, and Government Fees and Contracts

Enter the total program service revenue (exempt function income). Program services are primarily those that form the basis of an organization's exemption from tax.

1. Examples. A clinic would include on line 2 all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), laboratory fees, and related charges for services.

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; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; and registration fees received in connection with a meeting or convention.

2. Program-related investment income. 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 received from an exempt function is another example of program-related investment income. See also the instructions for line 4.

3. Unrelated trade or business activities. Unrelated trade or business activities (not including any special events or activities) that generate fees for services may 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.

4. Government fees and contracts. 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. See line 1, instruction A8, for reporting guidelines when payments are received from a government agency for providing a service, facility, or product for the primary benefit of the general public.

Line 3—Membership Dues and Assessments

Enter members' and affiliates' dues and assessments that are not contributions. See also *General Instruction L*.

A. What is included on line 3

1. Dues and assessments received that compare reasonably with the benefits of membership. When the organization receives dues and assessments that compare reasonably with membership benefits, report such dues and assessments on line 3.

2. Organizations that generally match dues and benefits. Organizations described in section 501(c)(5), (6), or (7) generally provide benefits with a reasonable relationship to dues, although benefits to members may be indirect.

B. Examples of membership benefits

These include subscriptions to publications; newsletters (other than one about the organization's activities only); free or reduced-rate admissions to events the organization sponsors; use of its facilities; and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard such intangible benefits as the right to attend meetings, vote, or hold office in the organization, and the distinction of being a member of the organization.

C. What is not included on line 3

1. Dues or assessments received that exceed the value of available membership benefits. Whether or not membership benefits are used, dues received by an organization, to the extent they exceed the monetary value of the membership benefits available to the dues payer, are a contribution that should be reported on line 1.

2. Dues received primarily for the organization's support. If a member pays dues primarily to support the organization's activities, and not to obtain benefits of more than nominal monetary value, those dues are a contribution to the organization includible on line 1.

Line 4—Investment Income

A. What is included on line 4

1. Interest on savings and temporary cash investments. Include the amount of interest received from interest-bearing checking accounts, savings, and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than 1 year. So-called dividends or earnings received from mutual savings banks, money market funds, etc., are actually interest and should be included on this line.

2. Dividends and interest from securities. Include the amount of dividend and interest income from equity and debt securities (stocks and bonds) on this line. Include amounts received from payments on securities loans, as defined in section 512(a)(5).

3. Gross rents. Include gross rental income received during the year from investment property.

4. Other investment income. Include, for example, royalty income from mineral interests owned by the organization.

B. What is not included on line 4

1. Capital gains dividends and unrealized gains and losses. Do not include on this line any capital gains dividends. They are reported on line 5. Also do not include unrealized gains and losses on investments carried at market value. See the instructions for line 20.

2. Exempt function revenue (program service). Do not include on line 4 amounts that represent income from an exempt function (program service). Report these amounts on line 2 as program service revenue. Report expenses related to this income on lines 12 through 16.

An organization whose exempt purpose is to provide low-rental housing to persons with low income receives exempt function income from such rentals. An organization receives exempt function income if it rents or sublets rental space to a tenant whose activities are related to the reporting organization's exempt purpose. Exempt function income also arises when an organization rents to an unaffiliated exempt organization at less than fair rental value for the purpose of helping that unaffiliated organization carry out its exempt purpose. Report rental income received in these instances on line 2 and not on line 4.

Only for purposes of completing this return, treat income from renting property to affiliated exempt organizations as exempt function income and include such income on line 2 as program service revenue.

Lines 5a through 5c—Gains (or Losses) From Sale of Assets Other Than Inventory

A. What is included on line 5

Report on line 5a all sales of securities and sales of all other types of investments (such as real estate, royalty interests, or partnership interests) as well as sales of all other noninventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).

Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 5b. On line 5c, enter the net gain or loss. Report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts on lines 5a and 5c. Indicate the source on the schedule described below.

For this return, the organization may use the more convenient way to figure the organization's gain or loss from sales of securities by comparing the sales price with the average-cost basis of the particular security sold. However, generally the average-cost basis is not used to figure the gain or loss from sales of securities reportable on Form 990-T.

B. What is not included on line 5

Do not include on line 5 any unrealized gains or losses on securities that are carried in the books of account at market value. See the instructions for line 20.

C. Attached schedule

1. Nonpublicly traded securities and noninventory items. Attach a schedule to show the sale or exchange of nonpublicly traded securities and the sale or exchange of other assets that are not inventory items. The schedule should show security transactions separately from the sale of other assets. Show for these assets:

- Date acquired and how acquired,
- Date sold and to whom sold,
- Gross sales price,

- Cost, other basis, or if donated, value at time acquired (state which),
- Expense of sale and cost of improvements made after acquisition, and
- Depreciation since acquisition, if depreciable property.

2. Publicly traded securities. For sales of publicly traded securities through a broker, the organization may total the gross sales price, the cost or other basis, and the expenses of sale, and report lump-sum figures in place of providing the detailed reporting required in the above paragraph.

Publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available.

Lines 6a through 6c—Special Events and Activities

On the appropriate line, enter the gross revenue, expenses, and net income (or loss) from all special events and activities, such as dinners, dances, carnivals, raffles, bingo games, other gaming activities, and door-to-door sales of merchandise.

These activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds that are other than contributions to finance the organization's exempt activities.

This is done by offering goods or services that have more than a nominal value (compared to the price charged) for a payment that is more than the direct cost of those goods or services. See line 1 instructions A1 and A2 for a discussion on contributions reportable on line 1 and revenue reportable on line 6. See also *General Instruction L*.

Calling any required payment a donation or contribution on tickets, advertising, or solicitation materials does not change how these payments should be reported on Form 990-EZ.

The gross revenue from gaming activities and other special events must be reported in the right-hand column on line 6a without reduction for cash or noncash prizes, cost of goods sold, compensation, fees, or other expenses. Be sure to check the box for gaming if the organization conducted directly, or through the promoter, any amount of gaming during the year.

Gaming includes, but is not limited to: bingo, pull tabs, instant bingo raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights, Las Vegas nights, and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.

A. What is included on line 6

1. Gross revenue/contributions. When an organization receives payments for goods or services offered through a special event, enter:

1. As gross revenue, on line 6a (in the right-hand column), the retail value of the goods or services,
2. As a contribution, on both line 1 and line 6a (within the parentheses), any amount received that exceeds the retail value of the goods or services given.

Example. At a special event, an organization received $100 in gross receipts for goods valued at $40. The organization entered gross revenue of $40 on line 6a and entered a contribution of $60 on both line 1 and within the parentheses on line 6a. The contribution was the difference between the gross revenue of $40 and the gross receipts of $100.

2. Raffles or lotteries. Report as revenue, on line 6a, any amount received from raffles or lotteries that require payment of a specified minimum amount for each entry, unless the prizes awarded have only nominal value. See line 6, instruction B1 and B2, below.

3. Direct expenses. Report on line 6b only the direct expenses attributable to the goods or services the buyer receives from a special event. If the organization includes an expense on line 6b, do not report it again on line 7b. Report cost of goods related to the sale of inventory on line 7b. Fundraising expenses attributable to contributions reported on line 6a (within the parentheses), and also on line 1, are reportable on lines 12 through 16.

B. What is not included on line 6

1. Sales or gifts of goods or services of only nominal value. If the goods or services offered at the special event have only nominal value, include all of the receipts as contributions on line 1 and all of the related expenses on lines 12 through 16. See *General Instruction L* for a description of nominal or insubstantial benefits.

2. Sweepstakes, raffles, and lotteries. Report as a contribution, on line 1, the proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for prizes.

When a minimum payment is required for each raffle or lottery entry and prizes of only nominal value are awarded, report any amount received as a contribution. Report the related expenses on lines 12 through 16.

3. Activities that generate only contributions are not special events. An activity that generates only contributions, such as a solicitation campaign by mail, is not a special event. Any amount received should be included on line 1 as a contribution. Related expenses are reportable on lines 12 through 16.

C. Attached schedule

Attach a schedule listing the three largest fundraising events, as measured by gross receipts. If gaming is conducted, treat different types of gaming separately to determine the three largest events. For example, treat bingo and pull tabs as separate fundraising events. Describe each of these events by listing the type of event and the number of occasions that the event occurred and show (for each event):

1. Gross receipts,
2. Contributions included in gross receipts (see line 6, instruction A1, above),
3. Gross revenue (gross receipts less contributions),
4. Direct expenses, and
5. Net income or (loss) (gross revenue less direct expenses).

For gaming, direct expenses include: cash and noncash prizes, compensation to bingo callers and workers, rental of gaming equipment, cost of bingo supplies such as pull tab deals, etc.

Furnish the same information, in total figures, for all other special events held that are not among the largest three. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

An example of this schedule of special events might appear in columnar form as follows:

Special Events (and the number of occasions that the event occurred):	**(A)** #	**(B)** #	**(C)** #	**All Other**	**Total**
Gross Receipts	$xx	$xx	$xx	$xx	$xx
Less: Contributions	xx	xx	xx	xx	xx
Gross Revenue	xx	xx	xx	xx	xx
Less: Direct Expenses	xx	xx	xx	xx	xx
Net Income or (loss)	$xx	$xx	$xx	$xx	$xx

If the organization uses this format, report the total for Contributions on line 1 of Form 990-EZ and on line 6a (within the parentheses). Report the totals for *Gross Revenue*, in the right-hand column, on line 6a; *Direct Expenses* on

line 6b; and *Net Income or (loss)* on line 6c.

Lines 7a through 7c—Gross Sales of Inventory

1. Sales of inventory. Include on line 7a the gross sales (less returns and allowances) of inventory items, whether the sales activity is an exempt function or an unrelated trade or business. Include all inventory sales except sales of goods at special events, which are reportable on line 6.

2. Cost of goods sold. On line 7b, report the cost of goods sold related to sales of such inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a proportion of overhead expenses. Marketing and distribution expenses are not includible in cost of goods sold. Include those expenses on lines 12 through 16.

3. Investments. Do not include on line 7 sales of investments on which the organization expected to profit by appreciation and sale. Report sales of these investments on line 5.

Line 8—Other Revenue

Enter the total income from all sources not covered by lines 1 through 7. Examples of types of income includible on line 8 are interest on notes receivable not held as investments or as program-related investments (defined in the line 2 instructions); interest on loans to officers, directors, trustees, key employees, and other employees; and royalties that are not investment income or program service revenue.

Line 10—Grants and Similar Amounts Paid

Reporting for line 10 in accordance with SFAS 116 is acceptable for Form 990-EZ purposes, but not required by IRS. However, see *General Instruction E.*

An organization that makes a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 10. Accruals of present value increments to the unpaid grant should also be reported on line 10 in future years.

A. What is included on line 10

Enter the amount of actual grants and similar amounts paid to individuals and organizations selected by the filing organization. Include scholarship, fellowship, and research grants to individuals.

1. Specific assistance to individuals. Include on this line the amount of payments to, or for the benefit of, particular clients or patients, including assistance by others at the expense of the filing organization.

2. Payments, voluntary awards, or grants to affiliates. Include on line 10 certain types of payments to organizations affiliated with (closely related to) the reporting organization. These payments include predetermined quota support and dues payments by local organizations to their state or national organizations.

CAUTION *If the organization uses Form 990-EZ for state reporting purposes, be sure to distinguish between payments to affiliates and awards and grants. See* General Instruction E.

B. What is not included on line 10

1. Administrative expenses. Do not include on this line expenses made in selecting recipients or monitoring compliance with the terms of a grant or award. Enter those expenses on lines 12 through 16.

2. Purchases of goods or services from affiliates. Do not report the cost of goods or services purchased from affiliates on line 10. Report these as expenses on lines 12 through 16.

3. Membership dues paid to another organization. Report membership dues that the organization pays to another organization for general membership benefits, such as regular services, publications, and materials on line 16, as *Other expenses.*

C. Attached schedule

Attach a schedule to explain the amounts reported on line 10. Show on this schedule:

- Each class of activity,
- The grantee's name and address,
- The amount given, and
- The relationship of the grantee (in the case of grants to individuals) if the relationship is by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

Any grants reported on line 10 that were approved during the year, but not paid by the due date for filing Form 990-EZ (including extensions), must be identified and listed separately in the line 10 schedule.

Give the name and address of each affiliate that received any payment reported on line 10. Specify both the amount and purpose of these payments.

Classify activities on this schedule in more detail than by using such broad terms as charitable, educational, religious, or scientific. For example, identify payments to affiliates; payments for nursing services; fellowships; or payments for food, shelter, or medical services for indigents or disaster victims. For payments to indigent families, do not identify the individuals.

If an organization gives property other than cash and measures an award or grant by the property's fair market value, also show on this schedule:

- A description of the property,
- The book value of the property,
- How the organization determined the book value,
- How the organization determined the fair market value, and
- The date of the gift.

Any difference between a property's fair market value and book value should be recorded in the organization's books of account and on line 20.

Colleges, universities, and primary and secondary schools are not required to list the names of individuals who were provided scholarships or other financial assistance whether they are the recipients of Federal grant money or not. Instead, these organizations must (a) group each type of financial aid provided; (b) indicate the number of individuals who received the aid; and (c) specify the aggregate dollar amount.

Line 11—Benefits Paid To or For Members

For an organization that gives benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), enter the amounts paid for: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits. Do not include, on this line, the cost of employment-related benefits the organization gives its officers and employees. Report them on line 12.

Line 12—Salaries, Other Compensation, and Employee Benefits

Enter the total salaries and wages paid to all employees and the fees paid to officers, directors, and trustees. Include the total of the employer's share of the contributions the organization paid to qualified and nonqualified pension plans and the employer's share of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan. Complete the Form 5500 return if the organization is required to file it.

Also include in the total the amount of federal, state, and local payroll taxes for the year that are imposed on the

organization as an employer. This includes the employer's share of social security and Medicare taxes, Federal unemployment tax (FUTA), state unemployment compensation tax, and other state and local payroll taxes. Taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employees' share of social security and Medicare taxes) are part of the employees' salaries included on line 12. Report expenses paid or incurred for employee events such as a picnic or holiday party on this line.

Line 13—Professional Fees and Other Payments to Independent Contractors

Enter the total amount of legal, accounting, auditing, other professional fees (such as fees for fundraising or investment services) and related expenses charged by outside firms and individuals who are not employees of the organization. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report and identify those expenses on line 16. Report fees paid to directors and trustees on line 12.

Line 14—Occupancy, Rent, Utilities, and Maintenance

Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities, outside janitorial services, mortgage interest, real estate taxes and property insurance attributable to rental property, and similar expenses. Do not subtract from rental expenses reported on line 14 any rental income received from renting or subletting rented space. See the instructions for lines 2 and 4 to determine whether such income is reportable as exempt function income or investment income. However, report on line 14 any rental expenses for rental income reported on lines 2 and 4. If the organization records depreciation on property it occupies, enter the total for the year.

For an explanation of acceptable methods for computing depreciation, see Pub. 946.

Line 15—Printing, Publications, Postage, and Shipping

Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films, and other informational materials on this line. Include the costs of outside mailing services on this line. Also include the cost of any purchased publications as well as postage and shipping costs not reportable on lines 5b, 6b, or 7b. Do not include any expenses, such as salaries, for which a separate line is provided.

Line 16—Other Expenses

Include here such expenses as penalties, fines, and judgments; unrelated business income taxes; insurance and real estate taxes not attributable to rental property or reported as occupancy expenses; depreciation on investment property; travel and transportation costs; interest expense; and expenses for conferences, conventions, and meetings.

Some states that accept Form 990-EZ in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized. See *General Instruction E.*

Line 18—Excess or (Deficit) for the Year

Enter the difference between lines 9 and 17. If line 17 is more than line 9, enter the difference in parentheses.

Line 19—Net Assets or Fund Balances at Beginning of Year

Enter the amount from the prior year's balance sheet or from Form 5500 or an approved DOL form if *General Instruction F* applies.

Line 20—Other Changes in Net Assets or Fund Balances

Attach a statement explaining any changes in net assets or fund balances between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity; unrealized gains and losses on investments carried at market value; and any difference between fair market value and book value of property given as an award or grant. See *General Instruction G* regarding the reporting of a section 481(a) adjustment to conform to SFAS 116.

Part II—Balance Sheets

All organizations, except those that meet one of the exceptions in *General Instruction F*, must complete columns (A) and (B) of Part II of the return and may not submit a substitute balance sheet. Failure to complete Part II may result in penalties for filing an incomplete return. If there is no amount to report in column (A), *Beginning of year*, put a zero in that column. See *General Instruction K.*

Some states require more information. See *General Instruction E* for more information about completing a Form 990-EZ to be filed with any state or local government agency.

Line 22—Cash, Savings, and Investments

Include all interest and non-interest bearing accounts such as petty cash funds, checking accounts, savings accounts, money market funds, commercial paper, certificates of deposit, U.S. Treasury bills, and other government obligations. Also include the book value of securities held as investments, and all other investment holdings including land and buildings held for investment. Report the income from these investments on line 4.

Line 23—Land and Buildings

Enter the book value (cost or other basis less accumulated depreciation) of all land and buildings owned by the organization and not held for investment.

Line 24—Other Assets

Enter the total of other assets along with a description of those assets. Amounts to include here are (among others) receivable accounts, inventories, and prepaid expenses.

Line 25—Total Assets

Enter the amount of total assets. If the end-of-year total assets entered in column (B) are $250,000 or more, Form 990 must be filed instead of Form 990-EZ.

Line 27—Net Assets or Fund Balances

Subtract line 26 (total liabilities) from line 25 (total assets) to determine net assets. Enter this net asset amount on line 27. The amount entered in column (B) should agree with the net asset or fund balance amount on line 21.

States that accept Form 990-EZ as their basic report form may require a separate statement of changes in net assets. See *General Instruction E.*

Part III—Statement of Program Service Accomplishments

A program service is a major (usually ongoing) objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters.

Step	Action
1	State the organization's primary exempt purpose.
2	All organizations must describe their exempt purpose achievements for each of their four largest program services (as measured by total expenses incurred). If there were four or fewer of such activities, describe each program service activity.

- Describe program service accomplishments through measurements such as clients served, days of care, therapy sessions, or publications issued.
- Describe the activity's objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity.
- Give reasonable estimates for any statistical information if exact figures are not readily available. Indicate that this information is estimated.
- Be clear, concise, and complete in the description. Avoid adding an attachment.

3 If part of the total expenses of any program service consists of grants reported on line 10, enter the amount of grants in the space provided and include the grants in the *Expenses* column. If the amount of grants entered includes foreign grants, check the box to the left of the entry space for *Program Services Expenses*.

- Section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts, must show the amount of grants and allocations to others and must enter the total expenses for each program service reported.
- For all other organizations, completing the *Program Services Expenses* column (and the *Grants* entry) in Part III is optional.

4 Attach a schedule that lists the organization's other program services.

- The detailed information required for the four largest services is not necessary for this schedule.
- However, section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts must show the expenses attributable to their program services.

5 The organization may show the amount of any donated services, or use of materials, equipment, or facilities it received or utilized in connection with a specific program service.

- Disclose the applicable amounts of any donated services, etc., on the lines for the narrative description of the appropriate program service.
- Do not include these amounts in the expense column in Part III.
- See the instructions for line 1, B2.

Part IV—List of Officers, Directors, Trustees, and Key Employees

List each person who was an officer, director, trustee, or key employee (defined below) of the organization at any time during the year even if they did not receive any compensation from the organization.

For purposes of reporting all amounts in columns (B) through (E) in Part IV, either use the organization's tax year, or the calendar year ending within such tax year.

Enter a zero in columns (B), (C), (D), or (E) if no hours were entered in column (B) and no compensation, contributions, expenses, and other allowances were paid during the reporting year, or deferred for payment to a future accounting period.

Aid in the processing of the organization's return by grouping together, preferably at the end of the list, those who received no compensation. Be careful not to repeat names.

Give the preferred address at which officers, directors, etc., want the Internal Revenue Service to contact them.

Use an attachment if there are more than four persons to list in Part IV.

Show all forms of cash and noncash compensation received by each listed officer, director, etc., whether paid currently or deferred.

If the organization pays any other person, such as a management services company, for the services provided by any of its officers, directors, trustees, or key employees, report the compensation and other items in Part IV as if the organization had paid the officers, directors, etc., directly. Also, see Ann. 2001-33, 2001-17 I.R.B. 1137.

A failure to fully complete Part IV can subject both the organization and the individuals responsible for such failure to penalties for filing an incomplete return. See *General Instruction K*. In particular, entering the phrase on Part IV, "Information available upon request," or a similar phrase, is not acceptable.

The organization may also provide an attachment to explain the entire 2007 compensation package for any person listed in Part IV.

Key employee. A *key employee* is any person having responsibilities or powers similar to those of officers, directors, or trustees. The term includes the chief management and administrative officials of an organization (such as an executive director or chancellor).

A chief financial officer and the officer in charge of the administration or program operations are both key employees if they have the authority to control the organization's activities, its finances, or both.

Column (A)

Report the name and address of each person who was a current officer, director, trustee, or key employee (defined above), during the tax year or, if using the calendar year, at any time during the calendar year or tax year.

Column (B)

In column (B), a numerical estimate of the average hours per week devoted to the position is required for a complete answer. Statements such as "as needed" or "as required," or "40+" are unacceptable.

Column (C)

For each person listed, report salary, fees, bonuses, and severance payments paid. Include current-year payments of amounts reported or reportable as deferred compensation in any prior year.

Column (D)

Include in this column all forms of deferred compensation and future severance payments (whether or not funded; whether or not vested; and whether or not the deferred compensation plan is a qualified plan under section 401(a)). Include also payments to welfare benefit plans on behalf of the officers, etc. Such plans provide benefits such as medical, dental, life insurance, severance pay, disability, etc. Reasonable estimates may be used if precise cost figures are not readily available.

Unless the amounts were reported in column (C), report, as deferred compensation in column (D), salaries and other compensation earned during the period covered by the return, but not yet paid by the date the organization files its return.

Column (E)

Enter both taxable and nontaxable fringe benefits (other than *de minimis* fringe benefits described in section 132(e)). Include amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. See Pub. 525 for more information.

Form 941 must be filed to report income tax withholding and social security and Medicare taxes. The organization must also file Form 940 to report Federal unemployment tax, unless the organization is not subject to

these taxes. See Pub. 15 (Circular E) for more information. See also the *Trust Fund Recovery Penalty* discussion in *General Instruction D.*

Part V—Other Information

- Section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts must also complete and attach a Schedule A (Form 990 or 990-EZ) to their Form 990-EZ. See *General Instruction D* for information on Schedule A (Form 990 or 990-EZ).
- Answer "Yes," "No," or "N/A" to each question.
- The organization must attach a statement regarding personal benefit contracts. See *General Instruction V.*

Line 33—Change in Activities

Attach a statement to explain any changes during the past 3 years in the activities the organization conducts to further its exempt purpose, or in the methods of conducting these activities. However, if a change has been reported to the IRS on a previously filed attachment, do not report the change again. An activity previously listed as current or planned in the organization's application for recognition of exemption does not have to be reported unless the method of conducting such activity has changed. Also, include any major program activities that are being discontinued.

Line 34—Changes in Organizing or Governing Documents

Attach a conformed copy of any changes to the articles of incorporation, or association, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document.

A *conformed copy* is one that agrees with the original document and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for details. When a number of changes are made, attach a copy of the entire revised organizing instrument or governing document.

However, if the exempt organization changes its legal structure, such as from a trust to a corporation, it must file a new exemption application to establish that the new legal entity qualifies for exemption.

Line 35—Unrelated Business Income and Lobbying Proxy Tax

Unrelated Business Income

Political organizations described in section 527 are not required to answer this question.

Check "Yes" on line 35a if the organization's total gross income from all of its unrelated trades and businesses is $1,000 or more for the year. Gross income is gross receipts less the cost of goods sold. See Pub. 598 for a description of unrelated business income and the 2007 Instructions for Form 990-T for the Form 990-T filing requirements. Form 990-T is not a substitute for Form 990-EZ. Items of income and expense reported on Form 990-T must also be reported on Form 990-EZ when the organization is required to file both forms.

All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income if they expect their tax liability to be $500 or more. Use Form 990-W to compute this tax.

Section 6033(e) tax for lobbying expenditures

If the organization checks "No" to line 35a, it is certifying that the organization was not subject to the notice and reporting requirements of section 6033(e) and that the organization had no lobbying and political expenditures potentially subject to the proxy tax.

Section 6033(e) notice and reporting requirements and proxy tax. Section 6033(e) requires certain section 501(c)(4), (5), and (6) organizations to tell their members the portion of their membership dues that were allocable to the political or lobbying activities of the organization. If an organization does not give its members this information, then the organization is subject to a proxy tax. The tax is reported on Form 990-T.

If the organization checks "Yes" on line 35a to declare that it had reportable section 6033(e) lobbying and political expenses in the 2007 reporting year (and potential liability for the proxy tax):

1. Complete lines 85a-h, page 7, of Form 990 (note instructions), and
2. Attach page 7 to Form 990-EZ.

Only certain organizations that are tax exempt under sections:

- 501(c)(4) (social welfare organizations),
- 501(c)(5) (agricultural and horticultural organizations), or
- 501(c)(6) (business leagues)

are subject to (a) the section 6033(e) notice and reporting requirements, and (b) a potential proxy tax.

If the organization is not tax-exempt under sections 501(c)(4), (5), or (6), check "No" on line 35a, unless there was unrelated business income.

If the organization meets *Exception 1* or *2* below, it is excluded from the notice, reporting, and proxy tax requirements of section 6033(e), and it should check "No" to line 35a, unless the organization had $1,000 or more of unrelated business income. See also Rev. Proc. 98-19, 1998-1 C.B. 547.

Exception 1. Section 6033(e)(3) exception for nondeductible dues.

1. All organizations exempt from tax under section 501(a), other than section 501(c)(4), (5), and (6) organizations.
2. Local associations of employees' and veterans' organizations described in section 501(c)(4), but not section 501(c)(4) social welfare organizations.
3. Labor unions and other labor organizations described in section 501(c)(5), but not section 501(c)(5) agricultural and horticultural organizations.
4. Section 501(c)(4), (5), and (6) organizations that receive more than 90% of their dues from:
   a. Section 501(c)(3) organizations,
   b. State or local governments,
   c. Entities whose income is exempt from tax under section 115, or
   d. Organizations described in 1 through 3, above.
5. Section 501(c)(4) and (5) organizations that receive more than 90% of their annual dues from:
   a. Persons,
   b. Families, or
   c. Entities who each paid annual dues of $95 or less in 2007 (adjusted annually for inflation). See Rev. Proc. 2006-53 which is on page 996 of the Internal Revenue Bulletin at *www.irs.gov/pub/irs-irbs/irb06-48.pdf.*
6. Any organization that receives a private letter ruling from the IRS stating that the organization satisfies the section 6033(e)(3) exception.
7. Any organization that keeps records to substantiate that 90% or more of its members cannot deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.
8. Any organization that is not a membership organization.

Special rules treat affiliated social welfare organizations, agricultural and horticultural organizations, and business leagues as parts of a single organization for purposes of meeting the nondeductible dues exception. See Rev. Proc. 98-19.

Exception 2. Section 6033(e)(1) $2,000 in-house lobbying exception. An organization satisfies the $2,000 in-house lobbying exception if it:

1. Did not receive a waiver for proxy tax owed for the prior year,
2. Did not make any political expenditures or foreign lobbying expenditures during the 2007 reporting year,
3. Incurred lobbying expenses during the 2007 reporting year consisting only of in-house direct lobbying expenses totaling $2,000 or less, but excluding:

a. Any allocable overhead expenses, and

b. All direct lobbying expenses of any local council regarding legislation of direct interest to the organization or its members.

Definitions.

Grassroots lobbying refers to attempts to influence any segment of the general public regarding legislative matters or referendums.

Direct lobbying includes attempting to influence:

- Legislation through communication with legislators and other government officials, and
- The official actions or positions of covered executive branch officials through direct communication.

Direct lobbying does not include attempting to influence:

- Any local council on legislation of direct interest to the organization or its members, and
- The general public regarding legislative matters (grassroots lobbying).

Other lobbying includes:

- Grassroots lobbying,
- Foreign lobbying,
- Third-party lobbying, and
- Dues paid to another organization that were used to lobby.

In-house expenditures include:

- Salaries, and
- Other expenses of the organization's officials and staff (including amounts paid or incurred for the planning of legislative activities).

In-house expenditures do not include:

- Any payments to other taxpayers engaged in lobbying or political activities as a trade or business.
- Any dues paid to another organization that are allocable to lobbying or political activities.

Line 36—Liquidation, Dissolution, Termination, or Substantial Contraction

If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining what took place.

For a complete liquidation of a corporation or termination of a trust, check the *Termination* box in the heading of the return. On the attached statement, show whether the assets have been distributed and the date. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing the names and addresses of all persons who received the assets distributed in liquidation or termination; the kinds of assets distributed to each one; and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets except transfers for full consideration or distributions from current income.

A *major disposition of assets* is any disposition for the tax year that is:

1. At least 25% of the fair market value of the organization's net assets at the beginning of the tax year; or
2. One of a series of related dispositions begun in earlier years that add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions depends on the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

Line 37—Expenditures for Political Purposes

Political organizations described in section 527 are not required to answer this question.

A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. It does not matter whether the attempt succeeds.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

All section 501(c) organizations. An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under section 527(f)(1).

If a section 501(c) organization establishes and maintains a section 527(f)(3) separate segregated fund, see the specific instructions for line 81, Form 990.

Section 501(c)(3) organizations. A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

A section 501(c)(3) organization must pay a section 4955 excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization who knowingly agrees to a political expenditure must pay a section 4955 excise tax, unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

When an organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures:

- Remuneration to such individual (a candidate or prospective candidate) for speeches or other services;
- Travel expenses of such individual;
- Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by such individual;
- Expenses of advertising, publicity, and fundraising for such individual; and
- Any other expense that has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of such individual.

An organization is effectively controlled by a candidate or prospective candidate only if such individual has a continuing, substantial involvement in the day-to-day operations or management of the organization.

A determination of whether the primary purpose of an organization is promoting the candidacy or prospective candidacy of an individual for public office is made on the basis of all the facts and circumstances. See section 4955 and Regulations section 53.4955.

Use Form 4720 to figure and report these excise taxes.

Line 38—Loans To or From Officers, Directors, Trustees, and Key Employees

Enter the end-of-year unpaid balance of secured and unsecured loans made to or received from officers, directors, trustees, and key employees. For example, if the organization borrowed $1,000 from one officer and loaned $500 to another, none of which has been repaid, report $1,500 on line 38b.

For loans outstanding at the end of the year, attach a schedule as described below. Report any interest expense on line 16 and any interest income on line 2, 4, or 8, depending on the nature of the receivable that created the interest income.

When loans should be reported separately. In the required schedule, report each loan separately, even if more than one loan was made to or received from the same person, or the same terms apply to all loans made. Salary advances and other advances for the personal use and benefit of the recipient, and receivables subject to special terms or arising from nontypical transactions, must be reported as separate loans for each officer, director, trustee, and key employee.

When loans should be reported as a single total. In the required schedule, report receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public (occurring in the normal course of the organization's operations) as a single total for all the officers, directors, trustees, and key employees. Report travel advances for official business of the organization as a single total.

Schedule format. For each outstanding loan or other receivable that must be reported separately, the attached schedule should show the following information (preferably in columnar form):

- Borrower's name and title,
- Original amount,
- Balance due,
- Date of note,
- Maturity date,
- Repayment terms,
- Interest rate,
- Security provided by the borrower,
- Purpose of the loan, and
- Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc., common stock—$9,000).

The above detail is not required for receivables or travel advances that may be reported as a single total. However, report and identify those totals separately in the attachment.

Line 39—Section 501(c)(7) Organizations

Gross receipts test. A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts) may be from public use of a social club's facilities.

Gross receipts are the club's income from its usual activities and include:

- Charges,
- Admissions,
- Membership fees,
- Dues,
- Assessments, and
- Investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments.

Gross receipts do not include:

- Capital contributions (see Regulations section 1.118-1),
- Initiation fees, or
- Unusual amounts of income (such as the sale of the clubhouse).

CAUTION *College fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues, do include initiation fees in their gross receipts.*

If the 35% and 15% limits do not affect the club's exempt status, include the income shown on line 39b on the club's Form 990-T.

Investment income earned by a section 501(c)(7) organization is not tax-exempt income unless it is set aside for:

- Religious,
- Charitable,
- Scientific,
- Literary,
- Educational purposes, or
- Prevention of cruelty to children or animals.

If the combined amount of an organization's gross investment income and other unrelated business income exceeds $1,000, it must report the investment income and other unrelated business income on Form 990-T.

Nondiscrimination policy. A section 501(c)(7) organization is not exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion, if the social club:

1. Is an auxiliary of a fraternal beneficiary society exempt under section 501(c)(8), and
2. Limits its membership to the members of a particular religion; or the membership limitation is:

a. A good-faith attempt to further the teachings or principles of that religion, and

b. Not intended to exclude individuals of a particular race or color.

Line 40a—Section 501(c)(3) Organizations: Disclosure of Excise Taxes Imposed Under Section 4911, 4912, or 4955

Section 501(c)(3) organizations must disclose any excise tax imposed during the year under section 4911 (excess lobbying expenditures), 4912 (disqualifying lobbying expenditures), or, unless abated, 4955 (political expenditures). See sections 4962 and 6033(b).

Line 40b—Section 501(c)(3) and 501(c)(4) organizations: Disclosure of Section 4958 Excess Benefit Transactions and Excise Taxes

Sections 6033(b) and 6033(f) require section 501(c)(3) and (4) organizations to report the amount of taxes imposed under section 4958 (excess benefit transactions) involving the organization, unless abated, as well as any other information the Secretary may require concerning those transactions. See *General Instruction P* for a discussion of excess benefit transactions.

Attach a statement describing any excess benefit transaction, the disqualified person or persons involved, and whether or not the excess benefit transaction was corrected.

Line 40c—Taxes Imposed on Organization Managers or Disqualified Persons

For line 40c, enter the amount of taxes imposed on organization managers or disqualified persons under sections 4912, 4955, and 4958, unless abated.

Line 40d—Taxes Reimbursed By the Organization

For line 40d, enter the amount of tax on line 40c that was reimbursed by the organization. Any reimbursement of the excise tax liability of a disqualified person or organization manager will be treated as an excess benefit unless (1) the organization treats the reimbursement as compensation during the year the reimbursement is made, and (2) the total compensation to that person, including the reimbursement, is reasonable.

Line 40e—Tax on Prohibited Tax Shelter Transactions

Answer "Yes" if the organization was a party to a prohibited tax shelter transaction as described in section 4965(e) at any time during the tax year. See *General Instruction W* for information about prohibited tax shelter transactions.

If the organization answered "Yes," it must complete Form 8886-T.

Line 41—List of States

List each state with which the organization is filing a copy of this return in full or partial satisfaction of state filing requirements.

Line 42b—Foreign Financial Accounts

Check the "Yes" box if either 1 or 2 below applies:

1. At any time during the calendar year, the organization had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); and

a. The combined value of the accounts was more than $10,000 at any time during the calendar year; and

b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.

2. The organization"Yes" to item 1 above.

If the "Yes" box is checked, enter the name of the foreign country or countries. Attach a separate sheet if more space is needed. File Form TD F 90-22.1 by June 30, 2008, with the Department of the Treasury at the address shown on the form.

Form TD F 90-22.1 is available by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at *www.irs.gov*. Do not file it with the IRS or attach it to Form 990-EZ.

Line 43—Section 4947(a)(1) Nonexempt Charitable Trusts

Section 4947(a)(1) nonexempt charitable trusts that file Form 990-EZ instead of Form 1041 and have no taxable income under Subtitle A may use Form 990-EZ to meet its Section 6012 filing requirement by checking the box on line 43. Also, enter on line 43 the total of exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws. Section 6109 requires return preparers to provide their identifying numbers on the return.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 990, and Form 990-EZ, are covered in Code section 6104.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
990	112 hr., 52 min.	16 hr., 4 min.	22 hr., 20 min.	1 hr., 4 min.
990-EZ	29 hr., 10 min.	11 hr., 33 min.	14 hr., 24 min.	32 min.
Schedule A (Form 990 or 990-EZ)	75 hr., 19 min.	11 hr., 37 min.	13 hr., 21 min.	-0-
Schedule B (Form 990, 990-EZ, or 990-PF)	4 hr., 46 min.	1 hr., 23 min.	1 hr., 31 min.	-0-

We welcome comments on forms. If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Do not send the form to this address. Instead, see *When, Where, and How To File* in *General Instruction H.*

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