



## IRS Releases Revised Form 990 for '05 Filers

Just in time for tax season, the IRS has revised Form 990, *Return of Organization Exempt from Income Tax*, which will impact nonprofits filing for 2005. The revisions include fairly significant changes to Form 990, Schedule A and the Instructions (Form 990 grew from six to eight pages).

### **“So, What Changed?”**

In general, changes include:

- Requests for information about compensation or other benefits that former officers, directors, trustees and key employees received from your organization.
- Three new questions concerning relationships with other entities and control of the organization.
- New checkboxes for foreign grants in Part III, *Statement of Program Service Accomplishments*.
- Questions on whether your organization had an interest in or signature authority over any foreign financial accounts.
- Questions on whether your organization had offices in foreign countries.

### **“What Information Do We Need to Provide?”**

Delving a little deeper into these changes, specific reporting information now required on Form 990 includes the following:

#### **Compensation reporting**

- On pages 5 and 6 of Form 990, Part V is now divided into Parts V-A and V-B. Part V-A requires that you list the current officers, directors, trustees and key employees and their compensation information. In Part V-B, you'll need to provide the names and compensation information of individuals who *formerly* held those positions.
- This section also asks whether current officers, directors, trustees, key employees, or highest-compensated employees, or highest-compensated professionals and other independent contractors are related to each other through family or business

relationships and whether they receive compensation from other organizations (tax exempt or taxable) related to your organization. Part V-A also asks if your organization has a written conflict of interest policy. If relationships exist, a statement must be attached ". . . *that identifies the individual, explains the relationship between this organization and the other organization(s), and describes the compensation arrangements, including amount paid to each individual by each related organization.*"

- Part V-B also requires you to report all loans and salary advances to former officers, directors, trustees, and key employees. Note that no time period is indicated for how long to report payments.
- Line 25 of the Instructions requires an additional schedule when showing compensation paid to officers, directors, trustees, and key employees. The schedule shows a breakdown of the type and amount of compensation included in columns (C) through (E) of Parts V-A and V-B.
- Line 26 of the Instructions notes that "wages, fees, bonuses, severance payments and payments of compensation deferred in a prior year" are to be included.
- Schedule A, Part I now asks for the compensation of the five highest paid employees other than officers, directors and trustees. The instructions have clarified that this table should not include "key employees" as they should have been listed in Part V-A of Form 990.

### **Foreign Activities**

- On Line 22, Grants and allocations, you will need to check off if you have received a foreign grant.
- New Line 91b asks whether your organization had an interest in or signature authority over any foreign financial accounts, and if so, to list the countries where the accounts are located.
- New Line 91c asks whether your organization had offices in foreign countries, and if so, to list the countries where the offices are located.

### **Qualified Conservation Contributions**

Line 3c, Part II of Schedule A asks about the receipt of qualified real property interests for organizations that received a qualified conservation contribution.

### **Implications**

The implications of incorrect and incomplete Form 990 reporting are serious. IRS penalties aside, your Form 990 is easily available to the general public and will certainly receive scrutiny. Make sure you carefully review the revised reporting requirements to ensure that you are in full compliance.

*Our nonprofit specialists have been closely following these developments. Please contact our office today to schedule time to talk about the implications to your organization.*