

2011



Department of the Treasury
Internal Revenue Service

Instructions for Form 990 Return of Organization Exempt From Income Tax

**Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code
(except black lung benefit trust or private foundation)**

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

What's New

2011 Significant Changes

Changes for 2011:

1. The *General Instructions*:

- Clarify that an organization should make reasonable efforts to obtain information from third parties needed to complete Form 990.
- Clarify that **governmental units** and affiliates of governmental units described in Rev. Proc. 95-48, 1995-2 C.B. 418, must file a Form 990-series return if they are also section 509(a)(3) supporting organizations.

2. The instructions for *Heading. Items A-M* clarify that:

- an organization that is required to file a Form 990 or Form 990-EZ or submit a Form 990-N for a given tax year must do so even if it has not yet filed a Form 1023 or 1024 with the IRS.
- the name and address of the principal officer and the web site address should be current as of the date of filing.

3. The instructions for *Part II, Signature Block*, provide that:

- a paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.
- all paid preparers must enter their preparer's taxpayer identification number (PTIN) in Part II.

4. In *Part IV, Checklist of Required Schedules*:

- Line 14b states that an organization must complete Schedule F, Part I if it had foreign investments during the tax year valued at \$100,000 or more.
- New instructions to the Form for lines 15 and 16 clarify when the organization should complete Schedule F, Part II or III based on grants outside the United States and inside the U.S. for foreign activity.

5. In *Part VI, Governance, Management, and Disclosure*:

- Line 1a was modified to note that if the governing body delegated broad authority to an executive committee or similar committee, the filing organization must explain in Schedule O.
- Line 1a instructions clarify that a governing body consists of one or more persons.
- Line 1b instructions no longer provide that a director loses independence because the director or a family member of the director was a key employee of an entity that engaged in a business transaction with the filing organization reportable in Schedule L.

- Line 1b instructions provide examples showing when Board chair compensation is considered compensation to the Board chair as an officer or employee of the organization.
- Line 2 instructions exempt from reporting certain business relationships in which an officer, director, trustee, or key employee of the filing organization was a key employee of another organization.
- Line 7b was expanded to ask if any governance decisions of the organization are reserved to, or subject to approval by, persons other than the governing body.
- Section B instructions clarify that an organization may answer "Yes" to any question that asks whether the organization has a particular policy if either its governing body or a committee authorized by the governing body adopted the policy by the end of its tax year.
- Line 11 instructions clarify that the organization should answer "No" if it merely informs its governing body members that a copy of the Form 990 is available upon request.

6. In Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors:

- Section A, column (C) now clarifies that filers are to check only one "Position" box for each person listed in the compensation table, unless the filer is both an officer and director/trustee of the organization.
- Section A instructions now clarify that reportable compensation for officers and employees includes compensation reported in Form W-2, Wage and Tax Statement, box 1 or 5 (whichever amount is greater).
- Section A instructions clarify that columns (D), (E), and (F) should be left blank for short year returns in which there is no calendar year that ends within the short year, unless the return is a final return.
- Section A instructions clarify not to report in column (F) an amount to be deferred from the tax year to a date that is not more than 2 1/2 months after the end of the tax year.
- Section A instructions clarify that filers should report in column (F) the annual increase or decrease in actuarial value of a defined benefit plan (but should disregard any decrease in actuarial value when determining whether the individual's total compensation was more than \$150,000, for purposes of line 4).
- The "transition rule for non-section 501(c)(3) organizations" is eliminated, so that the organizations are now required to report any former highest compensated employees in Section A.
- Section B, line 1 clarifies that independent contractor compensation should be reported for the calendar year ending with or within the tax year.

7. In Part VIII, Statement of Revenue, the instructions clarify:

- Not to net losses from uncollectible pledges, refunds of contributions and service revenue, or reversal of grant expenses on line 1, but to report any such items as "Other changes in net assets or fund balances" on Part XI, line 5, and to explain in Schedule O.
- That contributions of **conservation easements** and other **qualified conservation contributions** must be reported consistently with how the organization reports revenue from such contributions in its books, records, and financial statements.
- Although reporting on line 1 under SFAS 116 is generally acceptable, the value of donated services or the use of donated materials, equipment, or facilities may not be reported.
- Whether and how to report contributions of certificates for facilities and services.
- That Medicare and Medicaid payments, and other government payments made to pay or reimburse the organization for medical services provided to individuals who qualify under a government program for the services provided, and who select the service provider, should be reported on line 2.
- That the organization's distributive shares of investment income, royalties, and rental income from joint ventures should be reported on lines 3, 5, and 6, respectively.

8. In Part IX, Statement of Functional Expenses:

- The heading includes a new checkbox that an organization must check if its Schedule O contains a response to a question in Part IX.
- The instructions clarify that patronage dividends paid by section 501(c)(12) organizations to their members should be reported on line 4; payments to contractors for information technology services on line 14; and expenses for medical supplies incurred by health care organizations on line 24 (not line 13).
- Line 26 instructions clarify how joint costs should be reported and when the SOP 98-2 box should be checked.

9. The instructions for *Part X, Balance Sheet*, line 12, clarify that the organization should report its distributive share of assets in any entities treated as partnerships for federal tax purposes according to its ending capital account in the partnerships as reported on Schedule K-1.

10. In the Glossary:

- The definition of "Control" is revised to clarify that a "managing partner" is a partner designated as such under the partnership agreement or regularly engaged in the management of the partnership.
- The definition of "Grants and other assistance," for purposes of Part IX lines 1-3, Schedule F, and Schedule I, is revised to exclude certain payments by voluntary employees' beneficiary associations.
- The definition of "significant disposition of net assets" is revised to exclude grants or other assistance made in the ordinary course of the organization's exempt activities to accomplish the organization's exempt purposes.
- "Term endowment" is renamed "Temporarily restricted endowment" and includes not only endowment funds established by donor-restricted gifts for a specified period, but all other temporarily restricted net assets held in a donor-restricted endowment, including certain income from permanent endowments.

11. *Appendix F* clarifies the reporting of an interest in a partnership in Parts VIII, IX, and X.

12. *Appendix K, Contributions*, clarifies that for text message contributions, the donor's phone bill meets the section 170(f)(17) recordkeeping requirement of a reliable written record if it shows the name of the donee organization and the date and amount of contribution.

Purpose of Form

Forms 990 and 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 or 990-EZ, and a section 501(c)(3) organization's Form 990-T, Exempt Organization Business Income Tax Return, generally are available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors, is available for public inspection for section 527 organizations filing Form 990 or 990-EZ. For other organizations that file Form 990 or Form 990-EZ, parts of Schedule B (Form 990, 990-EZ, or 990-PF), can be open to public inspection. See *Appendix D* and the instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more details.

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

Phone Help

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