

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
private foundations)**

2024

Volume 2 of 9



Department of the Treasury
Internal Revenue Service

Instructions for Form 990 (Rev. 2024) Catalog Number 47733E
Department of the Treasury **Internal Revenue Service** www.irs.gov



Visit the Accessibility
Page on IRS.gov

This page is intentionally left blank

Part IV. Checklist of Required Schedules

For each “Yes” answer to a question on Form 990, Part IV, complete the applicable schedule (or part or line of the schedule). See the *Glossary* and instructions for the pertinent schedules for definitions of terms and explanations that are relevant to questions in this part.

The organization isn't required to answer “Yes” to a question on Form 990, Part IV, or complete the schedule (or part of a schedule) to which the question is directed if the organization isn't required to provide any information in the schedule (or part of the schedule). Thus, a minimum dollar threshold for reporting information on a schedule may be relevant in determining whether the organization must answer “Yes” to a question on Form 990, Part IV.

Line 1. Answer "Yes" if the organization is a section 501(c)(3) organization that isn't a **private foundation**. Answer "Yes" if the organization claims section 501(c)(3) status but hasn't yet filed a Form 1023 or Form 1023-EZ application or received a determination letter recognizing its section 501(c)(3) status. All other organizations answer "No."

Line 2. Answer "Yes" if any of the following are satisfied.

- A section 501(c)(3) organization met the 33¹/₃% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi); checks the box on Schedule A (Form 990), Part II, line 13, 16a, or 16b; and received from any one contributor, during the year, **contributions** of the greater of \$5,000 (in money or property) or 2% of the amount on Form 990, Part VIII, line 1h. An organization filing Schedule

B (Form 990) can limit the contributors it reports on Schedule B (Form 990) using this greater-than-\$5,000/2% threshold only if it checks the box on Schedule A (Form 990), Part II, line 13, 16a, or 16b.

- A section 501(c)(3) organization didn't meet the 33¹/₃% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), and received during the year **contributions** of \$5,000 or more from any one contributor.
- A section 501(c)(7), 501(c)(8), or 501(c)(10) organization received, during the year, (a) **contributions** of any amount for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals; or (b) contributions of \$5,000

or more not exclusively for such purposes from any one contributor.

- Any other organization that received, during the year, contributions of \$5,000 or more from any one contributor.



Don't attach substitutes for Schedule B (Form 990).

Line 3. All organizations must answer this question, even if they aren't subject to a prohibition against **political campaign activities**. Answer "Yes" whether the activity was conducted directly or indirectly through a **disregarded entity** or a **joint venture** or other arrangement treated as a partnership for federal income tax purposes and in which the organization is an owner.

Line 4. Complete only if the organization is a section 501(c)(3) organization. Other organizations leave this line blank. Answer "Yes" if the organization engaged in **lobbying**

activities or had a section 501(h) election in effect during the **tax year**. All section 501(c)(3) organizations that had a section 501(h) election in effect during the tax year must complete Schedule C (Form 990), Part II-A, whether or not they engaged in lobbying activities during the tax year.

Line 5. Answer "Yes" only if the organization is a section 501(c) (4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Rev. Proc. 98-19, 1998-1 C.B. 547. Other organizations answer "No."

Line 6. Answer "Yes" if the organization maintained at any time during the organization's tax year a **donor advised fund** or another similar fund or account (that is, any account over which the donor or a person appointed by the donor had advisory privileges over the use or investment of any portion of the account, but which isn't a

donor advised fund). Examples of other similar funds or accounts include, but aren't limited to, the types of funds or accounts described as exceptions to the *Glossary* definition of a **donor advised fund**.

Line 7. Answer "Yes" if the organization received or held any **conservation easement** at any time during the year, regardless of how the organization acquired the easement or whether a charitable deduction was claimed by a donor of the easement.

Line 8. Answer "Yes" if, at any time during the year, the organization maintained **collections of works of art, historical treasures, and other similar assets** as described in ASC 958-360-45, whether or not the organization reported revenue and assets related to such collections in its financial statements.



*Organizations that answer "Yes" on line 8 will often answer "Yes" on Part IV, line 30, which addresses current-year **noncash contributions** of such items.*

Line 9. Answer "Yes" if, at any time during the organization's tax year, the organization (1) had an **escrow or custodial account**; (2) provided **credit counseling services** and/or **debt management plan services**, such as credit repair or debt negotiations; or (3) acted as an agent, trustee, custodian, or other intermediary for contributions or other assets not included in Part X.

Line 10. Answer "Yes" if the organization, a **related organization**, or an organization formed and maintained exclusively to further one or more exempt purposes of the organization (such as a foundation formed and maintained exclusively to hold **endowment funds** to provide scholarships and other funds for a college or university described within section 501(c)(3)) held

assets in **donor-restricted endowment funds, board designated (quasi)**, or endowment funds at any time during the year, whether or not the organization follows **ASC 958**, or reports endowment funds in Part X, line 31. See the instructions for Schedule D (Form 990), Part V, for the definitions of these types of endowment funds.

Line 11. Answer “Yes” if the organization reported an amount for land, buildings, equipment, or leasehold improvements on Part X, line 10; reported an amount for other liabilities on Part X, line 25; or if its financial statements for the tax year included a footnote that addresses its liability for uncertain tax positions under FIN 48 (FASB ASC 740) (including a statement that the organization had no liability for uncertain tax positions). Also, answer “Yes” if the organization reported in Part X an amount for investments-other securities, investments-program related, or other assets, on any of

line 12,13, or 15, that is 5% or more of the total assets reported on Part X, line 16.

Line 12a. Answer "Yes" if the organization received separate, independent **audited financial statements** for the year for which it is completing this return, or if the organization is reporting for a short year that is included in, but not identical to, the period for which the audited financial statements were obtained. All other organizations answer "No." Answer "No" if the organization was included in consolidated audited financial statements, unless the organization also received separate audited financial statements.

An accountant's **compilation** or **review of financial statements** isn't considered to be an audit and doesn't produce audited financial statements. If the organization answers "No," but has prepared, for the year for which it is completing this return, a financial statement that wasn't audited, the organization can (but

isn't required to) provide the reconciliations contained on Schedule D (Form 990), Parts XI–XII.

Line 12b. Answer “Yes” if the organization was included in consolidated, independent **audited financial statements** for the year for which it is completing this return. All other organizations answer “No.” Answer “Yes” if the organization is reporting for a short year that is included in, but not identical to, the period for which the audited financial statements were obtained.

Line 13. Answer “Yes” if the organization checked the box on Schedule A (Form 990), Part I, line 2, indicating that it is a **school**.

Lines 14a–14b. Answer “Yes” on line 14a if the organization maintained an office, or had employees or agents, or independent contractors outside the **United States**. Answer “Yes” on line 14b if the organization had aggregate revenue or expenses of more than \$10,000 from or attributable to

grantmaking, **fundraising activities**, business, investment, and program service activities outside the **United States**, or if the book value of the organization's aggregate investments in foreign partnerships, foreign corporations, and other foreign entities was \$100,000 or more at any time during the **tax year**.

In the case of indirect investments made through investment entities, the extent to which revenue or expenses are taken into account in determining whether the \$10,000 threshold is exceeded will depend upon whether the investment entity is treated as a partnership or corporation for U.S. tax purposes. For example, an organization with an interest in a foreign partnership would need to take into account its share of the partnership's revenue and expenses in determining whether the \$10,000 threshold is exceeded. An organization with an investment in a foreign corporation would need to take

into account dividends it receives from the corporation, but wouldn't need to take into account or report any portion of the revenues, expenses, or expenditures of a foreign corporation in which it holds an investment, provided that the corporation is treated as a separate corporation for U.S. tax purposes.

Line 15. Answer "Yes" if the organization reported on Part IX, line 3, column (A), more than \$5,000 of **grants and other assistance** to any **foreign organization** or entity (including a **foreign government**), or to a **domestic organization** or **domestic individual** for the purpose of providing grants or other assistance to a designated **foreign organization** or organizations.

Line 16. Answer "Yes" if the organization reported on Part IX, line 3, column (A), more than \$5,000 of aggregate **grants and other assistance** to **foreign individuals**, or to **domestic organizations** or **domestic**

individuals for the purpose of providing grants or other assistance to a designated foreign individual or individuals.

Lines 17–18. Answer “Yes” on line 17 if the total amount reported for **professional fundraising services** in Part IX (line 11e, plus the portion of the line 6 amount attributable to professional fundraising services) exceeds \$15,000.

Answer “Yes” on line 18 if the sum of the amounts reported on lines 1c and 8a of Form 990, Part VIII, exceeds \$15,000. An organization that answers “No” should consider whether to complete Schedule G (Form 990) in order to report its **fundraising activities** or **gaming** activities for state or other reporting purposes.

Line 20a. Answer “Yes” if the organization, directly or indirectly through a **disregarded entity** or **joint venture** treated as a partnership for federal income tax purposes, operated one or more **hospital facilities** at

any time during the **tax year**. Except in the case of a **group return**, don't include hospital facilities operated by another organization that is treated as a separate taxable or tax-exempt corporation for federal income tax purposes. For group returns, answer "Yes" if any subordinate included in the group return operated such a hospital facility.

Line 20b. If the organization operated one or more **hospital facilities** at any time during the **tax year**, then it must attach a copy of its most recent **audited financial statements**. If the organization was included in consolidated audited financial statements but not separate audited financial statements for the tax year, then it must attach a copy of the consolidated financial statements, including details of consolidation (whether or not audited).

Line 21. Answer "Yes" if the organization reported on Part IX, line 1, column (A), more

than \$5,000 of **grants and other assistance** to any **domestic organization**, or to any domestic government. For instance, answer "No" if the organization made a \$4,000 grant to each of two domestic organizations and no other grants. Don't report grants or other assistance provided to domestic organizations or domestic governments for the purpose of providing grants or other assistance to designated **foreign organizations** or **foreign individuals**.

Section 501(c)(21) trusts. Use Schedule I (Form 990), Grants and Other Assistance to Organizations, Governments, and Individuals in the United States, to report amounts over \$5,000 paid by the trust (1) to the Federal Black Lung Disability Trust Fund pursuant to section 3(b)(3) of Public Law 95-227, or (2) for insurance exclusively covering liabilities under sections 501(c)(21)(A)(i)(I) and

501(c)(21)(A)(i)(IV). For details, see Regulations section 1.501(c)(21)-1(d).

Line 22. Answer “Yes” if the organization reported on Part IX, line 2, column (A), more than \$5,000 of aggregate **grants and other assistance** to or for **domestic individuals**. Don't report grants or other assistance provided to or for domestic individuals for the purpose of providing grants or other assistance to designated **foreign organizations** or **foreign individuals**.

Section 501(c)(21) trusts. Use Schedule I (Form 990) to report amounts over \$5,000 paid by the black lung trust to or for the benefit of miners or their beneficiaries other than amounts included on line 21. Such payments could include direct payment of medical bills, etc., authorized by the Act and accident and health benefits for retired miners and their spouses and dependents.

Line 23. Answer “Yes” if the organization:

- Listed in Part VII a *former* **officer, director, trustee, key employee, or highest compensated employee**; or
- Reported for any person listed in Part VII more than \$150,000 of **reportable compensation** and other **compensation**.

Also answer “Yes” if, under the circumstances described in the instructions for Part VII, Section A, line 5, the filing organization had knowledge that any person listed in Part VII, Section A, received or accrued **compensation** from an **unrelated organization** for services rendered to the filing organization.

Line 24. Lines 24a–24d involve questions regarding **tax-exempt bonds**. All organizations must answer “Yes” or “No” on line 24a. Those organizations that answer “Yes” on line 24a must also answer lines 24b through 24d and complete

Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds. Those that answer “No” to line 24a can skip to line 25a.

Line 24a. Answer “Yes” and complete Schedule K (Form 990) for each **tax-exempt bond** issued by or for the benefit of the organization after December 31, 2002 (including refunding bonds), with an outstanding principal amount of more than \$100,000 as of the last day of the organization's tax year. For this purpose, bonds that have been legally defeased, and as a result are no longer treated as a liability of the organization, aren't considered outstanding.

Line 24b. For purposes of line 24b, the organization need not include the following as investments of proceeds.

- Any investment of proceeds relating to a reasonably required reserve or replacement fund as described in section 148(d).

- Any investment of proceeds properly characterized as replacement proceeds as defined in Regulations section 1.148-1(c).
- Any investment of net proceeds relating to a **refunding escrow** as defined in Regulations section 1.148-1(b). Temporary period exceptions are described in section 148(c) and Regulations section 1.148-2(e). For example, there is a 3-year temporary period applicable to proceeds spent on expenditures for capital projects and a 13-month temporary period applicable to proceeds spent on working capital expenditures.

Line 24c. For purposes of line 24c, the organization is treated as maintaining an escrow account if such account is maintained by a trustee for **tax-exempt bonds** issued for the benefit of the organization.

Line 24d. Answer “Yes” if the organization has received a letter ruling that its obligations were issued on behalf of a state or local

governmental unit; meets the conditions for issuing **tax-exempt bonds** as set forth in Rev. Rul. 63-20, 1963-1 C.B. 24 (see Rev. Proc. 82-26, 1982-1 C.B. 476); or is a constituted authority organized by a state or local governmental unit to issue tax-exempt bonds in order to further public purposes (see Rev. Rul. 57-187, 1957-1 C.B. 65). Also answer "Yes" if the organization has outstanding qualified scholarship funding bonds under section 150(d) or bonds of a qualified volunteer fire department under section 150(e).

Lines 25a–25b. Complete lines 25a and 25b only if the organization is a section 501(c)(3), 501(c)(4), or 501(c)(29) organization. If the organization isn't described in section 501(c)(3), 501(c)(4), or 501(c)(29), skip lines 25a and 25b and leave them blank. On line 25b, answer "Yes" if the organization became aware, prior to filing this return, that it engaged in an **excess benefit transaction**

with a **disqualified person** in a prior year, and if the transaction hasn't been reported on any of the organization's prior Forms 990 or 990-EZ.



An **excess benefit transaction** can have serious implications for the **disqualified person** that entered into the transaction with the organization, any **organization managers** that knowingly approved of the transaction, and the organization itself. A section 501(c)(3), 501(c)(4), or 501(c)(29) organization that becomes aware that it may have engaged in an **excess benefit transaction** should obtain competent advice regarding section 4958, pursue correction of any excess benefit, and take other appropriate steps to protect its interests with regard to such transaction and the potential impact it could have on the organization's continued exempt status. See Appendix G, later, for a discussion of section 4958; Schedule L (Form 990), Part

I; and Form 4720, Schedule I, regarding reporting of excess benefit transactions.

Lines 26–28. Lines 26 through 28 ask questions about loans and other receivables and payables between the organization and certain interested persons, and certain direct and indirect business transactions between the organization and governance and management officials of the organization or their associated businesses or **family members**. All organizations must answer these questions. The organization should review carefully the instructions for Schedule L (Form 990), Parts II–IV, before answering these questions and completing Schedule L (Form 990).

Line 29. The organization is required to answer “Yes” on line 29 if it received during the year more than \$25,000 in **fair market value (FMV)** of donations, gifts, grants, or other **contributions** of property other than cash, regardless of the manner received (such

as for use in a charity auction). Don't include **contributions** of services or use of facilities.

Line 30. The organization is required to answer "Yes" on line 30 if during the year it received as a donation, gift, grant, or other **contribution**:

- Any **work of art, historical treasure**, historical artifact, scientific specimen, archaeological artifact, or similar asset, including a fractional interest, regardless of amount or whether the organization maintains collections of such items; or
- Any **qualified conservation contributions** regardless of whether the contributor claimed a charitable contribution deduction for such **contribution**.

See the instructions for Schedule M (Form 990), Noncash Contributions, for definitions of these terms.

Lines 31–32. The organization must answer “Yes” if it liquidated, terminated, dissolved, ceased operations, or engaged in a **significant disposition of net assets** during the year. See the instructions for Schedule N (Form 990) for definitions and explanations of these terms and transactions or events, and a description of articles of dissolution and other information that must be filed with Form 990.

Note that a significant disposition of net assets may result from either an expansion or contraction of operations. Organizations that answer “Yes” on either of these questions must also check the box in Part I, line 2, and complete Schedule N (Form 990), Part I or II.

Lines 33–34. The organization is required to report on Schedule R (Form 990) certain information regarding ownership or control of, and transactions with, its **disregarded entities** and tax-exempt and taxable **related organizations**. An organization that answers

“Yes” on line 33 or 34 must enter its disregarded entities and related organizations on Schedule R (Form 990) and provide specified information regarding such organizations.

Report disregarded entities on Schedule R (Form 990), Part I; related tax-exempt organizations on Part II; related organizations taxable as partnerships on Part III; and any related organizations taxable as C or S corporations or trusts on Part IV.

Lines 35a–35b. If an organization was a **controlled entity** of the filing organization under section 512(b)(13) during the **tax year**, the filing organization must answer “Yes” on line 35a. It must answer “Yes” on line 35b and complete Schedule R (Form 990), Part V, line 2, if it either (1) received or accrued from its controlled entity any interest, annuities, royalties, or rent, regardless of amount, during the tax year; or (2) engaged in another type of transaction

(see Schedule R (Form 990) for a list of transactions) with the controlled entity, if the amounts involved during the tax year for that type of transaction exceeded \$50,000. See the *Glossary* and the Instructions for Schedule R (Form 990).

Controlled entities are a subset of **related organizations**. Answer "No" to line 35a if the organization had no related organizations during the tax year. If the answer to line 35a is "No," leave line 35b blank.

Line 36. Complete line 36 only if the organization is a section 501(c)(3) organization and engaged in a transaction over \$50,000 during the **tax year** with a **related organization** that was tax exempt under a section other than section 501(c)(3). All other organizations leave this line blank and go to line 37. See the Instructions for Schedule R (Form 990) for more information on what needs to be reported on Schedule R (Form 990), Part V, line 2.

Line 37. Answer “Yes” if, at any time during the year, the organization conducted more than 5% of its activities, measured by total gross revenue for the tax year or **total assets** of the organization at the end of its **tax year**, whichever is greater, through an **unrelated organization** that is treated as a partnership for federal income tax purposes, and in which the organization was a partner or member at any time during the tax year. The 5% test is applied on a partnership-by-partnership basis, although direct ownership by the organization and indirect ownership through disregarded entities or tiered entities treated as partnerships are aggregated for this purpose. The organization need not report on Schedule R (Form 990), Part VI, either (1) the conduct of activities through an organization treated as a taxable or tax-exempt corporation for federal income tax purposes, or (2) unrelated partnerships that meet both of the following conditions.

- 95% or more of the filing organization's gross revenue from the partnership for the partnership's tax year ending with or within the organization's tax year is described in sections 512(b) (1), 512(b)(2), 512(b)(3), and 512(b)(5), such as interest, dividends, royalties, rents, and capital gains (including unrelated debt-financed income).
- The primary purpose of the filing organization's investment in the partnership is the production of income or appreciation of property and not the conduct of a section 501(c)(3) charitable activity such as program-related investing.

Line 38. Answer "Yes" if the organization completed Schedule O (Form 990).



Schedule O (Form 990) must be completed and filed by all organizations that file Form 990. All

filers must provide narrative responses to certain questions (for example, Part VI, lines 11b and 19) on Schedule O (Form 990). Certain filers must provide narrative responses to other questions (for example, Part III, line 4d; Part V, line 3b; Part VI, lines 2–7b, 9, 12c, and 15a–b, for “Yes” responses; Part VI, lines 8a–b and 10b, for “No” responses; and Part XII, line 3b, for a “No” response). All filers can supplement their answers to other Form 990 questions on Schedule O (Form 990).

Part V. Statements Regarding Other IRS Filings and Tax Compliance

Check the box in the heading of Part V if Schedule O (Form 990) contains any information pertaining to this part.



See the Glossary for definitions of terms used in the questions in this section.



Some questions in this part pertain to other IRS forms. Forms are available by downloading from the IRS website at [IRS.gov/OrderForms](https://www.irs.gov/OrderForms). Also see Appendix H. Forms and Publications To File or Use.

Line 1a. The organization must use Form 1096, Annual Summary and Transmittal of U.S. Information Returns, to transmit to the IRS paper Forms 1099, 1098, 5498, and W-2G, which are information returns reporting certain amounts paid or received by the organization. Report all such returns filed for the calendar year ending with or within the organization's **tax year**. If the organization transmits any of these forms electronically, add this number to the total reported. Examples of payments requiring Form 1099 reporting include certain payments to **independent contractors** for services rendered. Report on this line Forms 1099, 1098, 5498, and W-2G filed by reporting agents of the filing organization, including

common paymasters and payroll agents, for the calendar year ending with or within the organization's tax year. Enter -0- if the organization didn't file any such forms for the calendar year ending with or within its tax year, or if the organization is filing for a short year and no calendar year ended within its tax year.

Line 1b. Form W-2G pertains to certain gambling winnings.

Line 1c. For more information on backup withholding for missing or incorrect names or taxpayer identification numbers, see Pub. 1281, Backup Withholding for Missing and Incorrect Name/TIN(s). If backup withholding rules didn't apply to the organization because it didn't make a reportable payment to a vendor or provide reportable gaming (gambling) winnings to a prize winner, then leave line 1c blank.

Line 2a. Include on this line the number of the organization's employees (not the number

of Forms W-2) reported on a Form W-3, Transmittal of Wage and Tax Statements, by both the filing organization and reporting agents of the filing organization, including common paymasters and payroll agents, for the calendar year ending with or within the filing organization's **tax year**. Enter -0- if the organization didn't have any employees during the calendar year ending with or within its tax year, or if the organization is filing for a short year and no calendar year ended within its tax year.

Line 2b. If the organization reported at least one employee on line 2a, answer whether the organization or reporting agents of the organization filed all required federal employment tax returns (which include Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return; and Form 941, Employer's QUARTERLY Federal Tax Return) relating to such employees. For more information, see the discussion of

employment taxes in Pub. 557. The organization may leave line 2b blank if it didn't report any employees on line 2a.

Line 3a. Check "Yes" on line 3a if the organization's total gross income from all of its **unrelated trades or businesses** is \$1,000 or more for the tax year. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations, for a description of **unrelated business income** and the Form 990-T filing requirements for organizations having such income.



Neither Form 990-T nor Form 990 is a substitute for the other. Report on Form 990 items of income and expense that are also required to be reported on Form 990-T when the organization is required to file both forms.

Line 3b. Answer "Yes" if the organization checked "Yes" on line 3a and filed Form 990-T by the time this Form 990 is filed. Check "No" if the organization answered "Yes" on line 3a

but hasn't filed Form 990-T by the time this Form 990 is filed, even if the organization has applied for an extension to file Form 990-T. If "No" on line 3b, provide an explanation on Schedule O (Form 990).



*All tax-exempt organizations must pay estimated taxes for their **unrelated business income** if they expect their tax liability to be \$500 or more.*

Line 4a. Answer "Yes" if either (1) or (2) below applies.

1. At any time during the calendar year ending with or within the organization's **tax 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 all such accounts was more than \$10,000 at any time during the calendar year; and
 - b. The accounts weren't 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 "Yes," electronically file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), with the Department of the Treasury using FinCEN's BSA E-Filing System. Because FinCEN Form 114 isn't a tax form, don't file it with Form 990.

See [FinCEN.gov](https://www.fincen.gov) for more information.

Line 4b. Enter the name of each foreign country in which a foreign account described

on line 4a is located. Use Schedule O (Form 990) if more space is needed.

Line 5. Answer “Yes” on line 5a if the organization was party to a prohibited tax shelter transaction as described in section 4965(e) at any time during the organization's **tax year**. A prohibited tax shelter transaction is any listed transaction, within the meaning of section 6707A(c)(2), and any prohibited reportable transaction. A prohibited reportable transaction is a confidential transaction within the meaning of Regulations section 1.6011-4(b)(3), and a transaction with contractual protection within the meaning of Regulations section 1.6011-4(b)(4). For more information on prohibited tax shelter transactions, go to [IRS.gov](https://www.irs.gov).

An organization that files Form 990 (other than a section 527 political organization) and that is a party to a prohibited tax shelter transaction must file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited

Tax Shelter Transaction, and may also have to file Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, and pay an excise tax imposed by section 4965. For more information, see the instructions for Forms 8886-T and 4720.

Line 6. Answer "Yes" on line 6a only if the organization has annual gross receipts that are normally greater than \$100,000 and if it solicited contributions not deductible under section 170 during the tax year.

Any fundraising solicitation (including solicitation of member dues) by or on behalf of any section 501(c) or 527 organization that isn't eligible to receive **contributions** deductible as charitable contributions for federal income tax purposes must include an explicit statement that contributions or gifts to it aren't 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.

Failure to disclose that contributions aren't 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. See section 6710 for details. 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.

All organizations that qualify under section 170(c) to receive **contributions** that are deductible as charitable contributions for federal income tax purposes (such as domestic section 501(c) (3) organizations other than organizations that test for public safety) should answer "No" on line 6a.

Line 7. Line 7 is directed only to organizations that can receive deductible

charitable **contributions** under section 170(c). See Pub. 526, Charitable Contributions, for a description of such organizations. All other organizations should leave lines 7a through 7h blank and go to line 8.

Lines 7a and 7b. If a donor makes a payment in excess of \$75 partly as a contribution and partly in consideration for goods or services provided by the organization, the organization must generally notify the donor of the value of goods and services provided.

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 doesn't exceed \$75. Separate payments of \$75 or less made at

different times of the year for separate fundraising events won't be aggregated for purposes of the \$75 threshold.



See section 6113 and Notice 88-120, 1988-2 C.B. 454.

Lines 7c and 7d. If the organization is required to file Form 8282, Donee Information Return, to report information to the IRS and to donors about dispositions of certain donated property made within 3 years after the donor contributed the property, it must answer “Yes” and indicate the number of Forms 8282 filed.

Lines 7e and 7f. If, in connection with a transfer to or for the use of the 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 on Form 8870, Information Return for Transfers Associated With Certain Personal

Benefit Contracts, the premiums it paid, and the premiums paid by others but treated as paid by the organization. The organization must report and pay an excise tax, equal to premiums paid, on Form 4720. A personal benefit contract is generally 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)).

Line 7g. Form 8899, Notice of Income From Donated Intellectual Property, must be filed by certain organizations that received a charitable gift of qualified intellectual property that produces net income. The organization should check "Yes" if it provided all required Forms 8899 for the year for net income produced by donated qualified intellectual property. *Qualified intellectual property* is any patent, copyright (other than certain self-

created copyrights), trademark, trade name, trade secret, know-how, software (other than certain “canned” or “off-the-shelf” software or self-created software), or similar property, or applications or registrations of such property. If the organization didn't receive a contribution of qualified intellectual property, leave line 7g blank.

Line 7h. A donor of (1) a motor vehicle for use on public roads, (2) a boat, or (3) an airplane can't claim a charitable **contribution** deduction in excess of \$500 unless the donee organization provides the donor with a Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, for the donation (or a written acknowledgment with the same information). See the Instructions for Form 1098-C for more information. If the organization didn't receive a contribution of a car, boat, airplane, or other vehicle, leave line 7h blank.

Line 8. A **sponsoring organization** of a **donor advised fund** must answer “Yes” if any one of its donor advised funds had excess business holdings at any time during the organization's **tax year**. All other organizations should leave this line blank and go to line 9. If “Yes,” see the instructions for Schedule C of Form 4720 to determine whether the organization is subject to the excess business holdings tax under section 4943 and is required to file Form 4720.

For purposes of the excise tax on excess business holdings under section 4943, a donor advised fund is treated as a **private foundation**.

Line 9. Line 9 is required to be completed by **sponsoring organizations** maintaining a **donor advised fund**. All other organizations can leave this line blank and go to line 10.

Line 9a. Answer “Yes” if the organization made any taxable distributions under section 4966 during the organization's **tax year**. If

“Yes,” complete and file Form 4720, Schedule K, to calculate and pay the tax.

Under section 4966, a taxable distribution includes a distribution from a **donor advised fund** to an individual. A taxable distribution also includes a distribution from a donor advised fund to an estate, partnership, association, company, or corporation unless:

- The distribution is for a purpose described in section 170(c)(2)(B) (for example, a charitable purpose), and
- The organization exercises expenditure responsibility for the distribution.

The above doesn't apply to distributions to any organization described in section 170(b)(1)(A) (other than a disqualified **supporting organization**, defined in section 4966(d)(4)), to the sponsoring organization of such donor advised fund, or to any other donor advised fund.

Line 9b. Answer “Yes” if the organization made a distribution from a **donor advised fund** to a donor, **donor advisor**, or related person during the organization's **tax year**. For purposes of this question, a *related person* is any **family member** of the donor or donor advisor and any **35% controlled entity** (as defined in section 4958(f)) of the donor or donor advisor. If “Yes,” complete and file Form 4720 and Schedule L (Form 990).



If an organization makes a distribution from a donor advised fund resulting from the advice of a donor, donor advisor, family member, or 35% controlled entity of any of these persons, which distribution directly or indirectly provides a more than incidental benefit to one of such persons, section 4967 imposes a tax on (1) the person upon whose advice the distribution was made, (2) the

beneficiary of the distribution, and (3) the fund manager for knowingly agreeing to make the distribution. The persons liable for the section 4967 tax must file Form 4720 to pay the tax. No section 4967 tax will be imposed on a distribution if a tax has been imposed for the distribution under section 4958.

If an organization makes a distribution from a donor advised fund to a donor, donor advisor, family member, or 35% controlled entity of these persons, then the transaction might be a section 4958 transaction. Such transactions include any grant, loan, compensation, or other similar payment to these persons, as well as any other payment resulting in excess benefit.

Line 10. Answer lines 10a and 10b only if the organization is exempt under section 501(c)(7).



A section 501(c)(7) organization isn't 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 10a. Enter the amount of initiation fees, capital contributions, and unusual amounts of income included on Part VIII. *Statement of Revenue*, line 12, *Total revenue*, but not included in the definition of **gross receipts** for section 501(c)(7) exemption purposes as discussed in *Appendix C*. However, if the organization is a college fraternity or sorority that charges membership initiation fees but not annual dues, don't include such initiation fees.

Line 10b. Enter the amount of **gross receipts** included on Part VIII. *Statement of Revenue*, line 12, *Total revenue*, derived from the general public for use of the organization's facilities, that is, from persons other than members or their spouses, dependents, or guests.



Include the amount entered on line 10b of Form 990 on the club's Form 990-T if required to be filed.

Investment income earned by a section 501(c)(7) organization isn't tax-exempt income unless set aside for the following purposes: religious, charitable, scientific, literary, educational, or prevention of cruelty to children or animals.

If the combined amount of an organization's gross investment income, and other gross income from unrelated trades or businesses, is \$1,000 or more for the tax year, the organization must report the investment income, and other unrelated business income, on Form 990-T.

Line 11. Answer lines 11a and 11b only if the organization is exempt under section 501(c)(12).

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" means **gross receipts** without reduction for any cost of goods sold.

Member income for purposes of this 85% Member Income Test is income derived directly from the members to pay for services that form the basis for tax exemption under section 501(c)(12), and includes payments for purchases of water, electricity, and telephone service. Member income doesn't include interest income, gains from asset or security sales, or dividends from another cooperative (unless that cooperative is also a member).

Members are those individuals or entities that have the right to elect the governing board of the organization, are involved in the operations of the organization, and receive a share of its excess operating revenues.

When calculating the member income percentage to determine whether an organization meets the 85% Member Income Test, the organization may exclude specific sources of income from both the numerator and the denominator of the fraction. For example, if an organization is a corporation and it receives an amount that qualifies as a contribution to capital under section 118, then that amount isn't included in either the numerator or the denominator because it isn't considered to be income for tax purposes. However, the payment must meet the following conditions (see Rev. Rul. 93-16, 1993-1 C.B. 26) to qualify as a contribution to capital.

- It must become a permanent part of the organization's working capital.
- It must not be compensation for specific quantifiable services.
- It must be bargained for.

- It must benefit the organization commensurately with its value.
- It must ordinarily be used in or contribute to the production of additional income.

Gross income for mutual or cooperative electric companies is figured by excluding any income received or accrued from the following.

1. Qualified pole rentals.
2. Any provision or sale of electric energy transmission services or ancillary services 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.
5. From any asset exchange or conversion transaction.

For a mutual or cooperative telephone company, *gross income* doesn't 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, from qualified pole rentals, from the sale of display listings in a directory furnished to the telephone company's members, or from prepayment of a loan under section 306A, or section 306B, of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).



If the calculated member income percentage for a section 501(c)(12) organization is less than 85% for the tax year, then the organization fails to qualify for tax-exempt status for that year, and it must file Form 1120, U.S. Corporation Income Tax Return, in lieu of Form 990 or 990-EZ for the year. However, failing the 85% Member Income Test in one year doesn't cause permanent loss of tax-exempt status under section 501(c)(12). So long as the organization's member income percentage is equal to or greater than 85% in any subsequent tax year, the organization may file Form 990 or 990-EZ for that year, even if Form 1120 was filed in a prior year.

Line 12. All organizations that aren't section 4947(a)(1) trusts are to leave line 12 blank.

If a section 4947(a)(1) **nonexempt charitable trust** has no taxable income under subtitle A, its filing of Form 990 can be used to meet its income tax return filing

requirement under section 6012. Such a trust must, if it answers "Yes" on line 12a, report its tax-exempt interest received or accrued (if reporting under the accrual method) during the **tax year** on line 12b.

Section 4947(a)(1) trusts must complete all sections of the Form 990 and schedules that section 501(c)(3) organizations must complete. All references to a section 501(c)(3) organization on the Form 990, schedules, and instructions shall include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A (Form 990), unless expressly excepted).

Line 13. Answer lines 13a, 13b, and 13c only if the organization has received a loan or grant under the Department of Health and Human Services CO-OP program.

Line 13a. If the organization is licensed to issue qualified health plans in more than one state, check "Yes." If the organization is licensed to issue qualified health plans in only

one state, check "No." In either case, report on Schedule O (Form 990) each state in which the organization is licensed to issue qualified health plans, the dollar amount of reserves each state requires the organization to maintain, and the dollar amount of reserves the organization maintains and reports to each state.

Line 13b. Report the highest dollar amount of reserves the organization is required to maintain by any of the states in which the organization is licensed to issue qualified health plans.

Line 13c. Report the highest dollar amount of reserves the organization maintains on hand and reports to a state in which the organization is licensed to issue qualified health plans. **Line 14a.** Answer "Yes" on line 14a if the organization received any payments during the year for indoor tanning services. "Indoor tanning services" are services employing any electronic product

designed to incorporate one or more ultraviolet lamps and intended for the irradiation of an individual by ultraviolet radiation, with wavelengths in air between 200 and 400 nanometers, to induce skin tanning.

Line 14b. If an organization received a payment for services for indoor tanning services during the year, it must collect from the recipient of the services a tax equal to 10% of the amount paid for such service, whether paid by insurance or otherwise, and remit such tax quarterly to the IRS by filing Form 720, Quarterly Federal Excise Tax Return. If the organization filed Form 720 during the year, it should check "Yes" on line 14b. If it answers "No" on line 14b, it should explain on Schedule O (Form 990) why it didn't file Form 720.

Line 15. See the instructions for Form 4720, Schedule N, to determine if you paid to any covered employee more than \$1 million in

remuneration or paid an excess parachute payment during the year. Remuneration paid to a covered employee includes any remuneration paid by a related organization.

Line 16. Line 16 applies to private colleges and universities subject to the excise tax on net investment income under section 4968. All other organizations, including state colleges and universities described in the first sentence of section 511(a)(2) (B), aren't subject to this tax, and therefore check the "No" box on line 16, and go to Part VI. A private college or university will be subject to the excise tax on net investment income under section 4968 only if four threshold tests are met.

1. The organization must be an eligible educational institution as defined in section 25A(f)(2). Section 25A(f)(2) defines "eligible educational institution" as an institution that is described in section 481 of the Higher

Education Act of 1965 (20 U.S.C. 1088), as in effect on August 5, 1997, and is eligible to participate in a program under title IV of such Act (20 USCS sections 1070 et seq.).

2. The organization must have had at least 500 tuition-paying students, based upon a daily average student count, during the preceding tax year.
3. More than 50% of those students must have been located in the United States.
4. The aggregate **FMV**, at the end of the preceding tax year, of the assets not used directly in carrying out the organization's exempt purpose, held by the organization and related organizations, must be at least \$500,000 per student.

Use the worksheet below to determine whether the organization meets the last three threshold tests above. Save this worksheet with the organization's records.

This page is intentionally left blank

Threshold Tests for Section 4968

1. Enter the daily average number of FTE tuition-paying students in all locations. If fewer than 500, check “No” on line 16. If 500 or more, go to line 2.		
2. Enter the daily average number of FTE tuition-paying students in the United States.		
3. Divide line 2 by line 1. If 50% or less, check “No” on line 16. If greater than 50%, go to line 4.		
4. Enter the FMV of assets held by the organization but not used directly in carrying out the organization’s exempt purpose.	\$	
5. Enter the FMV of assets held by one or more related organizations.	\$	
6. Total. Add lines 4 and 5.		\$
7. Divide line 6 by the daily average number of FTE students. If less than \$500,000, check “No” on line 16. If \$500,000 or more, check “Yes” on line 16.		\$

This page is intentionally left blank

Worksheet line 1. To calculate the number of tuition-paying students during the preceding tax year (including for purposes of determining the number of students at a particular location), enter the daily average number of full-time equivalent (FTE) tuition-paying students attending the institution, taking part-time tuition-paying students into account on a full-time student equivalent basis.

If worksheet line 1 is fewer than 500, the organization is not subject to the section 4968 excise tax on net investment income. The organization should answer “No” on line 16. If worksheet line 1 is 500 or more, continue to line 2.

Worksheet line 2. Enter the number of FTE tuition-paying students included on line 1 who were located in the United States during the preceding tax year and enter it on line 2.

Worksheet line 3. Divide line 2 by line 1. If 50% or less, the organization is not subject to

the section 4968 excise tax and the organization should answer “No” on line 16. If greater than 50%, continue to line 4.

Worksheet line 4. Calculate the **FMV** of the organization’s assets not used directly in carrying out the organization’s exempt purpose as of the end of the preceding tax year. To determine which assets are used directly in carrying out the organization’s exempt purpose, under these instructions, follow the principles of section 4942(e)(1)(A) and Regulations section 53.4942(a)-2(c) (3). To determine the FMV of the assets, use any reasonable method as long as such method is consistently used. Under these instructions, the principles of Regulations section 53.4942(a)-2(c)(4) will be considered to provide a reasonable method.



Assets held for the production of income or for investment aren't considered to be used directly for charitable functions even though the income

from the assets is used for charitable functions. It is a factual question whether an asset is held for the production of income or for investment rather than used directly by the organization for charitable purposes. For example, an office building used to provide offices for employees engaged in managing endowment funds for the organization isn't considered an asset used for charitable purposes.

Worksheet line 5. Calculate the **FMV** of the assets of related organizations (as defined below) using the FMV of assets as of the end of the preceding tax year that ends with or within the preceding tax year of the organization.

Section 4968 defines “related organization” to include only:

- Organizations that control or are controlled by the educational institution,

- Organizations that are controlled by one or more of the same persons who control the educational institution,
- Supported organizations (as defined in section 509(f)(3)), and
- Supporting organizations described in section 509(a)(3) that support the educational institution during the tax year.

When calculating the **FMV** of such assets of a related organization, **exclude** (1) assets of any related organization to the extent that such assets are taken into account with respect to another educational institution; and (2) unless the related organization is controlled by the educational institution, or unless the related organization is a supporting organization of the educational institution, omit assets that are not intended, or are not available, for the use or benefit of the educational institution.

Worksheet line 6. Add lines 4 and 5.

Worksheet line 7. Divide line 6 by the daily average number of FTE students.

If line 7 is less than \$500,000, the organization is not subject to the section 4968 excise tax on net investment income and the organization should answer "No" on line 16. If line 7 is \$500,000 or more, the organization is subject to the section 4968 excise tax on net investment income and the organization should answer "Yes" on line 16.

Line 17. Did the trust, or any disqualified or other person, engage in any activities that would result in the imposition of an excise tax under section 4951, 4952, or 4953? See the Instructions for Form 6069. If "Yes," complete Form 6069.

Part VI. Governance, Management, and Disclosure

Check the box in the heading of Part VI if Schedule O (Form 990) contains any information pertaining to this part. All organizations must complete Part VI. Use Schedule O (Form 990) to provide required supplemental information as described in this part, and to provide any additional information that the organization considers relevant to this part.

Part VI requests information regarding an organization's **governing body** and management, governance policies, and disclosure practices. Although federal tax law generally doesn't mandate particular management structures, operational policies, or administrative practices, every organization is required to answer each question in Part VI. For example, all organizations must answer lines 11a and 11b, which ask about the organization's process, if

any, it uses to review Form 990, even though the governing body isn't required by federal tax law to review Form 990.

Even though the information on policies and procedures requested in Section B generally isn't required under the Code, the IRS considers such policies and procedures to generally improve tax compliance. The absence of appropriate policies and procedures can lead to opportunities for **excess benefit transactions**, inurement, operation for nonexempt purposes, or other activities inconsistent with exempt status. Whether a particular policy, procedure, or practice should be adopted by an organization depends on the organization's size, type, and culture. Accordingly, it is important that each organization consider the governance policies and practices that are most appropriate for that organization in assuring sound operations and compliance with tax law. For more governance information relating to

charities, go to [IRS.gov/Charities](https://www.irs.gov/Charities) and click on *Lifecycle of an Exempt Organization*.

Section A. Governing Body and Management

Line 1a. The **governing body** is the group of one or more persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of **directors** (sometimes referred to as “board of **trustees**”) of a corporation or association, or the trustee or trustees of a trust (sometimes referred to as the “board of **trustees**”).

Enter the number, as of the end of the organization's tax year, of **members of the governing body** of the organization with power to vote on all matters that come before the governing body (other than when a conflict of interest disqualifies the member

from voting). If members of the governing body don't all have the same voting rights, explain material differences on Schedule O (Form 990).

If the organization's governing body or governing documents delegated authority to act on its behalf to an executive committee or similar committee with broad authority to act on behalf of the governing body, and the committee held such authority at any time during the organization's **tax year**, describe on Schedule O (Form 990) the composition of the committee, whether any of the committee's members aren't on the governing body, and the scope of the committee's authority. The organization need not describe on Schedule O (Form 990) delegations of authority that are limited in scope to particular areas or matters, such as delegations to an audit committee, investment committee, or compensation committee of the governing body.

Example. A voluntary employees' beneficiary association (VEBA) is a trust under state law. Bank B is the sole trustee of the trust. In completing line 1a, the VEBA will report one voting member of the governing body.

Line 1b. Enter the number of **independent voting members of the governing body** as of the end of the organization's tax year. A member of the governing body is considered "independent" only if all four of the following circumstances applied at all times during the organization's tax year.

1. The member wasn't compensated as an **officer** or other employee of the organization or of a **related organization** (see the Instructions for Schedule R (Form 990)) except as provided in the religious exception discussed below. Nor was the member compensated by an unrelated organization or individual for services provided to the filing organization or to

a related organization, if such compensation is required to be reported in Part VII, Section A.

2. The member didn't receive total **compensation** exceeding \$10,000 during the organization's tax year (including a short year, regardless of whether such compensation is reported in Part VII) from the organization and related organizations as an **independent contractor**, other than **reasonable compensation** for services provided in the capacity as a member of the governing body. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a director of the organization doesn't cease to be independent merely because she or he also receives payments of \$7,500 from the organization for other arrangements.

3. Neither the member, nor any **family member** of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) that is required to be reported on Schedule L (Form 990) for the organization's tax year.
4. Neither the member, nor any family member of the member, was involved in a transaction with a taxable or tax-exempt related organization (whether directly or indirectly through affiliation with another organization) of a type and amount that would be reportable on Schedule L (Form 990) if required to be filed by the related organization.

Note. The independence standard for purposes of Part VI isn't the same as the "absence of conflict of interest" standard for purposes of the rebuttable presumption under Regulations section 53.4958-6, which focuses

on conflicts with respect to a particular transaction.

A member of the governing body isn't considered to lack independence merely because of the following circumstances.

1. The member is a donor to the organization, regardless of the amount of the contribution.
2. Religious exception: The member has taken a bona fide vow of poverty and either (a) receives **compensation** as an agent of a **religious order** or a section 501(d) religious or apostolic organization, but only under circumstances in which the member doesn't receive taxable income (see Rev. Rul. 77-290, 1977-2 C.B. 26; and Rev. Rul. 80-332, 1980-2 C.B. 34); or (b) belongs to a religious order that receives sponsorship or payments from the organization or a related

organization that don't constitute taxable income to the member.

3. The member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization's terms of membership.

Example 1. B is a voting member of the organization's board of directors. B is also a partner with a profits and capital interest greater than 35% in a law firm, C, that charged \$120,000 to the organization for legal services in a court case. The transaction between C and the organization must be reported on Schedule L (Form 990) because it is a transaction between the organization and an entity of which B is a more-than-35%

owner, and because the payment to C from the organization exceeded \$100,000 (see the instructions for Schedule L (Form 990), Part IV, regarding both factors). Accordingly, B isn't an independent member of the governing body because the \$120,000 payment must be reported on Schedule L (Form 990) as an indirect business transaction with B. If B were an associate attorney (an employee) rather than a partner with a greater-than-35% interest, and not an officer, director, trustee, or owner of the law firm, the transaction wouldn't affect B's status as an independent member of the organization's governing body.

Example 2. D is a voting member of both the organization's governing body and the governing body of C, a related organization. D's child, E, received \$40,000 in taxable compensation as a part-time employee of C. D isn't an independent member of the governing body, because E received

compensation from C, a related organization to D, and the compensation was of a type (compensation to a family member of a member of C's governing body) and amount (over \$10,000) that would be reportable on Schedule L (Form 990) if the related organization, C, were required to file Schedule L (Form 990).

Example 3. C was Board Chair of X school during the tax year. X's bylaws designate the following as officer positions: Board Chair, Secretary, and Treasurer. C set the agenda for board of directors meetings, officiated board meetings, coordinated development of board policy and procedure, was an ex-officio member of all committees of the board, conducted weekly staff meetings, and performed teacher and staff evaluations. X compensated C during the tax year for C's services. This compensation was attributable to C's board and committee activities, and to C's non-director activities involving staff

meetings and evaluations. Because X compensated C for services as an officer/employee, C isn't an independent member of the governing body. See Rev. Rul. 68-597 and Rev. Rul. 57-246 for a description of the distinction between director services and officer services.

Example 4. The facts are the same as in *Example 3*, except that the Board Chair position wasn't designated as an officer position under X's bylaws, board resolutions, or state law. Nevertheless, because X compensated C for non-director activities involving staff meetings and evaluations during the tax year, C is deemed to have received compensation as an employee—not as a governing body member—for those activities. Therefore, C isn't an independent member of the governing body.

Example 5. The facts are the same as in *Example 3*, except that (1) C conducted only director and committee activities during the

tax year; (2) C didn't conduct staff meetings and evaluations; and (3) X compensated C a reasonable amount for C's Board Chair services during the tax year, but didn't provide any other compensation to C in any other capacity. C's independence as a Board member isn't compromised by receiving compensation from X as a Board member (and not as an officer or employee).

Also see *Examples 2* and *3* in the instructions for Part VII, Section A, line 5, later.

Reasonable effort. The organization need not engage in more than a **reasonable effort** to obtain the necessary information to determine the number of **independent voting members of its governing body** and can rely on information provided by such members. For instance, the organization can rely on information it obtains in response to a questionnaire sent annually to each member of the governing body that includes the member's name and title, blank lines for the

member's signature and signature date, and the pertinent instructions and definitions for line 1b, to determine whether the member is or isn't independent.

Line 2. Answer “Yes” if any of the organization's current **officers, directors, trustees, or key employees**, as reported in Part VII, Section A, had a **family relationship** or business relationship with another of the organization's current officers, directors, trustees, or key employees, as reported in Part VII, Section A, at any time during the organization's **tax year**. For each family and business relationship, identify the persons and describe their relationship on Schedule O (Form 990). It is sufficient to enter “family relationship” or “business relationship” without greater detail.

Business relationship. Business relationships between two persons include any of the following.

1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a **trustee, director, officer**, or greater-than-35% owner, even if that organization is tax exempt. However, don't report a person's employment by the filing organization as a business relationship.
2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year. *Indirect*

transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, or greater-than-35% owner. Such transactions don't include charitable contributions to tax-exempt organizations.

3. The two persons are each a director, trustee, officer, or greater-than-10% owner in the same business or investment entity (but not in the same tax-exempt organization).

Ownership is measured by stock ownership (either voting power or value, whichever is greater) of a corporation, profits or capital interest in a partnership or an LLC (whichever is greater), membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (for example, ownership in an entity that has ownership in the entity in question); there

may be ownership through multiple tiers of entities.

Privileged relationship exception. For purposes of line 2, a business relationship doesn't include a relationship between an attorney and client, a medical professional (including psychologist) and patient, or a priest/clergy and penitent/communicant.

Example 1. B is an officer of the organization, and C is a member of the organization's governing body. B is C's sister's spouse. The organization must report that B and C have a family relationship.

Example 2. D and E are officers of the organization. D is also a partner in an accounting firm with 300 partners (with a $\frac{1}{300}$ interest in the firm's profits and capital) but isn't an officer, director, or trustee of the accounting firm. D's accounting firm provides services to E in the ordinary course of the accounting firm's business, on terms generally offered to the public, and receives

\$100,000 in fees during the year. The relationship between D and E isn't a reportable business relationship, either because (1) it is in the ordinary course of business on terms generally offered to the public, or (2) D doesn't hold a greater-than-35% interest in the accounting firm's profits or capital.

Example 3. F and G are trustees of the organization. F is the owner and CEO of an automobile dealership. G purchased a \$45,000 car from the dealership during the organization's tax year in the ordinary course of the dealership's business, on terms generally offered to the public. The relationship between F and G isn't a reportable business relationship because the transaction was in the ordinary course of business on terms generally offered to the public.

Example 4. H and J are members of the organization's board of directors. Both are

CEOs of publicly traded corporations and serve on each other's board. The relationship between H and J is a reportable business relationship because each is a director or officer in the same business entity.

Example 5. K is an officer of the organization, and L is on its board of directors. L is a greater-than-35% partner of a law firm that charged \$60,000 during the organization's tax year for legal services provided to K that were worth \$600,000 at the law firm's ordinary rates. Thus, the ordinary course of business exception doesn't apply. However, the relationship between K and L isn't a reportable business relationship because of the privileged relationship of attorney and client.

Reasonable effort. The organization isn't required to provide information about a family or business relationship between two **officers, directors, trustees, or key employees** if it is unable to secure the

information after making a **reasonable effort** to obtain it. An example of a reasonable effort would be for the organization to distribute a questionnaire annually to each such person that includes the name and title of each person reporting information, blank lines for those persons' signatures and signature dates, and the pertinent instructions and definitions for line 2.

Line 3. Answer "Yes" if, at any time during the organization's tax year, the organization used a management company or other person (other than persons acting in their capacities as **officers, directors, trustees, or key employees**) to perform any management duties customarily performed by or under the direct supervision of **officers, directors, trustees, or key employees**. Such management duties include, but aren't limited to, hiring, firing, and supervising personnel; planning or executing budgets or financial

operations; or supervising exempt operations or unrelated trades or businesses of the organization. Management duties don't include administrative services (such as payroll processing) that don't involve significant managerial decision making. Management duties also don't include investment management unless the filing organization conducts investment management services for others.

If “Yes” on Schedule O (Form 990), list the name(s) of the management company or companies or other person(s) performing management duties; describe the services they provided to the organization; list any of the organization’s current or former officers, directors, trustees, key employees, and **highest compensated employees** listed in Part VII, Section A, who were compensated by the management company or companies or other person(s) during the calendar year ending with or within the organization's tax

year; and list the amounts of reportable and other compensation they received from the management company or companies or other person(s) for services provided to the filing organization and related organizations during that year.

Line 4. The organization must report significant changes to its organizing or enabling document by which it was created (articles of incorporation, association, or organization; trust instrument; constitution; or similar document), and to its rules governing its affairs commonly known as bylaws (or regulations, operating agreement, or similar document). Report significant changes that weren't reported on any prior Form 990, and that were made before the end of the **tax year**. Don't report changes to policies described or established outside of the organizing or enabling document and bylaws (or similar documents), such as adoption of, or change to, a policy adopted by

resolution of the **governing body** that doesn't entail a change to the organizing document or bylaws.

Examples of significant changes to the organizing or enabling document or bylaws include changes to:

- The organization's exempt purposes or mission;
- The organization's name (also see the instructions under *Specific Instructions, Item B*, earlier);
- The number, composition, qualifications, authority, or duties of the governing body's voting members;
- The number, composition, qualifications, authority, or duties of the organization's **officers** or **key employees**;
- The role of the stockholders or membership in governance;

- The distribution of assets upon dissolution;
- The provisions to amend the organizing or enabling document or bylaws;
- The quorum, voting rights, or voting approval requirements of the governing body members or the organization's stockholders or membership;
- The policies or procedures contained within the organizing documents or bylaws regarding **compensation** of officers, directors, trustees, or key employees, conflicts of interest, whistleblowers, or document retention and destruction; and
- The composition or procedures contained within the organizing document or bylaws of an audit committee.

Example. Organization X has a written conflicts of interest policy that isn't contained within the organizing document or bylaws. The policy is changed by board resolution. The policy change doesn't need to be reported on line 4.

Examples of insignificant changes made to organizing or enabling documents or bylaws that aren't required to be reported here include changes to the organization's registered agent with the state and to the required or permitted number or frequency of governing body or member meetings.

Describe significant changes on Schedule O (Form 990), but don't attach a copy of the amendments or amended document to Form 990 (or recite the entire amended document verbatim), unless such amended documents reflect a change in the organization's name. See *Specific Instructions, Item B*, earlier, regarding attachments required in the event of a change in the organization's name.



An organization must report significant changes to its organizational documents on Form 990, Part VI, rather than in a letter to EO Determinations. EO Determinations no longer issues letters confirming the tax-exempt status of organizations that report significant changes to their organizational documents, though it will, on request, issue an affirmation letter confirming an organization's name change. The IRS will no longer require a new exemption application from a domestic section 501(c) organization that undergoes certain changes of form or place of organization described in Rev. Proc. 2018-15, 2018-9 I.R.B. 379.

Line 5. Answer “Yes” if the organization became aware during the organization's **tax year** of a significant diversion of its assets, whether or not the diversion occurred during the year. If “Yes,” explain the nature of the diversion, dollar amounts and/or other

property involved, corrective actions taken to address the matter, and pertinent circumstances on Schedule O (Form 990), although the person or persons who diverted the assets shouldn't be identified by name.

A diversion of assets includes any unauthorized conversion or use of the organization's assets other than for the organization's authorized purposes, including but not limited to embezzlement or theft. Report diversions by the organization's **officers, directors, trustees, employees, volunteers, independent contractors,** grantees (diverting grant funds), or any other person, even if not associated with the organization other than by the diversion. A diversion of assets doesn't include an authorized transfer of assets for **FMV** consideration, such as to a **joint venture** or for-profit subsidiary in exchange for an interest in the joint venture or subsidiary. For this purpose, a diversion is considered

significant if the gross value of all diversions (not taking into account restitution, insurance, or similar recoveries) discovered during the organization's tax year exceeds the lesser of (1) 5% of the organization's gross receipts for its tax year, (2) 5% of the organization's total assets as of the end of its tax year, or (3) \$250,000.

Note. A diversion of assets can in some cases be inurement of the organization's net earnings. In the case of section 501(c)(3), 501(c)(4), and 501(c)(29) organizations, it can also be an **excess benefit transaction** taxable under section 4958 and reportable on Schedule L (Form 990).

This page is intentionally left blank