

FORM 990 REDESIGN IN EFFECT FOR 2008 FORMS

The Internal Revenue Service recently released the redesigned 2008 Form 990, Return of Organization Exempt from Income Tax, which will be filed in 2009 and later years. This is the first major redesign of Form 990 since 1979, and was developed in the IRS effort to enhance transparency, promote tax compliance and minimize burden on filing tax-exempt organizations.

The 2008 Form 990 will be an 11-page core form that must be completed by all 990 filers, in addition to 16 schedules designed to report required information only from organizations that conduct particular activities. In addition to the financial information required which is similar to the old Form 990, the new Form 990 revises and expands the required information relating to organization activities, governance, compensation and relationships with other entities.

Because of concerns expressed by the nonprofit sector, the IRS will phase in the new form over a three-year period. By increasing filing thresholds for the Form 990-EZ, smaller organizations will have the option to file either the new Form 990 or the Form 990-EZ for the 2008 and 2009 tax years. For the 2008 tax year (filed in 2009), organizations whose gross receipts are between \$25,000 and \$1 million and total assets are less than \$2.5 million may choose to file Form 990-EZ. For the 2009 tax year (filed in 2010), organizations whose gross receipts are between \$25,000 and \$500,000 and total assets are less than \$1.25 million may choose to file Form 990-EZ. For 2010 and later tax years, organizations whose gross receipts are between \$50,000 and \$200,000 and total assets are less than \$500,000 will be allowed to file Form 990-EZ. Organizations whose gross receipts are below \$50,000 will only have to file the Form 990-N (electronic postcard), beginning with the 2010 tax year.

While the IRS will allow more organizations to file the simpler Form 990-EZ during the transition years, each organization will have to determine if reporting needs for grantors, state government agencies and other users of their Form 990 will mean that they should still file the longer Form 990.

We encourage you to go to the Charities and Non-profits tab at the IRS website (www.irs.gov) and review the redesigned Form 990 and related explanations of the new form. In particular, Parts IV through VII and XI of the redesigned Form 990 cover many of the expanded areas of information requested.

This major redesign will impact the preparation of your organization's Form 990 over the next several years. We want you to be aware of this change and the transition, and will work with you to minimize increased compliance responsibilities of your organization in filing the new form.

Please contact Linda Nelson, CPA, in our tax department at 651-765-6624 or lnelson@otcpas.com with any questions you have about the redesigned Form 990 and its implications for your organization.

Depend on our people. Count on our advice.SM

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