

# FORM 990

## Moving Beyond the EZ

Lisa Potter, CPA  
Senior Tax Manager

Salmon Sims Thomas  
Accountants & Consultants



# COURSE OBJECTIVES

- Understand the purpose behind the change
- Identify tax issues specific to NPO's
- Minimize the cost of complying with return requirements
- Prepare the return efficiently and accurately
- Learn the most common errors to avoid



# GETTING STARTED



# WHY DID IRS CHANGE FORM 990?

- This was the first major revision in the form since 1979

Their intention was threefold:

1. Increase compliance
2. Increase transparency
3. Reduce filing burden



# TAX ISSUES UNIQUE TO NPO's

- Return is open to public inspection
- Cannot provide compensation based on profits
- Must monitor public support %
- Disposition of assets are restricted
- Must monitor for taxable revenue (UBIT)
- Many states accept the Form 990 in lieu of a separate state form



# TIPS TO MINIMIZE YOUR COST

- Review return before the tax year end and put procedures into place to efficiently produce the required information
- Review financials monthly and pull info needed for tax return while it is fresh
- Complete return in recommended order



# COMPLETION GUIDELINES

- Complete each line unless instructed to skip it
- If space is insufficient, continue your response on Schedule O
- Do not attach items to the return
- Round to whole dollars
- Include financial information on any disregarded entities



# COMPLETION ORDER

1. Heading on page 1 – Except for Item G
2. Schedule R - Determine if you have any related organizations, and gather necessary information (e.g. parent, subordinate, sister orgs, etc.)
3. Form 990, Part VII – Identify officers, directors, trustees, key employees and highest compensated employees
4. Stmt of Revenue; Expenses & B/S (Parts VIII, IX & X)





# COMPLETION ORDER (continued)

5. Sch A (Public Charity Status)
6. Sch L (Interested Persons)
7. Governance section (Part VI)
8. Summary (Part I)
9. Required Schedule Checklist (Part IV)
10. Schedule O
11. Item G in Header



# MOST COMMON ERRORS

- Using the wrong EIN
- Math errors and inconsistencies within form
- Filing on the incorrect form year
- Failing to sign and date the return
- Including personal addresses on return
- Leaving sections of the return blank
- Not completing all the required schedules
- Not attaching Schedule A (501(c)(3)'s only)
- Omitting Schedule O



# Other Taxing Issues



# FORM 990 – FILING THRESHOLDS:

**2010 Form 990** (For calendar years ended December 31, 2010, or fiscal years beginning in 2010):

If gross receipts are normally $\leq$ \$50,000	File <b>Form 990-N</b> (e-postcard)
If gross receipts are $<$ \$200,000 <u>AND</u> total assets $<$ \$500,000	File <b>Form 990-EZ</b>
If gross receipts are $\geq$ \$200,000 <u>OR</u> total assets $\geq$ \$500,000	File <b>Form 990</b>





What does our organization need to do  
BEFORE our current tax year end?



# Things To Do Now

- Check for and implement required policies
- Put updated accounting procedures in place
- Evaluate board size and independence
- Establish process for distributing and reviewing 990
- Determine how return will be disclosed to the public
- Identify related organizations and determine \$\$ paid
- Identify compensation from unrelated organizations for services rendered to the reporting organization



# Things To Do Now (continued)

- Identify key employees
- Identify compensation of former officers, directors and key employees
- Identify lobbying and political activities
- Develop systems to track volunteer time
- Determine if the organization has UBI



# What Policies do we need?

- Whistleblower
- Document Retention & Destruction
- Compensation for top officials/key employees
- Conflict of interest policy
- Review procedures for Form 990
- Policies to govern chapters, affiliates and/or branches
- Joint venture policies





# Late Filing Penalties

- Late filing penalty is \$20 per day, maxing at the lesser of \$20,000 or 5% of gross receipts for that tax year
- **Warning:**  
If the organization's annual gross receipts exceed \$1 million, the penalty is \$100 per day, maxing at \$50,000.



# Incomplete Return Penalties

- Organization will initially receive an IRS letter requesting the missing information, with a fixed time limit to comply.
- After time expires, the person responsible for failing to comply can be charged \$10 per day, up to \$5,000. If the IRS deems more than one person responsible, the penalties can be assessed to more than one person.



# Electronic Filing Requirements

- Organizations with \$10 million or more in total assets that also file at least 250 returns in a calendar year must e-file the 990.



# WHERE TO GET MORE INFORMATION



IRS Exempt Division – 877.829.5500

[www.stayexempt.org](http://www.stayexempt.org) – Free, short and simple courses developed by the IRS

[www.irs.gov](http://www.irs.gov) – Current guidance, forms & instructions available to download

[www.guidestar.org](http://www.guidestar.org) – Most 501(c)(3) returns are available for public viewing

<http://www.boardsource.org/> - Info regarding governance and board issues

[www.cnmdallas.org](http://www.cnmdallas.org) – Sample policies, etc.

<http://www.oag.state.tx.us/consumer/nonprofits.shtml> -

Information on gaming rules and registration

<http://www.window.state.tx.us/taxinfo/proptax/exmptns.html> -

Information on property tax exemption

[http://www.window.state.tx.us/taxinfo/franchise/faq\\_questions.html](http://www.window.state.tx.us/taxinfo/franchise/faq_questions.html) -

Information on Texas franchise tax



## DISCLAIMER

Because the matters contained herein are complicated, this document should not be regarded as offering a complete explanation and should not be used for making decisions. Any decision concerning matters covered herein should be reviewed with a qualified tax advisor.

The information provided is current as of the presentation date.



## CONTACT INFORMATION

Lisa C. Potter, CPA

Senior Tax Manager

Salmon Sims Thomas & Associates PLLC

*Specializing in tax, audit and consulting for nonprofit organizations*

[lpotter@sstcpa.com](mailto:lpotter@sstcpa.com)

Direct Line – 972.341.9549

