513 - The 990 Financial Disclosure Form: Changes & Issues for Nonprofits

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Faculty Biographies

Robert Amberg

Robert Amberg has served as senior vice president and general counsel for Retirement Housing Foundation, in Long Beach, California, one of the nation's largest providers of housing and services for seniors, persons with disabilities and economically challenged families. In this capacity, he reports directly to the CEO and provides regular reporting to the company's board of directors. He provides legal advice and assistance to senior management and staff throughout the organization.

Mr. Amberg served as chair of ACC's Nonprofit Organizations Committee. He serves on the board of directors of the council of health and human service ministries of the United Church of Christ. He was named a Southern California Superlawyer and maintains an AV rating, the highest available from Martindale Hubbell.

Mr. Amberg completed his B.S. at Southern Illinois University and his J.D. at Lincoln University, San Francisco, California.

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Thomas F. Blaney

Thomas F. Blaney is director of foundation services and partner at O'Connor Davies Munns & Dobbins, LLP in New York City. In this role he is the partner in charge of the firm's private foundation practice. He has spent several years specializing solely in the accounting and tax aspects of exempt organizations.

He is a frequent speaker at private foundation conferences and has written numerous articles on a variety of foundation topics. Mr. Blaney was recently appointed to the panel on the nonprofit sectors 990 PF reform advisory committee. Mr. Blaney authored the uniform system of financial reporting for private foundations and is a contributor to *The New Foundation Guidebook*. Mr. Blaney is also a certified fraud examiner. He is currently on the leadership committee of the Support Center for Nonprofit Management, secretary of the McCaddin/McQuirk Foundation and is on the finance and audit committees and vice-chairman of the Association of Small Foundations. Mr. Blaney is a member of the American Institute of Certified Public Accountants, American Society of Fraud Examiners, and the New York State Society of Certified Public Accountants, where he served on the Nonprofit and Diversity Committees.

Mr. Blaney is a graduate of Pace University.

Marchelle Goens

Marchelle Goens is an internal revenue agent for exempt organizations of the tax-exempt governmental entities division of the Internal Revenue Service in Chicago.

Ms. Goens has other work experience as adjunct professor of accounting at local university, manager, corporate, and staff accountant for public corporations. She is also a certified public accountant.

Ms. Goens is a graduate of Indiana University with a B.S.; JL Kellogg Graduate School of Management; and Northwestern University with a M.A.

John Tyler III

John Tyler is the general counsel, secretary, and chief ethics officer for the Ewing Marion Kauffman Foundation. The vision of the Kauffman Foundation is to foster "a society of economically independent individuals who are engaged citizens, contributing to the improvement of their communities." In service of this vision, and in keeping with its founder's wishes, the Foundation focuses its grant making and operations on two areas: advancing entrepreneurship and improving the math, science and technology education of our children and youth.

Mr. Tyler is a member of ACC's Executive Committee For Exempt Organization's Committee, the steering committee for the Alliance for Charitable Reform, and the NonProfit Panel's Work Group on the 990PF. Mr. Tyler serves as a director and officer of several national and local non-profit organizations. Mr. Tyler has also served on the advisory board to NYU Law School's national center on philanthropy and the law. He has been a frequent speaker and panelist on legal topics, including for the Hauser Center at Harvard University and the Urban Institute, the European Association of Science and Technology Transfer Professionals, and the Council on Foundations. He also teaches commercial law at Rockhurst University.

ASSOCIATION OF CORPORATE COUNSEL

2007 ANNUAL MEETING

CHICAGO, ILLINOIS

"The 990 Financial Disclosure Form: Changes and Issues for Nonprofits"

GOVERNANCE ASPECTS OF THE PROPOSED 990 FORM

I. Background

A, Nonprofit scandals

B. Calls for reform

1). Legislative initiatives—Sarbanes Oxley

2). Independent Sector/Panel on the Nonprofit Sector

a) Recommendations re: governance
b) Recommendations re: 990 form changes

II. New Proposed 990 form

A. Part 1—Front of form requires statement of mission and information regarding governing body

B. Part III—Statements Regarding Governance, Management and Financial Reporting

1). Disclosures re: governing body, conflict of interest policy, whistleblower policy, document retention and destruction policy, documentation of meetings, policies, procedures, preparation of financial statements and audit committee.

2). IRS instructions relating to completion of Governance, Management and Financial Reporting section on proposed new 990 form.

Form **990**

Department of the Treasury
Internal Revenue Service (77)

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)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

20XX

Open to Public Inspection

Draft as of 08/14/2007

A For the 20XX calendar year, or tax year beginning , 20XX, and ending , 20

B Check if applicable:
☐ Address change
☐ Name change
☐ Initial return
☐ Termination
☐ Amended return
☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization

Number and street (or P.O. box if mail is not delivered to street address) | Room/suite

City or town, state or country, and ZIP + 4

D Employer identification number

E Telephone number ( )

F Name and address of Principal Officer:

G Website: ▶

H Enter amount of gross receipts $

I Accounting method: ☐ Cash ☐ Accrual ☐ Other ▶

J Books
In care of
Located at
Telephone number ( )

K Organization type (check only one) ▶ ☐ 501(c) ( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

L Year of Formation:

M State of legal domicile ▶

Part I Summary

Activities & Governance

1	Briefly describe the organization's mission:		
2	List the organization's three most significant activities and the activity codes (Part IX): a .... Code .... b .... Code .... c .... Code		
3	Enter the number of members of the governing body (Part III, line 1a)	3	
4	Enter the number of independent members of the governing body (Part III, line 1b)	4	
5	Enter the total number of employees (Part VIII, line 9a)	5	
6	Enter the number of individuals receiving compensation in excess of $100,000 (Part II, line 2)	6	
7	Enter the highest compensation amount reported on Part II, Section A (sum of columns D and E)	7	
8a	Enter officer, director, trustee, and other key employee compensation (Part V, line 5, column (B))	8a	
b	Divide line 8a by line 17 ______%		
9a	Enter total gross unrelated business revenue from Part IV, line 14, column (C)	9a	
b	Enter net unrelated business taxable income from Form 990-T, line 34	b	
10	Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its assets and attach Schedule N.		

		Amount	**% of Total**
Revenues **11**	Contributions and grants (Part IV, line 1g, column (A))		
12	Program service revenue (Part IV, line 2g, column (A))		
13	Membership dues and assessments (Part IV, line 3, column (A))		
14	Investment income (Part IV lines 4, 5, 6, 8, 10d)		
15	Other revenue (Part IV, lines, 3, 7, 9d, 11c, 12c, and 13e, column (A))		
16	Total revenue add lines 11 through 15 (must equal Part IV, line 14, column (A))		100%
Expenses **17**	Program service expense (Part V, line 24, column (B))		
18	Management and general expenses (Part V, line 24, column (C))		
19a	Fundraising expenses (Part V, line 24, column (D))		
19b	Percentage of contributions (divide line 19a by line 11)_____%		
20	Total expenses (must equal Part V, line 24, column (A))		100%
21	Net income (line 16 minus line 20)		

		Beginning of Year	**End of Year**
Net Assets or Fund Balance **22**	Total assets (Part VI, line 17)		
23	Total liabilities (Part VI, line 27)		
24a	Net assets or fund balances line 22 minus line 23		
24b	Total expenses (line 20) as percentage of net assets (line 24a) %)		

Gaming & Fundraising	**(i)** Gross Revenue	**(ii)** Expenses	**(iii)** Net to organization	**(iv)** Divide column (iii) by column (i)
25 Gaming	(Schedule G, Part III, line 1 column (d))	(Schedule G, Part III, line 7)	(Schedule G, Part III, line 8)	%
26 Fundraising (other than gaming)	(Schedule G, Part I, line 1b column (iii) total)	(Schedule G, Part I, line 1b column (iv) total)	(Schedule G, Part I, line 1b column (v) total)	%

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Part III Statements Regarding Governance, Management, and Financial Reporting

			Yes	No
1a	Enter the number of members of the governing body . . . 1a			
b	Enter the number of independent members of the governing body . . . 1b			
2	Did the organization make any significant changes to its organizing or governing documents? If "Yes", briefly describe these changes.	2		
3a	Does the organization have a written conflict of interest policy?	3a		
b	If "Yes," how many transactions did the organization review under this policy and related procedures during the year? . . . 3b			
4	Does the organization have a written whistleblower policy?	4		
5	Does the organization have a written document retention and destruction policy?	5		
6	Does the organization contemporaneously document the meetings of the governing body and related committees through the preparation of minutes or other similar documentation?	6		
7a	Does the organization have local chapters, branches or affiliates?	7a		
b	If yes, does the organization have written policies and procedures governing the activities of such chapters, affiliates and branches to ensure their operations are consistent with the organization's?	7b		
8	Does an officer, director, trustee, employee or volunteer prepare the organization's financial statements? Indicate whether an independent accountant provides any of the following services: Compilation ☐ Review ☐ Audit ☐	8		
9	Does the organization have an audit committee?	9		
10	Did the organization's governing body review this Form 990 before it was filed?	10		

11 How do you make the following available to the public? Check all that apply.

Organizing/Governing Documents	☐ n/a	☐ website	☐ other website	☐ office	☐ other	______
Conflict of Interest Policy	☐ n/a	☐ website	☐ other website	☐ office	☐ other	______
Form 990	☐ n/a	☐ website	☐ other website	☐ office	☐ other	______
Form 990-T	☐ n/a	☐ website	☐ other website	☐ office	☐ other	______
Financial Statements	☐ n/a	☐ website	☐ other website	☐ office	☐ other	______
Audit Report	☐ n/a	☐ website	☐ other website	☐ office	☐ other	______

12 List the states with which a copy of this return is filed:

Form **990** (20XX)

Part III Statements Regarding Governance, Management and Financial Reporting.

All organizations must answer each question in section III even though certain policies and procedures may not be required under the Internal Revenue Code. See the *Glossary* for definitions of certain terms.

Line 2. The organization must report only significant changes to its documents. For example, do not report changes in the registered address or changes that do **not** significantly affect the organization's mission or governance or the organization's control, use or distribution of assets.

The organization must report any change:

- in the number, composition or duties of the governing body;
- in the number, composition or duties of the officers;
- in the distribution of assets upon dissolution;
- to the policies regarding compensation of officers, directors, trustees, or key employees;
- to the policies regarding conflict of interest, whistleblower, or document retention and destruction; or,
- to the composition or procedures of the audit committee.

Lines 3, 4, 5. Answer "Yes" if the organization implemented these policies on or before the last day of the organization's tax year.

TIP: Sarbanes-Oxley requires certain tax-exempt organizations to adopt whistleblower protection and document retention and destruction policies.

Line 6. Minutes of Governing Board Meetings. Answer "Yes" to line 6 if the organization contemporaneously documented in writing every meeting of its governing body during the taxable year, such as by recorded and approved minutes or similar written documentation. For this purpose, contemporaneous means before the later of the next meeting of the governing body or 60 days after the final action or actions of the governing body are taken.

Line 9. Audit Committee. Answer "Yes" if the organization had an audit committee on the last day of the taxable year.

TIP: Organizations should check with applicable state law or regulators to determine whether they are required to have an audit committee.

Line 11. Public Availability of Organizational Documents, Policies, Financial Statements, and Returns

Check the appropriate boxes to indicate whether the organization makes its organizational documents, policies, financial statements or annual returns available to the general public by:

- Posting them on a public website maintained by the organization
- Posting them on another publicly-available website
- Providing physical copies at an office of the organization
- Other means (please specify)

If the organization does not make documents available as listed, check "N/A" (not applicable).

Impact of the Pension Protection Act of 2006 on Form 990

Introduction

This handout will be discussing changes to the Forms 990, 990-PF, Schedule A, 4720 and new forms 8921 and 8922 resulting from the Pension Protection of Act of 2006 ("Pension Act"). It will also be discussing new forms 8886-T resulting from the Tax Increase Prevention and Reconciliation Act of 2006 ("TIPRA").

In general, many of the provisions of the Pension Act were effective upon enactment – that is when the President signed the bill which was August 17, 2006. Some changes impacted the 2005 Forms and Instructions. However we are not able to amend forms and instructions because they have been in use for over a year. You can find information on how to file complete 2005 returns on the Pension Act page of IRS.gov which you can access through the Charities and Nonprofits page. The 2005 Forms that were affected include the Form 990, 990-PF, and Schedule A.

Similarly, the 2006 forms and IRS processing systems had already been developed by the time the Pension Act was enacted so we essentially had to jury-rig the 2006 forms to squeeze in questions where we could. Unfortunately, we will not be fiddling with these forms again until we completely overhaul the Form 990 so we ask you to be bear with awkwardness for a few years.

As many of you know, the Form 990 has not been revised in 25 years. We expect to publish a draft 990 with instructions for comment sometime this summer. This new form will be implemented no earlier than 2010 for the 2009 tax year. We will be providing updates on this revision project on IRS.gov and through our EO Update e-mail newsletter.

Changes to Filing Requirements

First, an organization cannot file Form 990-EZ if it maintains donor advised funds or has controlled entities. See page 2 of the instructions.

Second, supporting organizations now have to file regardless of their gross receipts. Prior to the Pension Act, any organization with less than $25,000 of gross receipts did not have a filing requirement. The Pension Act essentially removes that threshold specifically for supporting organizations. However, the $5,000 gross receipts threshold still exists for supporting organizations that support religious organizations. This change is reflected in the Item K checkbox located in the header information on the both Forms 990 and 990-EZ. The corresponding instructions are found on pages 21 and 47 of the instructions.

Let's move on to the specific changes to the 990. Starting with page one. The most significant changes to the Forms 990, 990-EZ and 990-PF relate to new laws governing supporting organizations, sponsoring organizations of donor advised funds, and organizations with controlled entities which we refer to as controlling organizations.

Supporting organization changes are all on Schedule A while donor advised fund changes are on Form 990 & Schedule A. Controlling organization changes, which will be discussed later in handout are on 990, 990-PF and 990-T.

Hopefully you have the Form 990 in front of you now so let's start with Page 1, Line 1.

Form 990 Changes

Line 1

Line 1a was added to capture the first of four requirements under new section 6033(k) which requires organizations that maintain donor advised funds to report certain information. The first item is contributions to donor advised funds. We realize that incorporating this requirement here on line 1 is not perfect and is not consistent since the existing categories of direct and indirect support encompass sources of contribution while the new 1a requires the reporting the "destination" of a contribution, i.e. a donor advised fund.

Prior to the Pension Act, the term donor advised fund was commonly understood to refer to component funds of certain community trusts. This developed from the Treasury Regulations for section 170 of the Internal Revenue Code which many of you know governs the deductibility of charitable contributions. See Treas. Reg. section 1.170A-9(e)(10) and (11). The term was also commonly understood to refer to an account established by one or more donors but owned and controlled by a public charity to which such donors or other individuals designated by the donors could provide nonbinding recommendations regarding distributions from the account or regarding investment of the assets in the account. The Pension Act now specifically defines a donor advised fund. The definition is complex so I will not attempt to explain it today. However, you can find the definition on page 23 of the instructions.

The important thing to know about this line is that if you do not have funds or accounts that do not meet the new statutory definition, including the exceptions, you do not need complete this line. What this means is that you need to analyze each fund and account to determine whether it is a donor advised fund.

That's it for the first page so let's move on to page 2 and the Statement of Functional Expenses.

Line 22a

Similar to line 1a, line 22a was added to capture the second of four requirements under new section 6033(k) – distributions from donor advised funds. Again, this line should only be completed for funds or accounts that meet the new statutory definition. See page 28 of the instructions.

Line 25

Line 25 was split into 25a, b, and c – see page 29 of the instructions.
Lines a and b were divided to distinguish compensation to current officers, directors, trustees or key employees from compensation to former officers, directors, trustees or key employees. This change was not related to the Pension Act.

Line 25c was added to capture compensation and other payments to disqualified persons other than current and former officers, directors, trustees and key employees. The Pension Act added new categories of disqualified persons particularly for donor advised funds and supporting organizations. For donor advised funds, disqualified persons include donors and investment advisors. For supporting organizations, disqualified persons now include substantial contributors. For a supported organization, disqualified persons now include the disqualified persons of its supporting organization. You can find information about the new categories of disqualified persons on pages 13 and 14 of the Form 990 instructions.

At this time that we are aware of at least one typographical error in these instructions. In the instructions for the attached scheduled for line 25c, bullet 1 should read "interest on loans and advances" instead of "loans and advances". In general, any payments of compensation or other amounts paid to disqualified persons not included on lines 25a and b but reported on other lines of the expense statement should be reported on line 25c.

We have received many questions about the new instructions for lines 25a, 25b and 75c regarding compensation of current and former officers, directors, trustees and key employees. Because we are still sorting through these questions and comments, I won't be addressing those today. However, we expect to post a Q&A sometime within the next 4-6 weeks on IRS.gov that will address them.

Line 43
The instructions for this line were changed to reflect a new reporting requirement that is not related to the Pension Act. Organizations that pay travel and entertainment expenses for any federal, state or local government official or their family members must report the total of these expenses as a separate line item on line 43. You must report an amount on this line if an expenditure for an official exceeds $200 and if the aggregate for each official is $1000. You are not required to provide a list of such officials – only the sum of all such expenditures should be separately reported on line 43. See page 30 of instructions.

That's it for page 2. There are no changes to page 3 so let's move on to page 4 – the balance sheet. There is only one change on this page.

Line 50b
Line 50b was added to capture receivables from disqualified persons other than the officers, directors, trustees and key employees listed on line 50a. This corresponds with line 25c. As a reminder, the Pension Act now subjects the entire amount of compensation, loans, grants or other similar payments made by supporting organizations and sponsoring organizations of donor advised funds, to disqualified persons, to section 4958 excise taxes. Again, that is the entire amount of such payments – not just the excess. See page 32 of the instructions.

So that is the only change to the balance sheet. There are no changes to pages 5 and 6 other than the instructions for line 75c which as I mentioned before we will be addressing through a Q&A we will post on IRS.gov in about 4 to 6 weeks. So let's move on to page 7 where we added a few questions.

Line 88b Form 990
This question deals with controlling organizations which will be discussed later.

Line 89e
Line 89e was added to identify those organizations that may have engaged in a prohibited tax shelter transaction. New section 4965, which was added in TIPRA – not the Pension Act, imposes an excise tax on proceeds an exempt organization receives as a result of being a party to prohibited tax shelter transaction. A definition of a prohibited tax shelter transaction can be found on page 42 of the instructions. If an organization answers "yes" on this line, it may also need to file Form 4720 as well as new Form 8886-T. The 8886-T is still in development and we expect it to be released later this year. The 8886-T is intended to satisfy the new requirement under section 6011 that an exempt organization disclose its participation in a prohibited tax shelter transaction to the IRS.

More information about prohibited tax shelter transactions and new section 4965 can be found on the Abusive Transactions page of IRS.gov which you access through the Charities and Nonprofits page – the link will be on the left side of the page.

Since the new section 4965 excise tax also applies to private foundations, the same question was added to Form 990-PF. If you have the 990-PF in front of you, the question can be found on page 6 of that form in Part VII-B - it is question 7a.

Line 89f
Line 89f was added to the Form 990 to identify those organizations that engage in certain life insurance transactions. This is because the Pension Act imposes a two-year reporting requirement for such transactions. Again, the definition of an insurance transaction for this purpose is quite complicated so I will just refer you to page 42 of the instructions. If an organization answers "yes" to this question, it must also file Forms 8921 and 8922. We released drafts of these forms and the related instructions with Notice 2007-24. You can find this notice and the forms on the Pension Act page of the Charities and Nonprofits page of IRS.gov. We expect these forms to be finalized in the next few months.

Again, as this reporting requirement also applies to PFs, a corresponding question was added to Form 990-PF. It can be found on page 5 of the Form 990-PF - it is question 12 in Part VII-A.

Line 89g
Line 89g was added to identify those organizations that may be subject to the section 4943 excise tax on excess business holdings. The Pension Act extended this tax to supporting organizations and to donor advised funds. You can find more information about this on page 42 as well as in the instructions for Form 4720 which I will be discussing a bit later.

Page 9
Page 9 of the Form 990 is brand new and was added to capture information about controlling organizations.

Form 990 and 990-PF – Controlling Organizations
First, the Form 990.

Previously pointed out new line 88b, located in Part VI, titled "Other Information", on page 7 of the Form. This is really a trigger question to get you to fill out another section if it is applicable. Line 88b asks – "At any time during the year did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)?" If yes, complete Part XI. Part XI asks for information regarding transfers to and from controlled entities. It is a whole new section of the Form.

As background, an organization owns a controlled entity within the meaning of section 512(b)(13) basically by ownership of more than a 50% interest in the entity. The controlled entity can be a taxable or a tax-exempt entity. You can find an explanation of section 512(b)(13) controlling organizations and controlled entities at pages 41 and 42 of the Form 990 Instructions.

Line 88b and Part XI were added to the Form due to new Code section 6033(h), added by the Pension Act **[[**section 1205(b)**]]**.

Section 6033(h), relating to returns by exempt organizations, imposes a new reporting requirement for controlling organizations. The provision stipulates that controlling organizations include in their annual returns information concerning:

- interest, annuities, royalties, or rents received from each controlled entity;
- loans made to each controlled entity;
- and transfers of funds between controlling organizations and each controlled entity.

Keep in mind that due to this new reporting requirement for controlling organizations, as Theresa noted, these types of organizations can no longer file Form 990-EZ. If you are a 512(b)(13) controlling organization you must now file Form 990.

So you are an organization that owns a controlled entity and you answer yes to 88b. You then need to complete Part XI, located on page 9 of the 990. Part XI is explained on page 44 of the 990 Instructions.

Part XI asks three questions total. Line 106 asks whether the reporting organization, the one filing the Form 990, made any transfers TO a controlled entity as defined in section 512(b)(13). TO is emphasized. So it is transfers going in one direction. If you as the reporting organization did make any transfer to a controlled entity, you must complete the schedule for each controlled entity, as required by section 6033(h). The line 106 schedule asks for the name, address and EIN of each controlled entity, a description of each loan or transfer to each controlled entity, and the amount of each loan or transfer.

Line 107 deals with transfers in the other direction and asks whether the reporting organization received any transfers FROM a controlled entity. So information regarding transfers TO and transfers FROM a controlled entity is separated into two questions. If you are a controlling organization and you received any type of transfer of funds or payments from any of your controlled entities, you must complete the schedule for line 107. The schedule asks for the name, address, and EIN of each controlled entity from which you receive a transfer, a description of the transfer, and the amount of the transfer. A description of the transfer is the type of transfer. Types of transfers include

interest, annuities, royalties, rents, dividends, fees or other payments for services, contributions to capital, and loans.

Lines 106 and 107 seem to require a lot of information and a lot of lines. In fact, one of the questions we received asked why the reporting of transactions in Part XI appears to go beyond the framework of transactions under section 512(b)(13) by requiring the reporting of any and all transactions. And the reason is that this is what Congress has required. The reporting requirement of section 6033(h) goes beyond the 512(b)(13) framework to include not only interest, annuities, royalties, or rents received from each controlled entity but also loans to each controlled entity as well as transfers between a controlling organization and each controlled entity.

However, that is not to mean that you necessarily have to report every single individual transfer that has occurred. Another question we received asked what is meant by each transfer. Let me answer by giving you an example. Rather than reporting each individual monthly payment by controlled entity X to controlling organization Y in repayment of Loan Z, it would be sufficient to disclose all receipts received for the taxable year from controlled entity X in repayment of that specific Loan Z. In other words, report the total payment received specific to a particular transfer transaction, such as a specific loan.

Let me just also mention that in the description of the transfer in Column (C) of the line 107 schedule, you must also indicate whether the transfer is a qualifying specified payment, which is explained in the Instructions for line 108, and further explained in the Form 990-T, which will be discussed.

Line 108 addresses a temporary exception to unrelated business income tax, or as it is commonly referred to, UBIT, under section 512(b)(13), put into place by the Pension Act. **[[**section 1205(a)**]]** It asks whether the organization had a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in line 107. If you answer yes, then such payments received from a controlled entity are qualifying specified payments. This is only for interest, rents, royalties, and annuities received or accrued, not for any other transfers from the controlled entity.

As mentioned above, qualifying specified payments and the exception to UBIT will be explained in the discussion on changes to the Form 990-T.

The new section 6033(h) reporting requirement for controlling organizations also affects the Form 990-PF. Lines 11a and 11b in Part VII-A of the Form 990-PF, which is on page 5, mirror lines 88b and 108 of the Form 990, by asking whether the foundation directly or indirectly owned a controlled entity within the meaning of section 512(b)(13), and whether the foundation had a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities received from the controlled entity. We weren't able to add a whole new section to the Form 990-PF similar to the 990, so in the 990-PF Instructions, at pages 20 through 22, we have recreated the schedules and instructions from the Form 990. And you would attach schedules following that format with the required information to your Form 990-PF.

So now we move on to the Form 990-T.

Form 990-T

The Form 990-T required changes because the Pension Act **[[**section 1205(a)**]]** created a temporary two-year change in the calculation of UBIT for controlling organizations. The change for the 990-T is in Schedule F, on page 3, dealing with Interests, Annuities, Royalties, and Rents from Controlled Entities. Well, actually, Schedule F itself has not been changed, but the calculations for certain of the columns in Schedule F are revised, and those calculations are explained in the 990-T Instructions at pages 21 and 22.

Let me give you some background. Section 512(b)(13) now provides a type of subset of UBIT for qualifying specified payments received by a controlling organization from its controlled entities. A qualifying specified payment is any payment of interest, rents, royalties, and annuities received or accrued from a controlled entity after December 31, 2005, and before January 1, 2008, pursuant to a binding, written, legally enforceable, contract in effect on August 17, 2006, or to a renewable contract under substantially similar terms of a contract in effect on that day. Qualifying specified payments are subject to tax only on the amount that exceeds what would have been paid or accrued if such payment had been determined under the principles of section 482. In other words, basically only the amount that exceeds fair market value is taxed.

So, in Schedule F, columns 4 and 9 ask for a break out of specified payments received, and of the qualifying specified payments received, from each controlled entity. And columns 5, 10, 6 and 11 ask only for the excess over the fair market value amount if the payment was a qualifying specified payment. But keep in mind that the UBIT calculation change for these payments from a controlled entity to a controlling organization sunsets December 31, 2007.

Another change, this one is permanent, to the Form 990-T is the public inspection requirement. This is explained in the Form 990-T Instructions beginning at page 7.

Section 6104(d) of the Code now requires 501(c)(3) organizations to make their Form 990-T available for public inspection. The IRS does not have a requirement to disclose the Form, but if you are a section 501(c)(3) organization and you file a Form 990-T, you must make the form available for public inspection and copying, similar to the public inspection rules for Form 990 and 990-PF. Be on the look-out for a notice with interim guidance regarding the Form 990-T public inspection requirements coming out soon.

One final change to the Form 990-T is the inclusion of a line for exempt organizations to request a refund of the federal telephone excise taxes paid. The telephone excise tax refund (known as TETR) is a one-time payment available on the 2006 federal return. It is designed to refund previously collected long distance telephone taxes. Even if an exempt organization does not have UBIT, but they want a refund of the federal telephone excise tax paid, they would file a 2006 Form 990-T. This request of the refund is at line 44f of the Form, located in Part IV, on page 2, and the 990-T Instructions explain the refund and how to complete the Form for this refund at page 7. This is a one-time deal, so it won't be on the 2007 Form.

So, to summarize the changes discussed, for the Form 990 and 990-PF, there is now a requirement that a controlling organization report transfers between it and each of its controlled organizations, and for the Form 990-T, if the controlling organization has a binding written contract that was in place on August 17, 2006, or is renewable on

substantially similar terms to one in place on that day, only the excess of fair market value is taken into account as UBIT for interest, rents, royalties, and annuities received or accrued from its controlled entities. Also, there is now a requirement for 501(c)(3) organizations to make the Form 990-T available for public inspection. And, finally, for this year, organizations can file the Form 990-T to request a refund of the federal telephone tax paid.

Schedule A – Part III

You can put the Forms 990, 990-EZ, 990-PF and 990-T aside for now as to focus on Schedule A and the related instructions. The significant changes to the Schedule A result from the new rules governing supporting organizations and donor advised funds. Before I discuss these, however, I want to quickly highlight some changes that are not related to the Pension Act.

So let's start on page 2 of the Schedule A.

Rewrite of and New Attachment for Line 3c

Line 3c was added to the Schedule A in 2005. In addition to rewriting the question to provide a little more clarity, if an organization answers “yes” to this question, it must provide a very detailed statement of their conservation activities. The exact information to be provided in this attachment can be found page 3 of the Schedule A instructions.

Renumbering of Line 4b to 3d

Next, line 4b was added to the 2005 return in order to identify organizations that conduct credit counseling and related activities. This line is renumbered to 3d for 2006 so that all the questions in line 4 would relate to organizations that maintain donor advised funds.

Lines 4a through 4g

Finally on page 2 of the Schedule A, the major changes are to line 4. As I mentioned in the 990 discussion, the Pension Act created a specific definition for donor advised funds. Organizations that maintain funds or accounts that meet this definition must answer “yes” to line 4a and also complete lines 4b through 4g, if applicable.

Line 4b was added to identify those organizations that maintain donor advised funds that may be subject to one of two new excise taxes. The Pension Act created two new excise taxes related to donor advisor funds. First, section 4966 imposes an excise tax on an organization that maintains donor advised funds and fund management if any of the organization's donor advised funds makes a taxable distribution. The definition of a taxable distribution is fairly complex but can be found on page 4 of the Schedule A Instructions.

Second, section 4967 imposes an excise tax on donors, donor advisors or related persons and on management for distributions that result in more than incidental benefits to those persons. Line 4c was added to identify those organizations that made any distributions to any donor, donor advisors or related persons regardless of whether those distributions resulted in more than incidental benefits. Because the term incidental benefit is not defined in the statute, we expect to issue guidance on this topic.

Lines 4d and 4e were added to capture the third and fourth requirement under section 6033(k). Remember that the first two – contributions to and distributions from – are on lines 1a and 22a respectively of the Form 990. As with those lines, only organizations with funds or accounts that meet the statutory definition of donor advised fund need to complete these lines.

All organizations must complete lines 4f and 4g, even those that answer “no” to line 4a. If an organization does not maintain any such accounts or funds, it must enter zero on these lines.

That’s it for page 2 of the Schedule so let’s move on to page 3.

Schedule A – Part IV
All of the changes in this section relate to new reporting requirements for supporting organizations. The Pension Act added section 6033(l) which requires a supporting organization to identify what type of supporting organization it is, all of its supported organizations and to certify that it is not controlled by any disqualified persons.

The rule that disqualified persons could not control a supporting organization existed prior to the Pension Act so the only new requirement is the certification which we have incorporated by modifying the introductory sentence at the top of this page. Note that it now begins with “I certify.”

We addressed the other two requirements in 2005 by amending Line 13 to add checkboxes for the three types of supporting organizations. We also added the table following line 13 to capture the list of supported organizations. As you may know, the provisions regarding supporting organizations were created in the 1969 Tax Act which imposed the then-new Chapter 42 excise taxes on private foundations. Supporting organizations were exempt from these taxes because they were exempt from the definition of a private foundation under section 509(a)(3). The regulations for section 509(a)(3) further classified supporting organizations into three categories which commonly came to be called Type I, Type II and Type III.

The Pension Act codified these types and essentially created a new category of Type III supporting organizations – a Type III- Functionally Integrated Supporting Organization. Some of the excise taxes I discussed earlier such as the section 4943 excess business holdings tax and the section 4966 tax on taxable distributions from donor advised funds only apply if a supporting organization is a regular Type III – not a Type III-Functionally Integrated Supporting Organization. In addition, regular Type III organizations will also be subject to a payout requirement, the rate for which is mandated to be set by regulations. Thus, we labeled the existing Type III checkbox as Type III-Other and added a new checkbox for Type III-Functionally Integrated Supporting Organization to identify these organizations. The instructions for this line, which can be found on page 7 of the Schedule A instructions helps you determine which box to check. Note that additional information about Type III- Functionally Integrated Supporting Organizations can be found in Notice 2006-109 which is also available on the Pension Act page of IRS.gov. Please note, however, that we expect to issue further guidance on this topic.

In addition to adding this new checkbox, we have added columns (b), (d) and (e) to capture additional information about the supported organizations. You must list a supported organization here regardless of whether you provided any monetary support to that organization during the year. You must enter zero for such organizations. The instructions for line 13 can be found on page 7 of the Schedule A Instructions.

That’s it for the Schedule A. I am going to switch gears and talk about some issues affecting private foundations. You don’t necessarily need to have the form 990-PF in front of you for this.

Form 990-PF Changes
Aside from the new questions added to the Form 990-PF already discussed, the Pension Act contained two other significant changes for private foundations.

Distributions to Certain Supporting Organizations Not Allowed
First, as I mentioned briefly, some of the more onerous rules for supporting organizations only apply to Type III supporting organizations. Another restriction for these supporting organizations is that they essentially cannot receive distributions from private foundations. Type I and Type II supporting organizations also cannot receive distributions from a private foundation if the private foundation’s disqualified persons control the supporting organization or any of the supporting organization’s supported organizations. If a private foundation does make distributions to these supporting organizations, such distributions are not qualifying distributions and the distributions may also be deemed to be a taxable expenditure. As with some of the other provisions, this one is quite complicated. But you can find more information about these changes in the instructions for Form 990-PF, Part I, line 25 and Part VII-B, line 5. That would be Page 22 of the 990-PF instructions.

Please note that Notice 2006-109 which I mentioned before provides interim guidance for private foundations that make grants to supporting organizations.

Definition of Net Investment Income
The other significant change for private foundations is the change in the definition of net investment income. The Pension Act essentially codified a regulation that was challenged in a court decision. This change is reflected in the instructions for Form 990-PF, Part I, column (b) on pages 11 and 18 of the Form 990-PF Instructions.

The last form discussed will be the Form 4720.

To remind you that one of most common errors we see during filing season is organizations not attaching Schedules A and B when they are required to do so. We assess an incomplete return penalty for this which means we consider the return as not filed. The penalty is $20 a day up to a maximum of $10,000. We know this is a lot of money for small organizations. You can find a list of the most common errors associated with the Form 990, 990-EZ and 990-PF under our FAQs on the Charities and Nonprofits page of IRS.gov.

Form 4720
The Form 4720 was changed to incorporate all of the new excise taxes we have mentioned today. I am going to quickly summarize these new taxes and explain where they are to be reported on the Form 4720.

Section 4943 – Excess Business Holdings
The Pension Act extends the restriction on excess business holdings to donor advised funds, as defined by the statute, and Type III supporting organizations that are not

functionally integrated. This tax is the same as that imposed on private foundations so there is no change to Schedule C (page 3 of the form) where the tax is reported. There are only changes to the instructions which can be found pages 7 through 9 of the Form 4720 instructions.

Section 4958 – Excess Benefit
While there are specific new rules for this tax for supporting organizations and donor advised funds, there is no change to Schedule I (pages 5 and 6 of the form) where the tax is reported. There are only changes to the instructions which can be found on pages 12 and 13 of the Form 4720 Instructions.

Section 4965 – Prohibited Tax Shelter Transactions
Schedule J (pages 6 and 7) was added to the Form 4720 to report the new section 4965 tax on proceeds from prohibited tax shelter transactions. See pages 13 and 14 of the Form 4720 instructions.

Sections 4966 and 4967 – Donor Advised Funds
New Schedules K and L (pages 7 and 8) were added to report the section 4966 and 4967 excise taxes that apply to donor advised funds. See pages 14 and 15 of the Form 4720 Instructions.

And that's it for actual changes to the Form 4720 schedules. Before turning to the discussion to the Form 8282, would like remind everyone that the excise tax rates and the maximum tax amounts on managers under sections 4941 through 4945 have increased. This is effective for tax years beginning after the enactment of the Pension Act, i.e. tax years beginning August 18, 2006.

Form 8282

Now we will discuss changes to Form 8282, the Donee Information Return. While you get that form handy, let me give you some background.

Form 8282 has been revised to reflect changes (first) to the deductibility of a donation of tangible personal property after the disposition of such property by the charity and (second) to the reporting requirements for such disposition.

The Pension Act **[[**section 1215**]]** amended section 6050L of the Code to extend the time period from 2 years to 3 years for when a donee organization (the exempt organization) has to report to the donor and the IRS that it has sold or exchanged charitable deduction property. Charitable deduction property is property other than publicly trade securities with a claimed deduction value over $5,000. And section 6050L now requires the donee organization to provide more detailed information about the disposed-of property in its report, including a description of the donee's use of the property and a statement indicating whether the use was related to the donee's exempt purpose or function. It also requires a certification be included in the report if the donee indicates that the property was used for an exempt purpose or function and it was tangible personal property with a claimed deduction value of over $5,000.

Also, section 170(e) was amended to now limit the amount of the deduction if the use is unrelated to the organization's exempt purpose or function, or requires a recapture of the

tax benefit by the donor if the donee organization sells the certain donated tangible personal property within the 3 years and does not certify as to its exempt use.

Let's use an example. A therapy organization receives a donation of a horse worth more than $5,000 for which the donor took a charitable deduction. It used the horse for therapy for 2 ½ years, but then sold it. The organization has to use Form 8282 to let the donor and the IRS know that it was sold and to report how the horse was used, and how the use furthered the organization's exempt purpose or function. OR lets say it had all intentions to use the horse for therapy, but it couldn't because the horse developed a problem with its legs. It kept the horse for 2 ½ years hoping its legs would improve but they did not and so the organization sold the horse. The organization has to use Form 8282 to let the donor and the IRS know that it was sold and to report how the horse was used, and that it was intended that its use would further the organization's exempt purpose or function. Unless an officer of the organization also certifies that the horse was used for exempt purposes, or was intended to be used for exempt purposes but that such use became impossible, the donor of the horse has to recapture part of the deduction for the taxable year in which the horse was sold – in other words, only take as a charitable deduction his basis in the property, rather than fair market value.

The changes have expanded Form 8282 from being one page to 2 pages long. Part III, Information of Donated Property, now on page 2 of the Form, was extensively revised to include the required information. Column 1 asks for the description of the property sold, exchanged or otherwise disposed of and how the organization used the property. Column 2 asks whether the disposition involved the organization's entire interest. If it was a partial disposition, answer no. Column 3 asks whether the use was related to the organization's exempt purpose or function. If you answer "Yes" in Column 3, and it involved tangible personal property, such as the therapy horse, then in Column 4, you include a description of how the use furthered the organization's exempt purpose or function. If you answer "No" in Column 3 that the use of the tangible personal property was not related to the organization's exempt purpose or function, but you had intended that the use be related only that became impossible or infeasible, then in Column 4 you include a description of the intended use.

If you have to answer Column 4, then you must also complete Part IV, which is the new certification requirement. An officer of the organization must certify, under penalties of perjury and a new penalty under section 6720(B) (which is a $10,000 penalty for fraudulent identification of exempt-use property) that the disposed-of tangible personal property was exempt-use property or intended to be exempt-use property but such use became impossible or infeasible to implement.

Finally, a new signature line has been added to Form 8282 which is required for all returns under section 6061.

In summary, the main changes to Form 8282 involve the change from 2 years to 3 years for disposition of property by the original donee organization, the additional information required regarding use of the property, and whether it was exempt-use property or intended to be exempt use property, and the certification requirement if it was exempt-use property.

Closing Comments

Hope you found the presentation helpful. We encourage you to go to the Charities and Non-profits homepage on the IRS website at www.irs.gov/charities/index.html for more information. On our homepage you'll also find a link to *EO Update*, a free electronic newsletter containing information on the latest happenings in EO. Signing up to subscribe is quick and easy. You might also want to visit www.taxtalktoday.tv to view the March 13th webcast featuring a panel of IRS and other experts discussing the Pension Act's impact on exempt organizations. If you've not participated in a Tax Talk Today webcast before, you'll need to complete a free, simple registration process to access the archive.

SCHEDULE L (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Loans

To be completed by organizations that enter an amount on lines 5, 6 or 23 of Form 990, Part VI

OMB No. 1545-xxxx

20XX

Open to Public Inspection

Name of filing organization | **Employer identification number**

Part I Loans to Officers, Directors, Trustees, Key Employees, Highly Compensated Employees, and Disqualified Persons

List the details of each loan, advance, or receivable outstanding as of the end of the organization's tax year, owed to the organization by each current or former officer, director, trustee, key employee, highly compensated employee, and disqualified person.

(a) Name of debtor	**(b)** Original principal amount $	**(c)** Balance due	**(d)** Date of loan	**(e)** Maturity date	**(f)** Interest rate (%)	**(g)** Security provided by debtor	**(h)** Purpose of loan	**(i)** Written agreement Y / N
Total . . . . ▶								

Part II Loans from Officers, Directors, Trustees, Key Employees, Highly Compensated Employees, and Disqualified Persons

List the details of each loan, advance, or receivable outstanding as of the end of the organization's tax year, owed by the organization to each current or former officer, director, trustee, key employee, highly compensated employee, and disqualified person.

(a) Name of creditor	**(b)** Original principal amount $	**(c)** Balance due	**(d)** Date of loan	**(e)** Maturity date	**(f)** Interest rate (%)	**(g)** Security provided by debtor	**(h)** Purpose of loan	**(i)** Written agreement Y / N
Total . . . . ▶								

For Paperwork Reduction Act Notice, see the Instructions for Form 990. Cat. No. 50056P **Schedule L (Form 990) 20XX**

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Internal Revenue Service
Tax-Exempt & Government Entities Division
Office of Exempt Organizations
Draft Form 990 Redesign – Schedule L
June 14, 2007

Rationale

The Service continues to see loans between exempt organizations and their officers, directors, trustees, and other employees. Although such loans may be permitted, the Service is concerned that such loan arrangements may be used to disguise compensation or for improper purposes.

Overview:

- Schedule L generally requires the reporting of loan information that is currently required on 2006 Form 990, including loans to or by the organization involving officers, directors, key employees, and certain other disqualified persons.

- Schedule L replaces the attachment required for 2006 Form 990, lines 50a, 50b, and 63

- Expanded to include loans to and from highly compensated employees

- Expanded to include loans from other disqualified persons

- Required information changed as follows:
    - added column to indicate whether the loan is evidenced by written agreement
    - eliminated repayment terms
    - eliminated description and FMV of consideration furnished by lender (for property loans)

Internal Revenue Service
Tax-Exempt & Government Entities Division
Office of Exempt Organizations
Draft Form 990 Redesign – Schedule L
June 14, 2007

20XX Instructions for Schedule L

Who Must File

All organizations that enter an amount on Form 990, Part VI, lines 5, 6 or 23 must complete and attach Schedule L to Form 990.

If the organization is not required to file Form 990, it is not required to file Schedule L.

Part I Loans to Officers, etc. and Disqualified Persons

Report details on loans, advances, and receivables outstanding as of the end of the filing organization's tax year, payable to the filing organization by the following:

- Current or former officers, directors, trustees, key employees, or highly compensated employees listed in Form 990 Part II

- (for filing organizations described in section 501(c)(3) or (4)) disqualified persons as described in section 4958(f)(1)

- (for filing organizations described in section 509(a)(3)) disqualified persons as described in section 4958(c)(3)(B).

Report each loan, advance, or receivable separately. Do not report advances made under an expense allowance arrangement for payment of business expenses as described in Treas. Reg. 1.62-2(c)(1). Also, do not report pledges receivable that would qualify as charitable contributions when paid.

(b). State the original dollar amount owed (the loan principal). For a loan of property other than cash, state its fair market value.

(c). State the balance due as of the end of the organization's tax year, including outstanding principal, accrued interest, and any applicable penalties and collection costs.

(d). State the date of the original loan, advance, or receivable. If the debt is evidenced by a promissory note, use that date.

(e). State the maturity date, if any, for the loan, advance, or receivable, i.e., the date by which the loan, advance, or receivable must be fully repaid. If there is none, state "N.A."

(f). State the interest rate for each loan, advance, or receivable during the tax year. If no interest was owed, state "N.A." For fluctuating rates, state the weighted average.

(g). Briefly describe the security for the loan, advance, or receivable. If none, state "N.A."

(h). State the organization's purpose for making the loan or advance (e.g., "compensation package").

(i). Check this box if the loan, advance, or receivable is evidenced by a written agreement between the parties.

Internal Revenue Service
Tax-Exempt & Government Entities Division
Office of Exempt Organizations
Draft Form 990 Redesign – Schedule L
June 14, 2007

The sum total indicated in Column (c) must equal the total of Form 990, Part VI (Balance Sheet), Lines 5 and 6.

Part II Loans from Officers, etc. and Disqualified Persons
Provide the information as described above in Schedule L Part I with reference to loans, advances, and payables in which the debtor is the filing organization, and the creditor is a current or former officer, director, trustee, key employee, highly compensated employee, or independent contractor, or a disqualified person. Do not list accrued but unpaid compensation owed by the filing organization. In (h), state the filing organization's purpose for borrowing. The sum total indicated in Column (c) must equal Form 990, Part VI (Balance Sheet), Line 23.

On Schedule L, report each receivable separately even if more than one loan was made to the same person or the same terms apply to all loans. Report salary advances, and other amounts receivable for the personal use and benefit of the recipient, and receivables subject to special terms or arising from non-typical transactions, such as separate loans for each current officer, director, trustee, key employee, or other individual.

Report each receivable separately even if more than one loan was made to the same person or the same terms apply to all loans. Report advances for the personal use and benefit of the recipient, and receivables subject to special terms, or arising from non-typical transactions, as separate loans for each disqualified person that is not a current or former officer, director, trustee, or key employee. For credit unions, report only loans or receivables that are not made on the same terms as other members of the organization.

Page 3 of 3

The Year of Change for the Form 990 and Schedule A October 30, 2007

I. Purpose of the Form 990

A. To provide information on your organization's programs and activities, not to report and pay taxes
B. Almost all of the information reported on the form is open to public inspection
C. Most state agencies that regulate exempt organizations use the Form 990 to satisfy their filing requirements rather than create their own form

New 990 of 2007

II. Reason for 990 Changes

A. Last revised in 1979- almost 30 years ago
B. Form " jury-rigged" when lines needed for legislation or compliance issues
C. Unable to renumber form because of cost resulting in haphazard and illogical form design
D. Complaints from the users of ht form about complexity
   1. Leads to incomplete returns
   2. Incomplete returns leads to poor data
   3. Transcription errors leads to poor data

III. Guiding Principles

A. Improve transparency
B. Improve compliance
C. Reduce Burden

IV. Core : Breakdown

A. Structured the Core form so that all sections are applicable to all filers and sections not applicable to all filers are moved to Schedules

- Part I-Summary page
- Part II-A List of Officers, etc.
- Part II-B Compensation of Officers, etc.
- Part III- Governance
- Parts IV-VI Financial Statements
- Part VII – questions about activities, "triggers"

- Part VIII – questions about activities requiring other filings

B. “Old” Schedules

Following existed as attachments:

- Schedule D- balance sheet attachments and DAF’s, easements with new information on endowment and escrows
- Schedule E- schools (no change)
- Schedule I- grants
- Schedule L- loans
- Schedule N – terminations

C. “New” Schedules

- Schedule F- foreign
- Schedule G – fundraising including gaming
- Schedule H- hospitals
- Schedule J – compensation
- Schedule K – tax exempt bonds
- Schedule M – non-cash contributions
- Schedule R – related organizations

V. Achievement of Goals

A. Transparency

- Summary page provides snapshot and guidelines viewer to detail
- restructuring of core and addition of schedules improves readability

B. Compliance- structuring of schedules insures completion

C. Burden- structuring of schedules insures completion of relevant parts-only

VI. Timeline

A. Summer 2007- internal and external comment period

B. Fall 2007 – finalize form and systems requirements

C. Winter 2008 – release final forms and draft instructions for comment again

D. Spring & Summer 2008 – finalize instructions

E. Fall 2008 – education and outreach on new form

F. Spring 2009 – first returns filed

VII. Pension Protection Act of 2006 Changes

The Internal Revenue Service has issued the Form 990 and Schedule A for the 2006 filing year.

There are significant changes and clarifications from the prior year filings in order to address changes made by:

- The enactment of the Pension Protection Act of 2006 ("PPA") and other legislation,

A. Donor Advised Funds

1. Organizations Maintaining Donor Advised Funds - In general, organizations maintaining donor advised funds must separately report contributions to such funds and distributions from such funds, as well as provide other general information (e.g., number of funds, asset value, etc.).
   - Form 990, Part I, Lines 1a, 22a;

2. Definitions of Disqualified Person and Excess Benefit Transaction - The definitions of "disqualified person" and “excess benefit transaction” have been revised in the instructions to incorporate the changes made by the PPA.
   - Form 990, Part II, Line 25c

3. Receivables from Officers, Directors, Etc. - Receivables from officers, directors, trustees, and key employees must now be separated on the balance sheet between (1) current and former officers, directors, trustees, and key employees; and (2) other disqualified persons.
   - Form 990, Part IV, Line 50b

4. Excess business holding - Disclosure of whether it had excess business holdings during the year

   - Form 990, Part VI, Line 89g

5. Funds where Donors have Advisory Powers - All organizations must report the total number and aggregate value of any separate funds or accounts owned at the end of the tax year (other than donor advised funds) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts.
   - Sch A, Part III, Lines 4a – 4g.

B. Supporting Organization

1. Definitions of Disqualified Person and Excess Benefit Transaction - The definitions of "disqualified person" and "excess business transaction" have been revised in the instructions to incorporate the changes made by the PPA.
   - Form 990, Part II, Line 25c

2. Receivables from Officers, Directors, Etc. - Receivables from officers, directors, trustees, and key employees must now be separated on the balance sheet between (1) current and former officers, directors, trustees, and key employees; and (2) other disqualified persons.
   - Form 990, Part IV, 50b.

3. A supporting organization is also required to certify that it should not be regarded as a private foundation because it meets the requirements of IRC § 509(a)(3) as a Type I, Type II, Type III functionally integrated, or Type III other supporting organization.
   - Schedule A, Part IV, Line 13.

4. With respect to its supported organization(s), a supporting organization must provide:

   - The name,
   - EIN,
   - Public charity status of each supported organization,
   - Amount of support provided to each supported organization,

   - Indication whether supported organizations are listed in the supporting organization's governing documents,
   - Disclosure of whether it had excess business holdings during the year (Form 990, Part VI, Line 89g).

VIII. Other PPA Changes

A. Information Regarding Transfers To and From Controlled Entities

1. Consistent with the requirements imposed by the PPA on organizations with an original due date for their 2005 Form 990 after August 17, 2006, the 2006 Form 990 includes a new section to report transfers made to and from controlled entities as defined in IRC § 512(b)(13).

2. Organizations must disclose whether they directly or indirectly owned a controlled entity within the meaning of IRC § 512(b)(13) (i.e., the organization owned more than 50% of the stock of a corporation, interest in a partnership, or beneficial interest in any other entity). If such an entity is owned, a new section must be completed.

   - Form 990, Part VI, Line 88b (trigger question)
   - Form 990, Part XI

3. Organizations must disclose if they made loans or transfers ***to*** a controlled entity. Organizations must provide for each controlled entity:

   - Name,
   - Address,
   - EIN of each controlled entity,
   - Description and the amount of each loan or transfer to each controlled entity.

4. Organizations must disclose if they received any transfers of funds or payments ***from*** a controlled entity. Organizations must provide for each controlled entity:

   - Name,
   - Address,
   - EIN,
   - Description for each transfer,

- o Indication of the type of transfer such as interest, annuities, royalties, rents, dividends, fees or other payments for services, contributions to capital, or loans,
- o Disclosure for whether there was a binding written contract in effect on August 17, 2006, covering any interest, rents, royalties, and annuities involving a controlled entity.

B. Interest in Certain Insurance Contracts - Organizations must disclose whether they acquired a direct or indirect interest in certain insurance contracts after August 17, 2006, but before August 17, 2008 (which can include contracts where the organization and a person other than the organization have directly or indirectly held an interest in the contract).

- o Form 990, Part VI, Line 89f

C. Form 990T: Public Inspection - Further, as an important additional note, IRC section 501(c)(3) organizations that file Form 990-T after August 17, 2006 must make that Form 990-T subject to public inspection.

IX. Compensation of Officers, Directors, Trustees, Key Employees, and Disqualified Persons

A. Compensation and other distributions provided to disqualified persons must be listed on Form 990, Part II, Line 25c.

B. "Compensation" includes all forms of income earned or received for services provided. Distributions include anything of value provided to a disqualified person.

C. Compensation reporting for officers, directors, trustees, and key employees has been expanded.

1. Form 990, Part II, Line 25a (Current)
2. Form 990, Part II, Line 25b (Former)
3. An attachment is required for each current or former officer, director, trustee, and key employee showing a breakdown of compensation reported on Form 990, Part II into the same three classes of compensation as shown in columns (C) through (E) of Form 990, Parts V-A and V-B. The IRS specifies that no reconciliation of any differences between these amounts is required.
4. The statement must detail (preferably in a columnar format): (a) loans and advances; (b) compensation; (c) contributions to employee benefit plans and defined

benefit plans; (d) expense account and other allowances; and (e) other distributions.

5. The instructions provide that organizations should ensure that salaries, pension plan contributions, and other employee benefits included on Lines 25a, 25b, or 25c are excluded from Lines 26, 27, and 28.

XI. Family and Business Relationships of Officers, Directors, Trustees, and Key Employees, Highest Paid Employees, and Highest Paid Independent Contractors

A. Consistent with previous IRS guidance, the definition of “family” and “business” relationships used for reporting other loans and notes receivable (Form 990, Line 51) should be used in completing Form 990, Part V-A, Line 75b.

XII. Other Changes

A. Expenses Paid for Government Officials - Organizations must separately report travel and entertainment expenses paid for federal, state and local government officials and their family members as an other expense (Form 990, Part II, Line 43).

B. Reporting of Investments - The balance of investments in securities must be separated between publicly traded securities and other securities on the balance sheet. (Part IV, Balance Sheets, Lines 54a and b)

C. Reporting Changes in Activities - This disclosure has been broadened and asks whether the organization changed its activities or methods of conducting such activities during the past three years that were not previously reported to the IRS. (Part VI, Line 76)

D. Prohibited Tax Shelter Transactions - Organizations must report whether they were a party to a prohibited tax shelter transaction (as provided under IRC § 4965). (Part VI, Line 89e)

E. Conservation Easements - Organizations receiving or holding conservation easements must attach a detailed statement, including the number, size, and type of such easements. (Schedule A, Line 3c)

G. Calculation of Public Support - The instructions have been modified to include the modifications to the definition of gross investment income for organizations certifying their public charity status under IRC § 509(a)(2).

XIII. Excess Benefit Transactions (EBT)

A. Definition of Excess Benefit Transaction:

The amount by which the value of the economic benefit provided by the tax-exempt organization directly to a disqualified person exceeds the value of the consideration received

B. An EBT is reported on a 990 return or in a schedule or statement attached to the return if it is **disclosed in a manner sufficient to apprise the IRS of the existence and nature** of the EBT with a disqualified person (DP) or organization manager(OM). Regs. § 301.6501(e)-1(c)(3)(ii); Rev. Rul. 69-247, 1969-1 C.B. 303.

C. Definition of disqualified person:

1. Family members.
2. Thirty-five percent controlled entities.
3. Stockholdings.
4. Profits or beneficial interest.
5. Persons having substantial influence.
6. Voting members of the governing body.
    a) Presidents, chief executive officers, or chief operating officers.
    b) Treasurers and chief financial officers.
7. Persons with a material financial interest

D. Definition of an organization manager is, with respect to any applicable tax-exempt organization, any officer, director, or trustee of such organization, or any individual having powers or responsibilities similar to those of officers, directors, or trustees of the organization, regardless of title. A person is an officer of an organization if that person —

E. Section 4958 imposes excise taxes on each excess benefit transaction

1. A disqualified person who receives an excess benefit from an excess benefit transaction is liable for payment of a section 4958(a)(1) excise tax equal to 25 percent of the excess benefit. If an initial tax is imposed by section 4958(a)(1) on an excess benefit transaction and the transaction is not corrected (as defined in section 4958(f)(6) and §53.4958-7) within the taxable period, then any disqualified person who received an excess benefit from the excess benefit transaction on which the initial tax was imposed is liable for an additional tax of 200 percent of the excess benefit.
2. An organization manager, who participates in an excess benefit transaction, knowing that it was such a transaction, is liable for payment of a section 4958(a)(2) excise tax equal to 10 percent of the excess benefit, unless the participation was not willful and was due to reasonable cause. If an organization manager also receives an excess benefit from an excess benefit transaction, the manager may be liable for both taxes imposed by section 4958(a).

F. Correction Period

1. An EBT is corrected by undoing the excess benefit to the extent possible and taking any additional measures necessary to place the applicable tax-exempt organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. (IRC § 4958(f) (6); Regs. § 53.4958-7(a)).

2. Generally, correction must be made in cash or cash equivalents, or, if the organization consents, return of the specific property involved in the EBT (Reg. 53.4958-7(b)).

3. The anti-abuse rule under Reg. 53.4958-7(b)(2) **prohibits the substitution of other property as correction.**

Note: An EBT may result in a DP or EO income tax liability.
An EBT may result in an EO Employment Tax liability

XIV. Filing Requirement Changes

A. F990 EZ & Donor Advice Funds

1. Must file Form 990; cannot file Form 990EZ

B. Supporting Organizations

1. Mandatory filing of Form 990, even if its gross receipts are normally $25,000 or less.

C. Form 990-N, Electronic Notice (e-Postcard) for Small Tax-Exempt

Organizations Not required to File Form 990 or 990-EZ

1. First e-Postcards are due in calendar year 2008
2. Any organization that fails to meet its annual reporting requirement for three consecutive years automatically loses its tax-exempt status under the new law
3. e-Postcard requires small organizations to provide:
    a. Legal name
    b. Mailing address
    c. Other names used
    d. Web address

-10-

e. Name and address of a principal officer

f. Statement confirming the organization's annual gross receipts are normally $25,000 or less.

g. An organization's gross receipts are normally ≤ $25,000 (submit e-card) if it is:

   a. Less than 1 year old and received ≤ $37,500

   b. Up to 3 years old and received ≤ $30,000 per year

   c. 3 years or older and received ≤ $25,000 per year

Form **990**

Department of the Treasury
Internal Revenue Service (77)

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)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

20XX

Open to Public Inspection

A For the 20XX calendar year, or tax year beginning , 20XX, and ending , 20

B Check if applicable:
☐ Address change
☐ Name change
☐ Initial return
☐ Termination
☐ Amended return
☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization

Number and street (or P.O. box if mail is not delivered to street address) | Room/suite

City or town, state or country, and ZIP + 4

D Employer identification number

E Telephone number ( )

F Name and address of Principal Officer:

G Website: ▶

H Enter amount of gross receipts $

I Accounting method: ☐ Cash ☐ Accrual ☐ Other ▶

J Books
In care of
Located at
Telephone number ( )

K Organization type (check only one) ▶ ☐ 501(c) ( ) ◄ (insert no.) ☐ 4947(a)(1) or ☐ 527

L Year of Formation:

M State of legal domicile ▶

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission:

2 List the organization's three most significant activities and the activity codes (Part IX):
a Code b Code c Code

3	Enter the number of members of the governing body (Part III, line 1a)	3	
4	Enter the number of independent members of the governing body (Part III, line 1b)	4	
5	Enter the total number of employees (Part VIII, line 9a)	5	
6	Enter the number of individuals receiving compensation in excess of $100,000 (Part II, line 2)	6	
7	Enter the highest compensation amount reported on Part II, Section A (sum of columns D and E)	7	
8a	Enter officer, director, trustee, and other key employee compensation (Part V, line 5, column (B))	8a	
b	Divide line 8a by line 17 %		
9a	Enter total gross unrelated business revenue from Part IV, line 14, column (C)	9a	
b	Enter net unrelated business taxable income from Form 990-T, line 34	b	

10 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its assets and attach Schedule N.

			Amount	% of Total
Revenues	11	Contributions and grants (Part IV, line 1g, column (A))		
	12	Program service revenue (Part IV, line 2g, column (A))		
	13	Membership dues and assessments (Part IV, line 3, column (A))		
	14	Investment income (Part IV lines 4, 5, 6, 8, 10d)		
	15	Other revenue (Part IV, lines, 3, 7, 9d, 11c, 12c, and 13e, column (A))		
	16	Total revenue add lines 11 through 15 (must equal Part IV, line 14, column (A))		100%
Expenses	17	Program service expense (Part V, line 24, column (B))		
	18	Management and general expenses (Part V, line 24, column (C))		
	19a	Fundraising expenses (Part V, line 24, column (D))		
	19b	Percentage of contributions (divide line 19a by line 11) %		
	20	Total expenses (must equal Part V, line 24, column (A))		100%
	21	Net income (line 16 minus line 20)		

			Beginning of Year	End of Year
Net Assets or Fund Balance	22	Total assets (Part VI, line 17)		
	23	Total liabilities (Part VI, line 27)		
	24a	Net assets or fund balances line 22 minus line 23		
	24b	Total expenses (line 20) as percentage of net assets (line 24a) %)		

Gaming & Fundraising		(i) Gross Revenue	(ii) Expenses	(iii) Net to organization	(iv) Divide column (iii) by column (i)
25	Gaming	(Schedule G, Part III, line 1 column (d))	(Schedule G, Part III, line 7)	(Schedule G, Part III, line 8)	%
26	Fundraising (other than gaming)	(Schedule G, Part I, line 1b column (iii) total)	(Schedule G, Part I, line 1b column (iv) total)	(Schedule G, Part I, line 1b column (v) total)	%

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form **990** (20XX)

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Part II Compensation and Other Financial Arrangements with Officers, Directors,Trustees, Key Employees, Highly Compensated Employees, and Independent Contractors

Section A Complete this table for all persons required to be listed. Attach additional pages as needed.

1a* List all of the organization's current officers, directors, trustees (whether individuals or organizations) and key employees regardless of amount of compensation. Enter -0- if no compensation was paid.

* List the organization's five highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation of more than $100,000 from the organization and any related organizations.

* List all of the organization's **former** officers, key employees or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.

* List all of the organization's **former** directors or trustees that received, in their capacity as a former director or trustee of the organization, more than $10,000 in reportable compensation from the organization and any related organizations.

(A) Name, City, and State of Residence	(B) Position (check all that apply) Individual Trustee or Director	Institutional Trustee	CEO or Executive Director	CFO or Treasurer	Other Officer	Key Employee	Other	Former	(C) Check box if full-time officer or employee	(D) Reportable compensation from the organization	(E) Reportable compensation from related organizations	(F) Aggregate loans and other amounts owed to the organization	(G) Aggregate loans and other amounts owed to related organizations
1b Total													

2 Total number of individuals who received more than $100,000 in reportable compensation from the organization

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Part II (Continued)

Section B

		Yes	No
3	For the CEO, Executive Director, Treasurer, and CFO listed in Section A, did the process for determining compensation include a review and approval by independent members of the governing body, comparability data, and contemporaneous substantiation of the deliberation and decision?		
4	Did any current officer or employee listed in Section A earn or accrue more than $100,000 of non-qualified deferred compensation?		
5	During the tax year, did any person who is or was an officer, director, trustee, or key employee within the past 5 years:		
a	Have a family relationship with any other person listed in Section A?		
b	Have a business relationship with any other person listed in Section A?		
c	Have a business relationship with the organization (other than as an officer, director, trustee, or employee) directly or indirectly through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Section A)?		
d	Have a business relationship with the organization (other than as an officer, director, trustee, or employee) indirectly through a family member?		
e	Serve as an officer, director, trustee, key employee, partner or member of an entity (or a shareholder of a professional corporation), doing business with the organization?		

f Complete this table if the organization answered "Yes" to any of lines 5a–5e (for lines 5a and b, complete columns (i)–(iii) only).

(i) Name of Current or Former Officer, Director, Trustee, or Key Employee	**(ii)** Name of Individual or Entity	**(iii)** Relationship	**(iv)** Description of transaction	**(v)** Based on sharing of revenue or net earnings of organization? (Y/N)	**(vi)** Amount of the transaction

		Yes	No
6	Did the organization list any **former** officers, directors, trustees, key employees, or highest compensated employees in Section A? If yes, complete Schedule J		
7	For any individual listed in Section A, is the sum of columns (D) and (E) greater than $150,000? If yes, complete Schedule J		
8	Did any individual listed in Section A receive or accrue more than $250,000 of reportable or other compensation including deferred compensation, nontaxable fringe benefits and expense reimbursements? If yes, complete Schedule J		
9	Did any person listed in Section A receive or accrue compensation from any source other than the organization or a related organization for services rendered to the organization? If yes, complete Schedule J		

10a List the top five independent contractors that received more than $100,000 of compensation from the organization. Exclude those included in 5f.

(A) Name, City, and State of Residence	(B) Description of Services Provided	(C) Compensation

10b Total number of independent contractors (including those in 10a) that received more than $100,000 in compensation from the organization

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Part III Statements Regarding Governance, Management, and Financial Reporting

			Yes	No
1a	Enter the number of members of the governing body 1a			
b	Enter the number of independent members of the governing body 1b			
2	Did the organization make any significant changes to its organizing or governing documents? If "Yes", briefly describe these changes.	2		
3a	Does the organization have a written conflict of interest policy?	3a		
b	If "Yes," how many transactions did the organization review under this policy and related procedures during the year? 3b			
4	Does the organization have a written whistleblower policy?	4		
5	Does the organization have a written document retention and destruction policy?	5		
6	Does the organization contemporaneously document the meetings of the governing body and related committees through the preparation of minutes or other similar documentation?	6		
7a	Does the organization have local chapters, branches or affiliates?	7a		
b	If yes, does the organization have written policies and procedures governing the activities of such chapters, affiliates and branches to ensure their operations are consistent with the organization's?	7b		
8	Does an officer, director, trustee, employee or volunteer prepare the organization's financial statements? Indicate whether an independent accountant provides any of the following services: Compilation ☐ Review ☐ Audit ☐	8		
9	Does the organization have an audit committee?	9		
10	Did the organization's governing body review this Form 990 before it was filed?	10		

11 How do you make the following available to the public? Check all that apply.

Organizing/Governing Documents	☐ n/a	☐ website	☐ other website	☐ office	☐ other	________
Conflict of Interest Policy	☐ n/a	☐ website	☐ other website	☐ office	☐ other	________
Form 990	☐ n/a	☐ website	☐ other website	☐ office	☐ other	________
Form 990-T	☐ n/a	☐ website	☐ other website	☐ office	☐ other	________
Financial Statements	☐ n/a	☐ website	☐ other website	☐ office	☐ other	________
Audit Report	☐ n/a	☐ website	☐ other website	☐ office	☐ other	________

12 List the states with which a copy of this return is filed:

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Part IV Statement of Revenue

Section	Line		(A) Total Revenue	(B) Related or Exempt Function Revenue	(C) Unrelated Business Revenue	(D) Revenue Excluded From Tax under IRC 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . . . 1a ______				
	b	Outside fundraising or commercial co-ventures 1b ______				
	c	Fundraising events . . . . 1c ______				
	d	Related organizations . . . . 1d ______				
	e	Government grants (contributions) . . . . 1e ______				
	f	All other contributions, gifts, grants, and similar amounts not included above . . . . 1f ______				
	g	Noncash $ ________ Attach Schedule M.				
	h	**Total.** . . . . ▶				
Program Service Revenue		Business Code				
	2a	Medicare/Medicaid payments				
	b	Fees and contracts from government agencies . . .				
	c	Revenue from related investments				
	d	....				
	e	....				
	f	....				
	g	**Total** . . . . ▶ $				
Other Revenue	3	Membership dues and assessments . . . . ▶				
	4	Interest on savings and temporary cash investments . . . . . . ▶				
	5	Dividends and interest from securities . . . . ▶				
	6	Income from investment of tax-exempt bond proceeds . . ▶				
	7	Royalties . . . . ▶				
	8	Other investment income . . . . ▶				
		(i) Real / (ii) Personal				
	9a	Gross Rents				
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss) . . . . ▶				
		(i) Securities / (ii) Other				
	10a	Gross amount of sales of assets other than inventory				
	b	Less: Cost or other basis and sales expenses				
	c	Gain or (loss)				
	d	Net gain or (loss) from investments. *Combine line 10c, columns (i) and (ii)* . . . . ▶				
	11a	Gross income from fundraising events (not including $ ________ of contributions reported on line 1c). *Attach Schedule G if total exceeds $10,000. If any amount is from gaming, check here* . . . . ☐ a				
	b	Less direct expenses . . . . b				
	c	Net income from fundraising events . . . . ▶				
	12a	Gross sales of inventory, less returns and allowances . . . . a				
	b	Less cost of goods sold . . . . b				
	c	Net income or loss from sales of inventory				
		Miscellaneous Revenue / Business Code				
	13a	....				
	b	....				
	c	....				
	d	....				
	e	**Total** . . . . $ ________				
	14	**Total Revenue.** Add lines 1g, 2g, 3–8, 9d, 10d, 11c, 12c, and 13c.				

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Part V Statement of Functional Expense

501(c)(3) and (4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 9b, 10b, 11b, and 12b of Part IV.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants to governments and organizations in the U.S. Complete Parts I and III of Schedule I if total exceeds $5,000				
2 Grants and other assistance to individuals in the U.S. Complete Parts II and III of Schedule I if total exceeds $5,000				
3 Grants and other assistance to governments, organizations and individuals outside the U.S.				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages				
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes				
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting				
d Lobbying				
e Professional fundraising (Complete Schedule G if total exceeds $10,000)				
f Investment management fees				
g Other				
12 Advertising				
13 Office expenses				
14 Information technology				
15 Royalties				
16 Occupancy				
17 Travel				
18 Payments of travel or entertainment expenses for any Federal, state or local public officials				
19 Conferences, conventions and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization				
23 Other expenses—Itemize expenses not covered above (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 24 below				
a				
b				
c				
d				
e				
f				
24 **Total.** Functional expenses. Add lines 1 through 23f				

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Part VI Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1 Cash—non-interest-bearing			1	
	2 Savings and temporary cash investments			2	
	3 Pledges and grants receivable, net			3	
	4 Accounts receivable, net			4	
	5 Receivables from current officers, directors, trustees, key employees or other related parties. Complete Schedule L			5	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Schedule L			6	
	7 Notes and loans receivable, net			7	
	8 Inventories for sale or use			8	
	9 Prepaid expenses and deferred charges			9	
	10 Investments—publicly-traded securities ▶			10	
	11 Investments—other securities. Complete Part I of Schedule D ▶			11	
	12a Investments-Land, buildings, and equipment: Cost basis. Complete Part II, Schedule D	12a			
	12b Less accumulated depreciation	12b		12c	
	13 Investments—other. Complete Part III of Schedule D			13	
	14 Investments-Program Related. Complete Part IV of Schedule D			14	
	15a Program Related-land, buildings, and equipment: cost basis. Complete Part V of Schedule D	15a			
	15b Less: accumulated depreciation	15b		15c	
	16 Other assets. Complete Part VI of Schedule D			16	
	17 **Total assets.** Add Columns A and B, lines 1 through 16 (must equal line 35)			17	
Liabilities	18 Accounts payable and accrued expenses			18	
	19 Grants payable			19	
	20 Deferred revenue			20	
	21 Tax-exempt bond liabilities. Complete Schedule K			21	
	22 Escrow account liability			22	
	23 Payable to current and former officers, directors, trustees, or key employees (attach Schedule L)			23	
	24 Mortgages and notes payable to unrelated third parties secured by:				
	a Investment property shown on lines 10, 11, 13, and 14			24a	
	b Land, building, and equipment shown on lines 12 and 15			24b	
	25 Unsecured notes and loans payable			25	
	26 Other liabilities. Complete Part VII of Schedule D			26	
	27 **Total liabilities.** Add lines 18 through 26			27	
Net Assets or Fund Balances	**Organizations that follow SFAS 117, check here ▶☐ and complete lines 28 through 30, and lines 34 and 35**				
	28 Unrestricted net assets			28	
	29 Temporarily restricted net assets			29	
	30 Permanently restricted net assets			30	
	Organizations that do not follow SFAS 117, check here ▶☐ and complete lines 31 through 35.				
	31 Capital stock or trust principal, or current funds			31	
	32 Paid-in or capital surplus, or land, building or equipment fund			32	
	33 Retained earnings, endowment, accumulated income, or other funds			33	
	34 Total net assets or fund balances			34	
	35 Total liabilities and net assets/fund balances			35	

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Part VII Statements Regarding General Activities

		Line	Yes	No
1	Did the organization conduct any of the following outside the U.S.?	1		
a	grantmaking, fundraising, trade, business, or program service activities?	1a		
b	maintain an office, employees or agents?	1b		
c	maintain an interest in, or signature or other authority, over a financial account *If "yes" to any of these questions, complete Schedule F.*	1c		
2	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If yes, complete Part VIII of Schedule D and Schedule M	2		
3	Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services? If "yes", complete part XI of Schedule D.	3		
4	Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "yes", complete Part IX of Schedule D and Schedule M	4		
5	Did the organization maintain collections of works of art, historical treasures, or other similar assets for public exhibition, education, or research in furtherance of public service rather than financial gain?. If "yes", complete part X of Schedule D.	5		
6a	Did the organization have any tax-exempt bonds outstanding at any time during the year? If yes, answer 6b–6d and complete Schedule K. If no, go to question 7.	6a		
6b	Did the organization invest any net proceeds of tax-exempt bonds beyond a temporary period exception?	6b		
6c	Did the organization maintain an escrow account other than an advance refunding escrow at any time during the year to defease any tax-exempt bonds?	6c		
6d	Did the organization act as an "on behalf of issuer" for bonds outstanding at any time during the year?	6d		
7	At any time during the year,			
a	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations section 301.7701-2 and 301.7701-3? If yes, attach Schedule R	7a		
b	Was the organization related to any tax-exempt or taxable entity? If yes, attach Schedule R	7b		
8a	During the tax year, did the filing organization conduct all or a substantial part of its exempt activities through or using a partnership, LLC, or corporation?	8a		
b	If yes, identify below the name and primary activity of such partnership, LLC, or corporation in which the filing organization's ownership or control was 50% or less (attach additional pages if necessary):			

Name	Primary Activity	Ownership %	Type of Entity

		Line	Yes	No
c	Is the organization a partner in a partnership, member of an LLC, or shareholder of a corporation that was managed by a company that was controlled by taxable partners, members or shareholders?	8c		
9	Did the organization operate, or maintain a facility to provide hospital or medical care? If yes, complete Schedule H	9		
10	Is the organization a school as described in section 170(b)(1)(A)(ii)? If yes, complete Schedule E	10		
11	Does the organization have a written policy or procedure to review the organization's investments or participation in disregarded entities, joint ventures, or other affiliated organizations (exempt or non-exempt)?	11		
12	Does the organization have a written policy that requires the organization to safeguard its exempt status with respect to its transactions and arrangements with related organizations?	12		
13	Is the organization filing Form 990 in lieu of Form 1041?. Enter the amount of tax exempt interest received or accrued during the year ▶ ______	13		
14	*501(c)(7) Organizations.* Enter:			
a	Initiation fees and capital contributions included on Part IV, line 14 — 14a			
b	Gross receipts, included on Part IV, line 14, for public use of club facilities — 14b			
15	*501(c)(12) Organization.* Enter:	15		
a	Gross income from members or shareholders — 15a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them). — 15b			
16	Does the organization hold assets in term or permanent endowments? If yes, complete Schedule D, Part XII	16		
17	Is the organization required to attach Schedule B, Schedule of Contributors?	17		

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Part VIII Statements Regarding Other IRS Filings

		Line	Yes	No
1	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If"Yes", complete Schedule C, Political Campaign and Lobbying Activities.	1		
2	Did the organization engage in lobbying activities? If "Yes", complete Schedule C.	2		
3a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	3a		
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	3b		
c	If "yes" to 3a, did the organization file Form 8886-T, *Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?*	3c		
4a	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	4a		
b	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	4b		
5a	*501(c)(3) and 501(c)(4) Organizations.* Did the organization engage in an excess benefit transaction with a disqualified person during the year?	5a		
b	Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person during a prior year?	5b		
c	If "Yes," complete the table below.			

Name of Disqualified Person	Description of Transaction	Corrected? (Y/N)

		Line	Yes	No
d	Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 — 5d			
e	Enter the amount of tax on line 5d reimbursed by the organization — 5e			
6	*501(c)(3) supporting organizations and sponsoring organizations maintaining donor advised funds.* Did the supporting organizations, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	6		
7	*501(c)(3) and other sponsoring organizations maintaining donor advised funds.*			
a	Did the organization make any taxable distributions under section 4966?	7a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	7b		
8a	Did the organization have unrelated business gross income of $1000 or more during the year covered by this return?	8a		
b	If "Yes," has it filed a Form 990-T for this year?	8b		
9a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return — 9a			
b	If at least one, did the organization file all required employment tax returns?	9b		
10a	Did the organization provide Forms 1099 as required?	10a		
b	If "Yes", indicate the number filed — 10b			
11a	Did the organization provide goods or services in exchange for any contribution of $75 or more?	11a		
b	If "Yes", did the organization notify the donor of the value of the goods or services provided?	11b		
12a	Did the organization solicit any contributions that were not tax deductible?	12a		
b	If "Yes", did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	12b		
13a	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it filed Form 8282?	13a		
b	If "Yes", how many Forms 8282 did the organization file during the tax year? — 13b			
14	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?	14		

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Part IX Statement of Program Service Accomplishments (See the instructions.)

1 Did the organization make any significant changes in its activities or methods of conducting activities? ☐ Yes ☐ No
If "Yes," describe these changes.

2 Describe the organization's most significant program service accomplishment for the year:

**Total must equal Part V, line 24, column (B)	(A) Direct Revenue*	(B) Program Service Expenses** Required for 501(c)(3)and (4) orgs. and 4947 (a)(1) trusts; optional for others
3a Activity Code: (Grants and allocations $)		
b Activity Code: (Grants and allocations $)		
c Activity Code: (Grants and allocations $)		
d Other program services (attach schedule) (Grants and allocations $)		
e Total		

Part X Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here
Signature of officer Date
Type or print name and title

Paid Preparer's Use Only
Preparer's signature Date Check if self-employed ▶ ☐ Preparer's SSN or PTIN (See Gen. Inst.)
Firm's name (or yours if self-employed), address, and ZIP + 4 EIN ▶ Phone no. ▶ ( )

Third party designee Do you want to allow another person to discuss this return with the IRS? ☐ **Yes.** Complete the following. ☐ **No**
Designee's name ▶ Phone no. ▶ ( ) Personal identification number (PIN) ▶

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Internal Revenue Service
Tax-Exempt & Government Entities Division
Exempt Organizations

Background Paper
Redesigned Draft Form 990

The IRS has released for public comment a discussion draft of a redesigned Form 990, Return of Organizations Exempt from Income Tax, filed by many public charities and other exempt organizations. Links to the draft form, draft instructions, and IRS news release are contained at the end of this document. The discussion draft constitutes a significant redesign of the form, which has been revised only on a piecemeal basis since 1979. The IRS anticipates using the form for the 2008 tax year (returns filed in 2009). The proposed redesign does not affect the other forms in the IRS Form 990 series; however, through this process, we are requesting comments on filing thresholds with respect to some of these forms.

Questions concerning the redesigned form and instructions should be:
- e-mailed to the IRS at Form990Revision@irs.gov or
- mailed to the IRS at:
  Form 990 Redesign, SE:T:EO
  1111 Constitution Avenue, NW
  Washington, DC 20224.

Comments are due no later than September 14, 2007.

Current Users of the Form 990

The Form 990 is used by the IRS as the primary tax compliance tool for tax-exempt organizations. In addition, most states rely on the Form 990 to perform charitable and other regulatory oversight, and to satisfy state income tax filing requirements for organizations claiming exemption from state income tax. The Form 990 is a public document that is made available by filing organizations, the IRS, and others. It is the key transparency tool relied on by the public, state regulators, the media, researchers, and policymakers to obtain information about the tax-exempt sector and individual organizations.

Background and Sector Demographics of the Tax-Exempt Sector

Approximately 1.3 million public charities or other types of non-charitable exempt organizations are included in the IRS master file. This consists of public charities (not including churches), non-charitable tax-exempt organizations, and private foundations. For tax year 2004, the most recent year for which complete data is available, the IRS received 364,601 Forms 990 and 142,269 Forms 990-EZ, for a total of 506,870 returns. (Many small organizations did not have a filing requirement.)

The tax-exempt sector is diverse as to size and types of organizations and sources of revenues. Small organizations make up the largest percentage of the number of tax-exempt organizations, but they account for a relatively small percentage of the total assets and annual revenues of the exempt sector. For example, of all public charities that file annual returns with the IRS, the largest 1% of public charities holds 61% of the assets and derives 66% of the revenues.

This disproportionate allocation of assets and revenues across the various sizes of organizations, the large concentration of assets and revenues in the hospital and education sub-sectors, and the reliance on fee-for-service revenues and investment earnings to fund operations, are important considerations in designing an effective and efficient information reporting system.

Reasons for Redesign and Guiding Principles

Since the Form 990's last redesign in 1979, the tax-exempt sector has undergone tremendous growth and experienced significant change in virtually all aspects of operations.

The current Form 990 has not kept pace with changes in the sector and the law. Because of its history of ad hoc revisions, the current form neither adequately describes the filing organization nor provides a basis for comparing an organization with its peers. Some of the most common complaints regarding the current Form 990 include (1) the questions and instructions often are unclear; (2) some questions are not applicable to all organizations required to file the form; (3) many of the questions and parts are not arranged in a logical sequence; and (4) the form fails to provide a complete picture of the reporting organization.

The redesign of Form 990 is based on three guiding principles: enhancing transparency, promoting tax compliance, and minimizing the burden on the filing organization.

- Enhancing transparency means providing the IRS and its stakeholders with a realistic picture of the organization and its operations, along with the basis for comparing the organization to similar organizations.
- Promoting compliance means the form must accurately reflect the organization's operations and use of assets, so the IRS may efficiently assess the risk of noncompliance.
- Minimizing the burden on filing organizations means asking questions in a manner that makes it relatively easy to fill out the form, and that do not impose unwarranted additional recordkeeping or information gathering burdens to obtain and substantiate the reported information.

Summary of the Revised Core Form

The redesigned Form 990 consists of a 10-page core form, including a summary page at the beginning, to be completed by each Form 990 filer. In addition, an organization may be required, depending upon its type and activities, to complete one or more schedules.

Part I, the Summary page provides the organization's identifying information and a snapshot of the organization's key financial, compensation, governance, and operational information. By looking at the summary page, users will find a breakdown of the organization's revenues, expenses, assets, liabilities, and net assets, to quickly see the size and key financial measures of the organization. In addition, the summary page highlights certain items, such as the percentage of net assets currently expended in operations, and various fundraising measures, such as fundraising expenses as a percentage of the organization's total contributions or total expenses. Items reported in the Part I Summary are derived from information provided elsewhere in the form.

Part II of the core form requires the organization to report information about compensation of officers, directors, trustees, and certain other employees. As is the case with the current Form 990, an organization must list each officer, director, trustee, or key employee of the organization, regardless of compensation amount. The redesigned core departs from the current form, however, by requiring the reporting of compensation based on Form W-2 reporting for employees, and Form 1099 reporting for directors and other independent contractors. As is the case with the current form, compensation paid by related organizations must be reported separately. The core compensation form reduces the reporting burden for most organizations by asking for summary (a single W-2 or 1099 amount), rather than detailed, information about the various components of an individual's compensation. We estimate that less than 5% of filers will be required to complete Schedule J, Supplemental Compensation Information, to break down the reporting of an individual's executive compensation into multiple components, including regular wages and salary, incentive compensation, deferred compensation, fringe benefits and expense allowances or reimbursements.

Part III of the core form requires each organization to provide certain information regarding the composition of its board or governing body, certain of its governance and financial statement practices, and the means by which the organization is accountable to the public by making certain governance information publicly available. Good governance and accountability practices provide safeguards that the organization's assets will be used consistently with its exempt purposes, a critical tax compliance consideration, especially with respect to organizations that are subject to private benefit, excess benefit, and private inurement prohibitions. In our view and experience, a well managed organization is likely to be a tax compliant organization.

Parts IV, V, and VI of the core form generally follow the current form's layout for reporting of revenues, expenses, and balance sheet items. One proposed major change places all the required supplemental financial information from Parts I, VII and VIII of the 2006 Form 990 into a separate schedule (see Schedule D discussion, below) and eliminates exclusion codes. The redesigned financial statement reporting requires additional reporting of actual and contingent federal tax liabilities, and other amounts that are not necessarily reported on an organization's balance sheet (such as museum collections, conservation easements, and escrows held for the benefit of others).

Parts VII and VIII of the core form contain questions about the general activities of the organization and its compliance with various IRS filing requirements. Many of the questions in Part VII serve as "trigger" questions for the various schedules an organization might be required to complete, depending upon its type and activities. Part VIII requests information about the organization's employment tax, excise tax, unrelated business income tax, and other filing obligations.

Part IX of the core form requires information on the program service and exempt function activities of the organization, and asks the organization to describe its most significant accomplishment for the year.

Summary of Potentially Applicable Schedules

The redesigned form's 15 schedules are designed to require reporting of information only from those organizations that conduct particular activities. A list of the schedules is contained in Appendix A. Certain schedules, such as Schedules A and B, generally will be completed only by public charities, as is the case with the current form. Most of the remaining schedules will be completed by only a small percentage of the organizations filing the core form. Nearly every organization will be required to complete at least one portion of Schedule D, Supplemental Financial Statements, similar to what is required presently. Based on our estimates, only 3 of the 15 schedules will be completed by more than 25% of the filing organizations, with 8 of the schedules to be completed by less than 10% of all filing organizations.

Comparison to Current Form 990 (2006) and Guiding Principles

The current Form 990 (2006) consists of a 9-page core and Schedules A and B. It contains 36 possible attachments, most of which request additional financial information by each type of filing organization. The redesigned form contains a core form of 10 pages (including the one page summary), and 15 potential schedules.

The redesigned form enhances transparency by asking additional questions and presenting the information in an improved manner. The summary page provides the user with the snapshot of key information without having to go beyond the first page.

The redesigned form promotes tax compliance by requiring an array of identifying information, allowing the IRS to pinpoint organizations that have particular characteristics of concern without burdening other organizations who do not share these characteristics. Compliance is also promoted by asking focused questions in certain problematic areas the IRS has observed, such as problems in compensation and fundraising.

Minimizing burden on the filing organizations was a critical consideration in redesigning the form. At first glance, it would appear that the redesigned form is much longer than the current form, as a simple comparison of the number of questions, schedules and pages is deceiving. The structure of the redesigned form, and the thresholds that trigger

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completion of a schedule, operate to minimize the reporting burden for most organizations. As Appendix B indicates, most organizations will be filing, at best, a handful of schedules. In addition, the revision continues the move away from allowing unstructured material (e.g., PDF files) to be filed with the form. In the context of electronic filing, such material presents technological and cost difficulties and in any event results in non-searchable data.

Most organizations will not experience a material change in burden, while those with complicated compensation arrangements, related entity structures, and activities that raise compliance concerns, may see an increase in the effort associated with providing the information required by the redesigned Form 990.

Request for Comments by September 14, 2007

The IRS is providing a 90-day comment period regarding the discussion draft. Comments are due September 14, 2007, and should be e-mailed to the IRS at Form990Revision@irs.gov. The IRS hopes to have the form ready for the 2008 tax year (i.e., forms filed in 2009). In order to reach this deadline, it is critical that comments be received within the comment period.

Notwithstanding the aggressive schedule, the IRS recognizes that some parts of the form will need modification after we receive input. Certain revisions will require changes in regulations or other guidance. The IRS specifically requests comments and suggestions regarding:

- other ways to minimize the reporting for the sector and for individual organizations, including electronic filing concerns;
- raising the Form 990 filing thresholds for certain organizations. For example, raising the current $25,000 annual gross receipts threshold to $50,000, and allowing these organizations to file a Form 990-N (a new annual electronic information notice for small organizations with annual gross receipts under $25,000) in lieu of the Form 990 or 990-EZ;
- whether certain portions of the discussion draft Form 990 can be used as a substitute for the current Form 990-EZ;
- the efficiency indicators contained on the summary page (lines 19b, 24b, 25 and 26);
- additional items regarding governance and management best practices (Part III of the core form);
- the reporting of community benefit by hospitals in Schedule H, and the extent to which the Catholic Health Association's reporting format on which Schedule H is largely based should be modified;
- defining relatedness for compensation and other purposes, including arrangements in joint ventures and with for-profit subsidiaries;
- whether transition periods are necessary in order to ease the burden of implementing the new reporting requirements for certain form components (such as the tax exempt bond schedule);
- whether adequate care has been given to privacy concerns; and
- whether the IRS should preclude group returns.

HIGHLIGHTS OF REDESIGNED FORM 990

The IRS has released for public comment a discussion draft of a redesigned Form 990, Return of Organizations Exempt from Income Tax, the form filed by many public charities and other exempt organizations. The draft form and instructions, as well as other key information, are available on the IRS Web site, IRS.gov/eo.

The IRS anticipates using the redesigned form for the 2008 tax year (returns filed in 2009). Questions and comments should be e-mailed to the IRS at Form990Revision@irs.gov or mailed to.

IRS
Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

Comments are due no later than September 14, 2007.

The redesign of Form 990, the first since 1979, is based on three guiding principles:

- Enhancing transparency to provide the IRS and the public with a realistic picture of the organization, along with the basis for comparison to other organizations.
- Promoting compliance by accurately reflecting the organization's operations so the IRS may efficiently assess the risk of noncompliance
- Minimizing the burden on filing organizations.

The redesigned Form 990 consists of a 10-page core form to be completed by each Form 990 filer. In addition, the redesigned form's 15 schedules are designed to require reporting of information only from those organizations that conduct particular activities.

Most organizations will not experience a material change in burden, while those with complicated compensation arrangements, related entity structures, and activities that raise compliance concerns, may see an increase in the effort required to provide information.

Among the highlights of the new form are the following:

- A summary page providing the organization's identifying information and a snapshot of the organization's key financial, compensation, governance, and operational information.
- A portion of the form requiring governance information including the composition of the board, and certain other governance and financial statement practices.
- Schedules that will focus reporting on certain areas of interest to the public and the IRS: fundraising, compensation, hospitals, tax exempt bonds and non-cash charitable contributions.

SCHEDULE J
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highly Compensated Employees
To be completed by organizations that answered "Yes" to any of lines 6 through 9 on Form 990, Part II-Section B

OMB No. 1545-XXXX
20XX
Open to Public Inspection

Name of filing organization | **Employer identification number**

Draft as of 06/14/2007

1 Officers, Directors, Trustees, Key Employees, and Highly Compensated Employees
Report compensation from the organization and other organizations described in the instructions. Do not list any individuals that are not listed on Form 990, Part III.

(A) Name	**(B)** Breakdown of W-2 or 1099-MISC Compensation: **(i)** Base Compensation ($)	**(ii)** Bonus & Incentive Compensation ($)	**(iii)** Severance or Change of Control ($)	**(iv)** Other Compensation ($)	**(v)** Total of Columns **(i)** through **(iv)** ($)	**(C)** Nonqualified Deferred Compensation ($)	**(D)** Nontaxable Benefits ($)	**(E)** Nontaxable Expense Reimbursements ($)	**(F)** Total of Columns **(B)(v)** - **(E)** ($)	**(G)** Supplemental Nonqualified Retirement Plan (Y/N)	**(H)** Equity-Based Compensation (Y/N)

	Yes	No
2 Did the organization implement and follow a written policy regarding payment or reimbursement of travel and entertainment expenses incurred by officers, directors, trustees, or other employees?		
3 Did the organization pay or reimburse for first-class travel, club dues, or use of personal residence?		
4 For persons listed in Form 990, Part II-Section A, did the organization pay or accrue any compensation determined in whole or in part by the revenues of:		
a the organization?		
b any related organization?		
5 For persons listed in Form 990, Part II-Section A, did the organization pay or accrue any compensation determined in whole or in part by the net earnings of:		
a the organization?		
b any related organization?		
6 For persons listed in Form 990, Part II-Section A, did the organization provide any non-fixed payments not described in lines 4 and 5?		
7 **(501(c)(3) or (4) organizations only)** Were any amounts reported in Form 990, Part II paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)?		

For Paperwork Reduction Act Notice, see the Instructions for Form 990. Cat. No. 50053T **Schedule J (Form 990) 20XX**

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Internal Revenue Service
Tax-Exempt & Government Entities Division
Office of Exempt Organizations
Form 990 Redesign Project – Schedule J
June 14, 2007

Rationale

Schedule J is a new schedule that incorporates some compensation information from the 2006 Form 990. It attempts to bring consistency and enhanced transparency to the reporting of compensation for highly compensated individuals. While very detailed, the Service intends that it be completed only by those organizations with highly compensated individuals and particularly those individuals with complicated compensation arrangements. The instructions include a compensation template which guides organizations on where to report various types of compensation on the schedule. The Service requests comments on whether there are compensation issues or arrangements that should be further highlighted as part of (or excluded from) Schedule J or the Form 990.

Overview

- Schedule J must be completed for individuals listed in Form 990, Part II, Section A who
  - are former officers, directors, trustees, key or highest compensated employees;
  - have reportable compensation (Form W-2, Box 5; Form 1099, Box 7) in excess of $150,000 from the organization and any related organizations for the calendar year ending with or within the organization's fiscal year;
  - received or accrued more than $250,000 of reportable or other compensation, including deferred compensation, nontaxable fringe benefits and expense reimbursements from the organization and related organizations; or
  - who received or accrued compensation from any source, other than the organization, for services rendered to the organization.

- Excludes most qualified retirement plan amounts (contributions, accruals, earnings, distributions) from detailed reporting and from determining which persons must be listed on Schedule J.
- Schedule J is not required for individuals not listed in Form 990, Part II, Section A.
- Schedule J expands 3-part detail of compensation in 2006 Form 990 (compensation; contributions to employee benefit plans & deferred compensation plans; expense account and other allowances) into 7-part detail (reportable base compensation, bonus/incentive, severance, other; and non-reportable nonqualified deferred compensation, benefits, and expense reimbursements)
- Requires separate 7-part details for compensation from the organization and from related organizations

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- Contains new checkboxes for supplemental nonqualified retirement plan and equity-based compensation applicable to listed persons

20XX Instructions for Schedule J

Purpose of Form

Schedule J provides detailed compensation for certain officers, directors, trustees, key and highest compensated employees.

Who Must File

All organizations that answer "yes" to any of Lines 6 through 9 on Form 990, Part II must complete Schedule J, *Supplemental Compensation Information*.

TIP: See the worksheet at the end of these instructions for assistance in determining where to report various types of compensation for the Schedule J, line 1 table as well as Form 990, Part II.

Line 1: Compensation Detail of Officers, Directors, Trustees, Key Employees, and Highly Compensated Employees

Report on Line 1 compensation for the calendar year ending with or within the organization's tax year paid to or earned by the following individuals:

- All of the organization's former officers, directors, trustees, key employees, and highly compensated employees listed in Form 990, Part II, Section A;
- Current or former officers, directors, trustees key employees, and highest compensated employees for whom the sum of Form 990, Part II, Section A, Columns (D) and (E) is greater than $150,000;
- Current or former officers, directors, trustees, key employees, or highest compensated employees who received or accrued more than $250,000 (in the aggregate) of the following types of compensation from the filing organization and all related organizations: (1) reportable compensation (as defined for Part II, Section A), and (2) deferred compensation, nontaxable fringe benefits, and nontaxable expense reimbursements not included in reportable compensation; and
- Current or former officers, directors, trustees, key employees, or highest compensated employees who received or accrued compensation from any source other than the organization or a related organization for services rendered to the organization.

Do not list any individuals on Line 1 that are not listed on Form 990, Part II Section A. Do not list on Line 1 institutional trustees, management companies or other organizations providing services to the organization.

For each individual listed, report compensation on two rows: compensation from the organization on the first row, and compensation from all related organizations on the second row. If there is no compensation to report in a particular column, enter -0-. If the organization answered "yes" to Form 990, Part II, line 9, then such compensation from another source should be reported on Schedule J as if it were received directly from the organization.

Column (A). Name. State the name of each individual who must be listed in Schedule J, Line 1.

Column (B). Breakdown of W-2 and 1099-MISC Compensation.

Column (B)(i). Base Compensation. Report the listed person's base compensation that is included in Box 5 of Form W-2, or Box 7 of Form 1099-MISC, issued to the person.

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Base compensation typically means non-discretionary payments to a person agreed upon in advance, contingent only on the payee's performance of agreed-upon services (such as salary or fees).

Column (B)(ii). Bonus and Incentive Compensation. Report the listed person's bonus and incentive compensation that is included in Box 5 of Form W-2, or Box 7 of Form 1099-MISC, issued to the person. Bonus includes all discretionary payments based on satisfaction of a performance target that was not pre-established or communicated to the listed person, or the outcome of which is substantially certain. Bonus also includes certain amounts paid at the beginning of a contract before services are rendered (i.e., signing bonus). Incentive compensation that is required to be reported in Column (B)(ii) means all amounts that are paid during the year pursuant to incentive plans, regardless of whether such incentive plans are annual or long-term. An incentive plan is any plan providing compensation intended to serve as incentive for performance to occur over a specified period. An amount is considered to serve as an incentive for performance to occur over a specified period if the outcome with respect to the relevant performance target is substantially uncertain at the time the performance target is specified and the target is communicated to the listed person.

Column (B)(iii). Severance or Change of Control. Report payments to the listed person pursuant to severance or change-of-control arrangements that are included in Box 5 of Form W-2 or Box 7 of Form 1099-MISC issued to the person. A severance plan is a plan or arrangement in connection with termination of employment. A change-of-control plan is a plan or arrangement in connection with a change in the terms of employment, or termination (including constructive termination) of employment that occurs as a direct result of a change in control of the organization.

Column (B)(iv). Other Reportable Compensation. Report all other payments to the listed person, including current-year payments of amounts earned in a prior year, that are included in Box 5 of Form W-2, or Box 7 of Form 1099-MISC, issued to the person but not reflected in Columns (B)(i) through (B)(iii).

Column (B)(v). Total of Columns (B)(i)-(B)(iv). Add the amounts reported in Columns (B)(i) through (B)(iv) and report the total in Column (B)(v). The total in this column must correspond to the amount reported in Form 990, Part II, Table 1a, Column (D) (in the case of the organization).

Column (C). Nonqualified Deferred Compensation. Report all deferrals of compensation (plus earnings accrued on deferred amounts and/or increases in actuarial value, if any) for the listed person under a nonqualified plan or a nongovernmental section 457(b) plan established, sponsored, or maintained by or for the filing or a related organization that are not included in Box 5 of Form W-2, or Box 7 of Form 1099-MISC, issued to the person. Do not report in Column (C) any payments to a listed person of compensation that are included in Box 5 of Form W-2, or Box 7 of Form 1099-MISC, issued to the person. Report a reasonable estimate if actual numbers are not available.

For Form 990 reporting purposes, deferred compensation is compensation that is earned or accrued in, or is attributable to, one year and deferred to a future year for any reason, whether or not funded, vested or subject to a substantial risk of forfeiture. Nonqualified deferred compensation is compensation that is deferred pursuant to a nonqualified plan or a nongovernmental section 457(b) plan. (Note that different rules may apply for purposes of identifying arrangements subject to section 409A). Earned but unpaid incentive compensation may be deferred pursuant to a nonqualified deferred compensation plan. Do not report incentive compensation in Column (C) before it is earned. Incentive compensation is treated as earned in the year that the relevant specified performance criteria under the relevant incentive compensation plan are satisfied, whether or not payment is actually made in that year.

You must report deferred compensation for each of your listed persons in Schedule J regardless of whether such compensation is deferred as part of a deferred compensation plan that is administered by a separate trust, as long as the plan is established, sponsored, or maintained by or for your organization or a related organization for the benefit of your officers, directors, trustees or employees.

TIP: Qualified Retirement Plan Amounts. You are not required to report in Table 1 any employer contributions, investment earnings, distributions, benefit accruals, or other amounts that are attributable to a qualified retirement plan if such amounts are not reportable in Box 5 of Form W-2 or Box 7 of Form 1099-MISC. You may, but are not required to, explain by footnote that amounts reported in Column B may include amounts reported in Column (C) for a prior year.

Example 1. Executive participates in Organization A's nonqualified deferred compensation plan. Under the terms of the plan, she earns for each year of service an amount equal to 2% of her base salary of $100,000 for that year. These additional amounts are deferred and are not vested until Executive has completed three years of service with Organization A. For each of the years 1 through 3, Organization A must report $2,000 of deferred compensation in Column (C).

Example 2. Under the terms of his employment contract with Organization B, Executive is entitled to receive $50,000 of additional compensation after he has completed five years of service with the organization. The payment is contingent only on the longevity of service. One fifth ($10,000) of the total amount is attributable to each of the years 1 through 5, even though these amounts are not funded and are subject to a substantial risk of forfeiture until Executive has completed five years of service with Organization B. For each of the years 1 through 5, Organization B must report $10,000 of deferred compensation in Column (C).

Example 3. Executive participates in Organization C's incentive compensation plan. The plan covers years 1 through 5. Under the terms of the plan, Executive is entitled to earn 1% of Organization C's total productivity savings for each year during which Organization C's total productivity savings exceed $100,000. Earnings under the incentive compensation plan will be payable in year 6, to the extent funds are available in a certain "incentive compensation pool." For the years 1 and 2, Organization C's total productivity savings are $95,000. For each of the years 3, 4 and 5, Organization C's total productivity savings are $120,000. Accordingly, Executive earns $1,200 of incentive compensation in each of years 3, 4 and 5. She does not earn anything under the incentive compensation plan in years 1 and 2 because the relevant performance criteria were not met in those years. Although the amounts earned under the plan are not payable until year 6 and are subject to a substantial risk of forfeiture until year 6, Organization C must report $1,200 of deferred compensation in Column (C) for each of the years 3, 4 and 5.

Column (D). Nontaxable Fringe Benefits. Report the value of all fringe benefits (other than expense reimbursements or allowances for expenses incurred directly by the listed person) provided to the listed person that is not included in Box 5 of Form W-2, or Box 7 of Form 1099, issued to the person.

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Depending on the type of benefit, fringe benefits may be provided only to employees or also to persons other than employees, such as independent contractors, directors and trustees. Fringe benefits may be entirely personal in nature or they may combine personal and business elements. Nontaxable fringe benefits are benefits that are specifically excluded from taxation under the Internal Revenue Code, e.g., under IRC section 132 or 119. Section 132 fringe benefits include the following:

- No-additional cost service;
- Qualified employee discount;
- Working condition fringe;
- De minimis (minimal) fringe;
- Qualified transportation fringe;
- Qualified moving expense reimbursement;
- Qualified retirement planning services; and
- Qualified military base realignment and closure fringe.

See IRC section 132, Treas. Regs. § 1.132, Publication 15-B (*Employer's Guide to Fringe Benefits*), Publication 521 (*Moving Expenses*), and a chapter entitled *Unreimbursed Employee Expenses* in Publication 529 (*Miscellaneous Deductions)*, for explanation of section 132 fringe benefits and for determining whether a given section 132 fringe benefit is available to non-employees, such as directors and trustees, or to persons who no longer work for you.

The same type of fringe benefit (e.g., a company car) may be either taxable (e.g., if a company car is used for personal travel) or nontaxable (e.g., if the provision of the company car qualifies as a working condition fringe under the rules in section 132 and the accompanying regulations).

In some circumstances the following benefits may qualify as nontaxable:

- fair market value of nontaxable housing provided by the employer;
- transportation and travel expenses provided for business travel;
- meals and entertainment provided for business purposes;
- social club memberships provided for business purposes;
- health insurance;
- life insurance;
- disability benefits;
- long-term care insurance;
- dependent care assistance;
- adoption assistance;
- medical reimbursement programs;
- educational assistance.

The list above is not exclusive. The taxability of a benefit may depend upon the form in which it is provided. For example, a cash housing allowance may be reported in Form W-2, box 5; housing provided for the convenience of the employer may be excludable under section 119; and the fair rental value of in kind housing maybe part taxable and part excludable, depending upon facts and circumstances.

Column (E). Expense Reimbursements. Report the amount of all expense reimbursements and allowances provided for expenses incurred directly by the listed person that is not included in Box 5 of Form W-2 issued to the person.

Expense reimbursements and allowances that are not required to be included in Box 5 of Form W-2 are those made under an accountable plan. An accountable plan is a reimbursement or other expense allowance arrangement applicable to employees that meets the following rules:

(i) the expenses covered under the plan must be deductible employee business expenses,
(ii) the employee must adequately account to the employer for the expenses within a reasonable period of time, and
(iii) the employee must return any excess allowance or reimbursement within a reasonable period of time. See Treas. Regs. §1.62-2 and Publication 535 (*Business Expenses*), for explanation of accountable plans.

Note that the accountable plan rules do not apply to expense allowance payments made to non-employees, such as directors or trustees who are not also your employees. However, for purposes of the working condition fringe provisions of section 132, you may treat your directors or trustees as your employees. You may treat cash payments to your directors or trustees made under circumstances substantially identical to the accountable plan provisions as a section 132 working condition fringe. See Treas. Reg. § 1.132-5(a)(1)(v).

Column (F). Total of Columns (B)(v)-(E). Add the amounts reported in Columns (B)(v) through (E) and report the total in Column (F).

Column (G). Supplemental Nonqualified Retirement Plan. Answer yes if during the year the listed person participated in any supplemental nonqualified retirement plan established, sponsored, or maintained by or for the filing organization or a related organization. Provide a separate answer for your organization and related organizations. A supplemental nonqualified retirement plan is a nonqualified retirement plan that is not generally available to all employees but is available only to a certain class of management or highly compensated employees.

Column (H). Equity-Based Compensation. Answer yes if during the year the listed person received from your organization or a related organization any equity-based compensation (such as stock, stock options, stock appreciation rights, phantom stock, restricted stock, or shadow stock), or participated in any equity compensation plan sponsored by your organization or a related organization, whether the equity interest is in a partnership, limited liability company, or corporation. Provide a separate answer for your organization and related organizations.

Lines 2 through 7: Questions Regarding Compensation

Lines 2 through 7 pertain to all officers, directors, trustees and employees of the organization and not just the individuals listed on Line 1. You must complete Lines 2 through 7, however, only if you are required to complete Line 1 with respect to any individual.

Line 2. Answer yes if the organization implemented and followed a written policy regarding payment or reimbursement of travel and entertainment expenses of officers, directors, trustees or other employees.

Line 3. Answer yes if the organization during its tax year made any payment or reimbursement to its officers, directors, trustees, or other employees for first-class or chartered travel, club dues, or use of personal residence for business purposes.

Line 4(a). Answer yes if the organization paid or accrued with respect to any person listed in Form 990, Part II, Section A any compensation determined in whole or in part by the revenues of one or more activities of the organization.

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Line 4(b). Answer yes if the organization paid or accrued with respect to any person listed in Form 990, Part II, Section A any compensation determined in whole or in part by the revenues of one or more activities of any related organization.

Line 5(a). Answer yes if the organization paid or accrued with respect to any person listed in Form 990, Part II, Section A any compensation determined in whole or in part by the net earnings of one or more activities of the organization.

Line 5(b). Answer yes if the organization paid or accrued with respect to any person listed in Form 990, Part II, Section A any compensation determined in whole or in part by the net earnings of one or more activities of any related organization.

Line 6. Answer yes if the organization provided any non-fixed payments, not described on Lines 4 and 5, with respect to any person listed in Form 990, Part II, Section A. A fixed amount is an amount of cash or other property specified in the contract, or determined by a fixed formula specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property. A fixed formula may incorporate an amount that depends upon future specified events or contingencies, provided that no person exercises discretion when calculating the amount of a payment or deciding whether to make a payment (such as a bonus). Amounts paid or accrued with respect to any listed person that are not fixed amounts as defined above are non-fixed amounts. For example, any amount paid to a person under a reimbursement arrangement where discretion is exercised by any person with respect to the amount of expenses incurred or reimbursed is a non-fixed amount.

Exception: Amounts payable pursuant to a qualified pension, profit-sharing, or stock bonus plan under section 401(a), or pursuant to an employee benefit program that is subject to and satisfies coverage and nondiscrimination rules under the Code (e.g., sections 127 and 137), other than nondiscrimination rules under section 9802, are treated as fixed payments for purposes of this question, regardless of the organization's discretion with respect to the plan or program. The fact that a person contracting with the organization is expressly granted the choice whether to accept or reject any economic benefit is disregarded in determining whether the benefit constitutes a fixed payment for purposes of this question.

Line 7. If your organization is described in section 501(c)(3) or (4), answer yes if any amounts that were reported in Form 990, Part II were paid pursuant to a contract that was subject to the initial contract exception described in Regs. Section 53.4958-4(a)(3). Fixed payments made pursuant to an "initial contract" are not subject to section 4958 of the Code. An initial contract is a binding written contract between a tax-exempt organization described in section 501(c)(3) or (4) and a person who was not a disqualified person within the meaning of section 4958(f)(1) of the Code immediately prior to entering into the contract. See the instructions to Line 6, above, for the definition of fixed payments.

NOTE: The following template may be useful in determining where to report items of reportable compensation and deferred compensation, nontaxable fringe benefits, and nontaxable expense reimbursements not included in reportable compensation, on Schedule J and Part II, Section A of Form 990. The list is not comprehensive but covers most items for most organizations. Many items of compensation may or may not be taxable, depending on the plan or arrangement adopted by the organization and other circumstances. The list attempts to describe these varying facts and circumstances. The list is merely a guideline to report amounts for those persons required to be listed. In all cases, items included in Box 5 of Form W-2 (or Box 7 of Form 1099-MISC) are to be reported on Part II, Section A and Schedule J, Column B.

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Type of compensation	Where to report									
	Form 990 Part II, Section A, Col. D or E	Schedule J, line 1								
		B(i)	B(ii)	B(iii)	B(iv)	C	D	E	G	H
Base salary/wages/fees paid	x	x								
Base salary/wages/fees deferred (taxable)	x	x								
Base salary/wages/fees deferred (nontaxable)						X				
Bonus paid (including signing bonus)	x		x							
Bonus deferred (taxable)	x		x							
Bonus deferred (nontaxable)						X				
Incentive compensation paid	x		x							
Incentive compensation deferred (taxable)	x		x			X				
Incentive compensation deferred (nontaxable)						X				
Severance or change of control payments made	x			x						
Sick pay paid by employer	x				x					
Third party sick pay	x				x					
Other compensation amounts deferred (taxable)	x		x							
Other compensation amounts deferred (nontaxable)						X				
Tax gross-ups paid	x				x					
Vacation/sick leave cashed out	x				x					
Stock options (nonqualified) at time of grant						X				x
Stock options (nonqualified) at time of exercise	x				x					x
Stock options (qualified) at time of grant										x
Stock options (qualified) at time of exercise	x				x					x
Stock awards unrestricted	x				x					x
Stock awards restricted						X				x
Stock equivalents unrestricted	x				x					x
Stock equivalents restricted						X				x
Loans—forgone interest or debt forgiveness	x				x					
Contributions (employer) to qualified retirement plan										
Contributions (employee deferrals) to qualified retirement plan	x				x					
Qualified retirement plan benefit accruals										
Qualified retirement plan investment earnings										
Distributions from qualified retirement plan (reported on Form 1099-R)										

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Distributions from nongovernmental 457(b) plan	x				x					
Amounts includible in income under 457(f)	x				x					
Amounts deferred (plus earnings) under 457(b) plan (vested)	x				x					
Amounts deferred (plus earnings) under 457(b) plan (nonvested)						x				
Contributions to nonqualified retirement plans (vested)	x				x				x	
Contributions to nonqualified retirement plans (nonvested)						X			x	
Contributions to other nonqualified plans (vested)	x				x					
Contributions to other nonqualified plans (nonvested)						x				
Increase in earnings of nonqualified plan	x				x					
Cost of current insurance protection under compensatory split dollar life insurance arrangement	x				x					
Scholarships and fellowship grants (taxable)	x				x					

The following types of benefits are nontaxable fringe benefits to be reported in Schedule J, line 1, Column (D) if they meet the requirements of an accountable plan or other exclusion provision under section 132 or elsewhere in the Code; otherwise they constitute reportable compensation to be reported in Part II, Section A, Col. (D) or (E), and Schedule J, Column (B)(iv).

Health benefit plan premiums
Medical reimbursement and flexible spending programs
Other health benefits
Long term care insurance
Disability insurance
Life insurance – group term
Life insurance - other
Liability insurance
Housing provided by employer
Employer-provided auto
Use of other employer-provided property
Employer-subsidized parking
Other transportation
Travel
Moving
Meals
Entertainment
Health and social club dues
Dependent care assistance
Adoption assistance
Educational assistance
Cafeteria plans

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Spending accounts
Legal services
Financial services
Retirement services
Other services provided by employer

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SUMMARY OF SCHEDULES AND FILING PROFILE

Redesign Schedule	Topic	Current/New Item	Filing % Estimate	To Be Completed By	Comments
A	**Public Charity Status**	Current Sch A Part IV	<75%	All 501(c)(3) organizations	Redesigned Sch A focuses exclusively on PC status; replaces 5-year advance ruling process
B	**Contributors**	Current Sch B	30-40%	Any organization that received $5,000 or more from any one contributor	Same as 2006 Sch B
C	**Political and Lobbying Activity**	Current Sch A Part VI (lobbying); new (political)	<10%	Organizations that conducted lobbying or political activities	Redesign requires new political activity and inter-corporate funds transfers reporting
D	**Supplemental Financial Statement Detail**	Conversion of required attachments into unified Sch D; some new items	100%	All types of organizations	New items include FIN 48 uncertain tax position and art collection financial statement footnote disclosures, 5-year endowment table
E	**Schools**	Current Sch A Part V	<5%	All private schools	No changes
F	**Foreign Activities**	New	<5%	Organizations that have a foreign account or office, or have employees or activities outside the U.S.	Retains question regarding foreign accounts or office; adds reporting of exempt and other activities outside the U.S.
G	**Fundraising and Gaming**	Part I, L9 attachments	<25%	All organizations with more than $10,000 from fundraising events or outside fundraising costs	Expands reporting regarding certain professional fundraising
H	**Hospitals**	New	<5%	Organizations that operate at least one hospital facility that provides hospital or medical care, including as part of a hospital system or university	Requires organization to report aggregate community benefit for all facilities, and certain information regarding billings, collections, and joint ventures; requires list of facilities and description of type of services provided at each facility; requires reporting of certain policies and activities to communities served by the organization
I	**Grants**	Current Part II, L22b, 23 attachment	<20%	Organizations that make more than $5,000 of aggregate grants	Retains current reporting but with new filing thresholds
J	**Compensation**	Comprises portions from Part V-A and V-B, as well as Sch A, Part I	<5%	Generally those organizations that pay more than $150K reportable compensation/$250K total compensation to at least one individual or compensates former officers, directors, trustees, or key employees	Most organizations have simplified reporting (W-2 or 1099) on the core, with additional reporting regarding its compensation practices; Sch J requires detail beyond current reporting for various types of compensation
K	**Tax Exempt Bonds**	New	<5%	Organizations with an outstanding tax-exempt bond issue greater than $100K	Retains certain information from Part IV, L 64a, but adds use and investment of proceeds information and relationships with outside advisors
L	**Loans**	Part IV, L 50a, 50b, 63 on balance sheet	<5%	Organizations that lend money to or borrow from officers, directors, and certain disqualified persons	Generally unchanged but eliminates some items currently required
M	**Noncash Contributions**	New	<20%	Organizations that received more than $5,000 of noncash contributions	Requires reporting by types of contribution and information regarding donee's valuation methods for financial reporting
N	**Termination or Significant Disposition of Assets**	Part VI, L 79 (terminations and substantial contractions)	<5%	Organizations that have ceased activities or that made a significant disposition of assets (more than 25% of net assets)	Part I expands current termination reporting; Part II requires new reporting for dispositions of more than 25% of net assets if at fair market value
R	**Related Organizations**	Comprises portions from Parts VI, L 80b; IX; XI; Sch A Part VII	<25%	Organizations that own a controlling interest in (or are under common control) a partnership, LLC, corporation, trust, or other exempt entity	Locates related organization reporting in one schedule and classifies it by type of tax entity (partnership, corporation, disregarded entity, or exempt)

2006

Department of the Treasury
Internal Revenue Service

Instructions for Form 990-T

Exempt Organization Business Income Tax Return

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

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What's New

- The larger deduction for contributions of certain food inventory and qualified book contributions to certain schools has been extended. See *Line 20–Charitable Contributions* on page 14.
- A tax-exempt organization, government entity, Indian tribal government, and eligible pension plans that was billed after February 28, 2003, and before August 1, 2006, for the federal telephone excise tax on long distance or bundled service may request a credit for the tax paid by filing Form 990-T. See the instructions for line 44f on page 18.
- The possessions tax credit under section 936 or section 30A has expired for most organizations for tax years beginning in 2006. For guidance on certain issues that may arise depending on the manner in which the business of the organization continues to be conducted after 2005, see Notice 2005-21, 2005-11. I.R.B. 727.
- The Pension Protection Act of 2006 (PPA) requires section 501(c)(3) organizations to make their Form 990-T open for public inspection. This requirement does not apply to returns filed only to request a credit for federal telephone excise taxes paid.
- The PPA excludes from unrelated business income qualifying specified payments received or accrued between January 1, 2006, and December 31, 2007. See the instructions for Schedule F beginning on page 21.
- For tax years beginning in 2006, an organization that is an existing credit claimant with respect to American Samoa, may be able to claim the American Samoa economic development credit. See the Instructions for Form 5735.
- For purposes of the allocation of accumulated earnings credit among components of a controlled group (brother-sister controlled group), a brother-sister group must only satisfy the more-than-50 percent requirement. The requirement that at least 80 percent of total combined voting power is not applicable.

Request for Credit of Federal Telephone Excise Tax Paid

If a tax-exempt organization, government entity, Indian tribal government, or eligible pension plan is filing Form 990-T **only** to request a credit for federal telephone excise taxes paid, go directly to instructions for line 44f on page 18. If you are uncertain whether your organization belongs to one of the categories listed above, please contact the IRS.

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Unresolved Tax Issues

If the organization has attempted to deal with an IRS problem unsuccessfully, it should contact the Taxpayer Advocate. The Taxpayer Advocate independently represents the organization's interest and concerns within the IRS by protecting the rights and resolving problems that have not been fixed through normal channels.

While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that the organization's case is given a complete and impartial review.

The organization's assigned personal advocate will listen to its point of view and will work with the organization to address its concerns. The organization can expect the advocate to provide:

- A "fresh look" at a new or ongoing problem.
- Timely acknowledgment.
- The name and telephone number of the individual assigned to its case.
- Updates on progress.
- Timeframes for action.
- Speedy resolution.
- Courteous service.

When contacting the Taxpayer Advocate, the organization should be prepared to provide the following information:

- The organization's name, address, and employer identification number (EIN).
- The name and telephone number of an authorized contact person and the hours he or she can be reached.
- The type of tax return and years involved.
- A detailed description of the problem.
- Previous attempts to solve the problem and the office that was contacted.
- A description of the hardship the organization is facing and supporting documentation (if applicable).

The organization may contact a Taxpayer Advocate by calling a toll-free number, 1-877-777-4778. Persons who have access to TTY/TTD equipment may call 1-800-829-4059 and ask for Taxpayer Advocate assistance. If the organization prefers, it may call, write, or fax to the Taxpayer Advocate office in its area. See Pub. 1546, The Taxpayer Advocate Service–How to Get Help with Unresolved Tax Problems, for a list of addresses and fax numbers.

Phone Help

If you have questions and/or need help completing this form, please call 1-800-829-4933. This toll-free telephone service is available Monday through Friday.

How To Get Forms and Publications

Internet

You can access the IRS website 24 hours a day, 7 days a week, at *www.irs.gov* to:

- Order IRS products online.
- Download forms, instructions, and publications.
- See answers to frequently asked tax questions.
- Search publications online by topic or keyword.
- Send us comments or request help by email.
- Sign up to receive local and national tax news by email. To subscribe, visit *www.irs.gov/eo.*

IRS Tax Products CD

You can order Pub. 1796, IRS Tax Products on CD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Bonus: Historical Tax Products DVD (Ships with the final release).
- Tax Map: An electronic research tool and finding aid.
- Tax law and frequently asked questions (FAQs).
- Tax topics from the IRS telephone response system.
- Fill-in, print and save features for most tax forms.
- Internal Revenue Bulletins
- Toll-free and email technical support.

The CD is released twice during the year: The first release will ship the beginning of January 2007. The final release will ship the beginning of March 2007.

Purchase the CD from National Technical Information Services at: *www.irs.gov/cdorders* for $35 (no handling fee) or call 1-877-CDFORMS (1-877-233-6767) toll-free to buy the CD for $35 (plus a $5 handling fee). Price is subject to change.

By Phone and In Person

You can order forms and publications by calling 1-800-TAX-FORM (1-800-829-3676). You can also get most forms and publications at your local IRS office.

General Instructions

Purpose of Form

Use Form 990-T, Exempt Organization Business Income Tax Return, to:

- Report unrelated business income;
- Figure and report unrelated business income tax liability;
- Report proxy tax liability;
- Claim a refund of income tax paid by a regulated investment company (RIC) or a real estate investment trust (REIT) on undistributed long-term capital gain.
- Request a credit for certain federal excise taxes paid.

Who Must File

- Any domestic or foreign organization exempt under section 501(a) or section 529(a) must file Form 990-T if it has gross income from an unrelated trade or business of $1,000 or more. See Regulations section 1.6012-2(e). Gross income is gross receipts minus the cost of goods sold. (See Regulations section 1.61-3.)

CAUTION *A disregarded entity, as described in Regulations sections 301.7701-1 through 301.7701-3, is treated as a branch or division of its parent organization for federal tax purposes. Therefore, financial information applicable to a disregarded entity must be reported as the parent organization's financial information.*

- Organizations liable for the proxy tax on lobbying and political expenditures must file Form 990-T. See the *Line 37–Proxy Tax* on page 16 for a discussion of the proxy tax. If your organization is only required to file Form 990-T because of the proxy tax, see *Proxy Tax Only* under *Which Parts To Complete,* beginning on page 5.
- Colleges and universities of states and other governmental units, as well as subsidiary corporations wholly owned by such colleges and universities, are also subject to the Form 990-T filing requirements. However, a section 501(c)(1) corporation that is an instrumentality of the United States and both organized and exempted from tax by an Act of Congress does not have to file.
- Organizations that are liable for other taxes (such as the section 1291 tax (line 35c or 36 of Form 990-T) or recapture taxes (line 42 of Form 990-T) must file Form 990-T. See pages 16 and 17 of the instructions for a discussion of these items. If your organization is only required to file Form 990-T because of these taxes, see *Other Taxes* under *Which Parts To Complete,* beginning on page 5.
- Fiduciaries for the following trusts that have $1,000 or more of unrelated trade or business gross income must file Form 990-T:

1. Individual Retirement Accounts (IRAs) described under section 408(a),
2. Simplified Employee Pensions (SEPs) described under section 408(k),
3. Simple Retirement Accounts (SIMPLE) described under section 408(p),
4. Roth IRAs described under section 408A(b),
5. Coverdell education savings accounts (ESAs) described under section 530(b),
6. Archer Medical Savings Accounts (Archer MSAs) described under section 220(d), and
7. Qualified tuition programs described under section 529.

TIP *IRAs and other tax-exempt shareholders in a RIC or REIT filing Form 990-T only to obtain a refund of income tax paid on undistributed long-term capital gains should complete Form 990-T as explained in IRAs and other tax exempt shareholders in a RIC or REIT under* Which Parts To Complete, *beginning on page 5.*

Definitions

Section 501(c)(3) organization. Section 501(c)(3) describes certain organizations which are exempt from taxation under section 501(a). A 501(c)(3) organization is an organization organized and operated exclusively for charitable purposes.

Annual return. An annual return is an exact copy of the Form 990-T that was filed with the IRS including all schedules and attachments. It also includes any amendments to the original return (amended return).

By annual return, we mean any annual return (defined above) that is not more than 3 years old from the later of:

- The date the return is required to be filed (including extensions), or
- The date that the return is actually filed.

Directly connected expenses. To be deductible in computing unrelated business taxable income, expenses, depreciation, and similar items must qualify as deductions allowed by section 162, 167, or other relevant provisions of the Code, and must be directly connected with the carrying on of an unrelated trade or business activity.

To be directly connected with the carrying on of a trade or business activity, expenses, depreciation, and similar items must bear a proximate and primary relationship to the conduct of the activity. For example, where facilities and/or personnel are used both to carry on exempt activities and to conduct unrelated trade or business activities, expenses and similar items attributable to such facilities and/or personnel must be allocated between the two uses on a reasonable basis. The portion of any such item allocated to the unrelated trade or business activity must bear a proximate and primary relationship to that business activity.

Not substantially related to. Not substantially related to means that the activity that produces the income does not contribute importantly to the exempt purposes of the organization, other than the need for funds, etc. Whether an activity contributes importantly depends in each case on the facts involved.

For details, see Pub. 598, Tax on Unrelated Business Income of Exempt Organizations.

Trade or business. A trade or business is any activity carried on for the production of income from selling goods or performing services. An activity does not lose its identity as a trade or business merely because it is carried on within a larger group of similar activities that may or may not be related to the exempt purpose of the organization. If, however, an activity carried on for profit is an unrelated trade or business, no part of it can be excluded from this classification merely because it does not result in profit.

Unrelated trade or business income. Unrelated trade or business income is the gross income derived from any trade or business (defined earlier) that is regularly carried on, and not substantially related to (defined earlier), the organization's exempt purpose or function (aside from the organization's need for income or funds or the use it makes of the profits).

Generally, for section 501(c)(7), (9), or (17) organizations, unrelated trade or business income is derived from nonmembers with certain modifications (see section 512(a)(3)(A)).

For a section 511(a)(2)(B) state college or university, unrelated trade or business income is derived from activities not substantially related to exercising or performing any purpose or function described in section 501(c)(3).

An unrelated trade or business does not include a trade or business:

1. In which substantially all the work is performed for the organization without compensation; or
2. That is carried on by a section 501(c)(3) or 511(a)(2)(B) organization mainly for the convenience of its members, students, patients, officers, or employees; or
3. That sells items of work-related equipment and clothes, and items normally sold through vending machines, food dispensing facilities or by snack bars, by a local association of employees described in section 501(c)(4), organized before May 27, 1969, if the sales are for the convenience of its members at their usual place of employment; or
4. That sells merchandise substantially all of which was received by the organization as gifts or contributions; or
5. That consists of qualified public entertainment activities regularly carried on by a section 501(c)(3), (4), or (5) organization as one of its substantial exempt purposes (see section 513(d)(2) for the meaning of qualified public entertainment activities); or
6. That consists of qualified convention or trade show activities regularly conducted by a section 501(c)(3), (4), (5), or (6) organization as one of its substantial exempt purposes (see section 513(d)(3) for the meaning of qualified convention and trade show activities); or
7. That furnishes one or more services described in section 501(e)(1)(A) by a hospital to one or more hospitals subject to conditions in section 513(e); or
8. That consists of qualified pole rentals (as defined in section 501(c)(12)(D)), by a mutual or cooperative telephone or electric company; or
9. That includes activities relating to the distribution of low-cost articles, each costing $8.60 or less, by an organization described in section 501 and contributions to which are deductible under section 170(c)(2) or (3) if the distribution is incidental to the solicitation of charitable contributions; or
10. That includes the exchange or rental of donor or membership lists between organizations described in section 501 and contributions to which are deductible under section 170(c)(2) or (3); or
11. That consists of bingo games as defined in section 513(f). Generally, a bingo game is not included in any unrelated trade or business if:

a. Wagers are placed, winners determined, and prizes distributed in the presence of all persons wagering in that game, and

b. The game does not compete with bingo games conducted by for-profit businesses in the same jurisdiction, and

c. The game does not violate state or local law; or

12. That consists of conducting any game of chance by a nonprofit organization in the state of North Dakota, and the conducting of the game does not violate any state or local law; or
13. That consists of soliciting and receiving qualified sponsorship payments that are solicited or received after December 31, 1997. Generally, qualified sponsorship payment means any payment to a tax-exempt organization by a person engaged in a trade or business in which there is no arrangement or expectation of any substantial return benefit by that person—other than the use or acknowledgment of that person's name, logo, or product lines in connection with the activities of the tax-exempt organization. See section 513(i) for more information.

When To File

An employees' trust defined in section 401(a), an IRA (including SEPs and SIMPLEs), a Roth IRA, a Coverdell ESA, and an Archer MSA must file Form 990-T by the 15th day of the 4th month after the end of its tax year. All other organizations must file Form 990-T by the 15th day of the 5th month after the end of their tax year. If the regular due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. If the return is filed late, see the discussion of *Interest and Penalties* on page 4.

Extension. Corporations may request an automatic 6-month extension of time to file Form 990-T by using Form 8868, Application for Extension of Time To File an Exempt Organization Return.

Trusts may request an automatic 3-month extension of time to file by using Form 8868. Also, if more than the initial automatic 3 months is needed, trusts may file a second Form 8868 to request that an additional, but not automatic, 3-month extension be granted by the IRS.

Amended return. To correct errors or change a previously filed return, write "Amended Return" at the top of the return. Also, include a statement that indicates the line number(s) on the original return that was changed and give the reason for each change. Generally, the amended return must be filed within 3 years after the date the original return was due or 3 years after the date the organization filed it, whichever is later.

Where To File

To file Form 990-T, mail or deliver it to: Internal Revenue Service Center, Ogden, UT 84201-0027

Private delivery services (PDSs). In addition to the United States mail, exempt organizations can use certain PDSs designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. These private delivery services include only the following:

- DHL Express (DHL): DHL Same Day Service, DHL Next Day 10:30 am, DHL Next Day 12:00 pm, DHL Next Day 3:00 pm, and DHL 2nd Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

Estimated Tax Payments

Generally, an organization filing Form 990-T must make installment payments of estimated tax if its estimated tax (tax minus allowable credits) is expected to be $500 or more. Both corporate and trust organizations use Form 990-W, Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations, to figure their estimated tax liability. Do not include the proxy tax when computing your estimated tax liability for 2007.

To figure estimated tax, trusts and corporations must take the alternative minimum tax (if applicable) into account. See Form 990-W for more information.

Depository Method of Tax Payment

The organization must pay any tax due in full by the due date of the return without extensions. Some organizations (described below) are required to electronically deposit all depository taxes, including their unrelated business income tax payments.

Electronic Deposit Requirement

The organization must make electronic deposits of all depository taxes (such as employment tax, excise tax, unrelated business income tax) using the Electronic Federal Tax Payment System (EFTPS) in 2007 if:

- The total deposits in 2005 were more than $200,000 or
- The organization was required to use EFTPS in 2006.

If an organization is required to use EFTPS and fails to do so, it may be subject to a 10% penalty. If an organization is not required to use EFTPS, it may participate voluntarily. To enroll in or get more information about EFTPS, call 1-800-555-4477. To enroll online, visit *www.eftps.gov*.

Depositing on time. For EFTPS deposits to be made timely, the organization must initiate the transaction at least 1 business day before the date the deposit is due.

Deposits With Form 8109

If the organization does not use EFTPS, deposit unrelated business income tax payments (and estimated tax payments) with Form 8109, Federal Tax Deposit Coupon. If you do not have a preprinted Form 8109, you may use Form 8109-B to make deposits. You can get this form only by calling 1-800-829-4933. Be sure to have your EIN ready when you call.

Do not send deposits directly to an IRS office; otherwise, the organization may have to pay a penalty. Mail or deliver the completed Form 8109 with the payment to an authorized depositary (such as a commercial bank or other financial institution authorized to accept federal tax deposits).

Make checks or money orders payable to the depositary. To help ensure proper crediting, write the organization's EIN, the tax period to which the deposit applies, and "Form 990-T" on the check or money order. Be sure to darken the "990-T" box under "Type of Tax" and the appropriate "Quarter" box under "Tax Period" on the coupon. Records of these deposits will be sent to the IRS. For more information, see "Marking the Proper Tax Period" in the instructions for Form 8109.

If the organization prefers, it may mail the coupon and payment to: Financial Agent, Federal Tax Deposit Processing, P.O. Box 970030, St. Louis, MO 63197. Make the check or money order payable to "Financial Agent."

For more information on deposits, see the instructions in the coupon booklet (Form 8109) and Pub. 583, Starting a Business and Keeping Records.

If the organization owes tax when it files Form 990-T, do not include the payment with the tax return. Instead, mail or deliver the payment with Form 8109 to an authorized depositary, or use the EFTPS, if applicable.

Interest and Penalties

Your organization may be subject to interest and penalty charges if it files a late return or fails to pay tax when due. Generally, the organization is not required to include the interest and penalty charges on Form 990-T because the IRS can figure the amount and bill the organization for it.

Interest. Interest is charged on taxes not paid by the due date even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, substantial valuation misstatements, and substantial understatements of tax from the due date (including extensions) to the date of payment. The interest charge is figured at the underpayment rate determined under section 6621.

Late filing of return. An organization that fails to file its return when due (including extensions of time for filing) is subject to a penalty of 5% of the unpaid tax for each month or part of a month the return is late, up to a maximum of 25% of the unpaid tax. The minimum penalty for a return that is more than 60 days late is the smaller of the tax due or $100. The penalty will not be imposed if the organization can show that the failure to file on time was due to reasonable cause. Organizations that file late should attach a statement explaining the reasonable cause.

Late payment of tax. The penalty for late payment of taxes is usually ½ of 1% of the unpaid tax for each month or part of a month the tax is unpaid. The penalty cannot exceed 25% of the unpaid tax. The penalty will not be imposed if the organization can show that the failure to pay on time was due to reasonable cause.

Estimated tax penalty. An organization that fails to make estimated tax payments when due may be subject to an underpayment penalty for the period of underpayment. Generally, an organization is subject to this penalty if its tax liability is $500 or more and it did not make estimated tax payments of at least the smaller of its tax liability for 2006, or 100% of the prior year's tax. See section 6655 for details and exceptions.

Form 2220, Underpayment of Estimated Tax by Corporations, is used by corporations and trusts filing Form 990-T to see if the organization owes a penalty and to figure the amount of the penalty. Generally, the organization is not required to file this form because the IRS can figure the amount of any penalty and bill the organization for it. However, even if the organization does not owe the penalty, you must complete and attach Form 2220 if either of the following applies:

- The annualized income or adjusted seasonal installment method is used.
- The organization is a "large organization" computing its first required installment based on the prior year's tax.

If you attach Form 2220, be sure to check the box on line 46, page 2, Form 990-T, and enter the amount of any penalty on this line.

Trust fund recovery penalty. This penalty may apply if certain excise, income, social security, and Medicare taxes that must be collected or withheld are not paid to the United States Treasury. These taxes are generally reported on:

- Form 720, Quarterly Federal Excise Tax Return;
- Form 941, Employer's QUARTERLY Federal Tax Return;
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees; or
- Form 945, Annual Return of Withheld Federal Income Tax.

The trust fund recovery penalty may be imposed on all persons who are determined by the IRS to have been responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. The penalty is equal to the unpaid trust fund tax. See the instructions for Form 720, Pub. 15 (Circular E), Employer's Tax Guide, or Pub. 51 (Circular A), Agricultural Employer's Tax Guide, for details, including the definition of responsible persons.

Other penalties. There are also penalties that can be imposed for negligence, substantial understatement of tax, reportable transactions understatements, and fraud. See sections 6662, 6662A, and 6663.

Which Parts To Complete

TIP *If you are filing Form 990-T only because of the proxy tax, other taxes, or only to claim a refund, go directly to* Proxy Tax Only, Other Taxes, *or* Claim for Refund *(see later).*

Is Gross Income More Than $10,000?

If the amount on line 13, column (A), Part I, is more than $10,000, complete all lines and schedules that apply.

Is Gross Income $10,000 or Less?

If Part I, line 13, column (A) is $10,000 or less, then complete:

- The heading (the area above Part I).
- Part I, column (A), lines 1–13.
- Part I, line 13, for columns (B) and (C).
- Part II, lines 29–34.
- Parts III–V.
- Signature area.

Filers with $10,000 or less on line 13, column (A) do not have to complete Schedules A through K (however, refer to applicable schedules when completing column (A) and in determining the deductible expenses to include on line 13 of column (B)).

Proxy Tax Only

Organizations that are required to file Form 990-T only because they are liable for the proxy tax on lobbying and political expenditures must:

- Fill in the heading (the area above Part I) except items E, H, and I.
- Enter the proxy tax on lines 37 and 39.
- Complete Part IV and the Signature area.
- Attach a schedule showing the proxy tax computation.

Other Taxes

Organizations that are required to file Form 990-T only because they are liable for recapture taxes, the section 1291 tax, or other items listed in the instructions for line 42 must:

- Fill in the heading (the area above Part I) except items E, H, and I.
- Complete the appropriate lines of Parts III and IV.
- Complete the Signature area.
- Attach all appropriate forms and/or schedules showing the computation of the applicable tax or taxes.

Claim For Refund

If your only reason for filing a Form 990-T is to claim a refund, complete the following steps:

1. Fill in the heading (the area above Part I) except items E, H, and I.
2. Enter -0- on line 13, column (A), line 34, and line 43.
3. Enter the credit or payment on the appropriate line (44a–44g).
4. Complete lines 45, 48, and 49 and the Signature area.
5. For claims described below, follow the additional instructions for that claim.

IRAs and other tax-exempt shareholders in a RIC or REIT. If you are an IRA or other tax-exempt shareholder that is invested in a RIC or a REIT and file Form 990-T only to obtain a refund of income tax paid on undistributed long-term capital gains, follow steps 1–4 earlier; write “Claim for Refund Shown on Form 2439” at the top of the Form 990-T; and attach to the return Copy B of Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains.

Composite Form 990-T. If you are a trustee of more than one IRA invested in a RIC, you may be able to file a composite Form 990-T to claim a refund of tax under section 852(b) instead of filing a separate Form 990-T for each IRA. See Notice 90-18, 1990-1 C.B. 327, for information on who can file a composite return. Complete steps 1–4 above and follow the additional requirements of the notice.

Backup withholding. If your only reason for filing Form 990-T is to claim a refund of backup withholding, complete the parts discussed earlier in steps 1–4 and attach a copy of the Form 1099 showing the withholding.

Consolidated Returns

The consolidated return provisions of section 1501 do not apply to exempt organizations, except for organizations having title holding companies. If a title holding corporation described in section 501(c)(2) pays any amount of its net income for a tax year to an organization exempt from tax under section 501(a) (or would, except that the expenses of collecting its income exceeded that income), and the corporation and organization file a consolidated return as described below, then treat the title holding corporation as being organized and operated for the same purposes as the other exempt organization (in addition to the purposes described in section 501(c)(2)).

Two organizations exempt from tax under section 501(a), one a title holding company, and the other earning income from the first, will be includible corporations for purposes of section 1504(a). If the organizations meet the definition of an affiliated group, and the other relevant provisions of Chapter 6 of the Code, then these organizations may file a consolidated return. The parent organization must attach Form 851, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, the title holding company must attach Form 1122, Authorization and Consent of Subsidiary Corporation To Be Included in a Consolidated Income Tax Return. See Regulations section 1.1502-100 for more information on consolidated returns.

Other Forms That May Be Required

Forms W-2 and W-3. Form W-2, Wage and Tax Statement, and Form W-3, Transmittal of Wage and Tax Statements. Use these forms to report wages, tips, other compensation, withheld income taxes, and withheld social security/ Medicare taxes for employees.

Form 720. Use this Form 720, Quarterly Federal Excise Tax Return, to report environmental excise taxes, communications and air transportation taxes, fuel taxes, manufacturers taxes, ship passenger tax, and certain other excise taxes.

CAUTION *See* Trust fund recovery penalty *on page 4.*

Form 926. File Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation, if the organization is required to report certain transfers to foreign corporations under section 6038B.

Form 940 or Form 940-EZ. The organization must file Form 940 or Form 940-EZ, Employer's Annual Federal Unemployment (FUTA) Tax Return, if it is liable for FUTA tax.

Form 941 and Form 943. The organization must file Form 941, Employer's QUARTERLY Federal Tax Return, or Form 943, Employer's Annual Federal Tax Return for Agricultural Employees, to report income tax withheld, and employer and employee social security and Medicare taxes. Also, see *Trust fund recovery penalty* on page 4.

Form 945. Use Form 945, Annual Return of Withheld Federal Income Tax, to report income tax withheld from nonpayroll distributions or payments, including pensions, annuities, IRAs, gambling winnings, and backup withholding.

Form 1098. Use Form 1098, Mortgage Interest Statement, to report the receipt from any individual of $600 or more of mortgage interest (including points) in the course of the organization's trade or business and reimbursements of overpaid interest.

Forms 1099-A, B, DIV, INT, LTC, MISC, MSA, OID, R, and S. Organizations engaged in an unrelated trade or business may be required to:

- File an information return on Forms 1099-A, B, DIV, INT, LTC, MISC, MSA, OID, R, and S;
- Report acquisitions or abandonments of secured property through foreclosure;
- Report proceeds from broker and barter exchange transactions;
- Report certain dividends and distributions;
- Report interest income;
- Report certain payments made on a per diem basis under a long-term care insurance contract, and certain accelerated death benefits;
- Report miscellaneous income (such as payments to providers of health and medical services, miscellaneous income payments, and nonemployee compensation);
- Report distributions from an Archer MSA;
- Report original issue discount;

- Report distributions from retirement or profit-sharing plans, IRAs, SEPs, or SIMPLEs, and insurance contracts; and
- Proceeds from real estate transactions.

CAUTION *When filing the above noted information returns the organization must also file Form 1096, Annual Summary and Transmittal of U.S. Information Returns.*

Form 4466. Use Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax, to apply for a quick refund, if the organization overpaid its estimated tax for the year by at least 10% of its expected income tax liability and at least $500.

Form 5498. Use Form 5498, IRA Contribution Information, to report contributions (including rollover contributions) to any IRA, including a SEP, SIMPLE, Roth IRA, and to report Roth IRA conversions, IRA recharacterizations, and the fair market value of the account.

Form 5498-ESA. Use Form 5498-ESA, Coverdell ESA Contribution Information, to report contributions (including rollover contributions) to and the fair market value of a Coverdell education savings account (ESA).

Form 5498-SA. Use Form 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information, to report contributions to an HSA or Archer MSA and the fair market value of an HSA, Archer MSA, or Medicare Advantage MSA. For more information see the general and specific Instructions for Forms 1099-SA and 5498-SA.

Form 5713. File Form 5713, International Boycott Report, if the organization had operations in, or related to, certain “boycotting” countries.

Form 6198. File Form 6198, At-Risk Limitations, if the organization has a loss from an at-risk activity carried on as a trade or business or for the production of income.

Form 8275 and 8275-R. Taxpayers and income tax return preparers use Form 8275, Disclosure Statement, and Form 8275-R, Regulation Disclosure Statement, to disclose items or positions taken on a tax return or that are contrary to Treasury regulations (to avoid parts of the accuracy-related penalty or certain preparer penalties).

Form 8300. File Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business, if the organization received more than $10,000 in cash or foreign currency in one transaction or in a series of related transactions. For more information, see Form 8300 and Regulations section 1.6050I-1(c).

Form 8697. Use Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to figure the interest due or to be refunded under the look-back method of section 460(b)(2). The look-back method applies to certain long-term contracts that are accounted for under either the percentage method or the completion-capitalized cost method.

Form 8865, Return of U.S. Person With Respect To Certain Foreign Partnerships. An organization may have to file Form 8865 if it:

1. Controlled a foreign partnership (that is, owned more than a 50% direct or indirect interest in the partnership).
2. Owned at least a 10% direct or indirect interest in a foreign partnership while U.S. persons controlled that partnership.
3. Had an acquisition, disposition, or change in proportional interest in a foreign partnership that:

   a. Increased its direct interest to at least 10% or reduced its direct interest of at least 10% to less than 10%.

   b. Changed its direct interest by at least a 10% interest.

4. Contributed property to a foreign partnership in exchange for a partnership interest if:

   a. Immediately after the contribution, the organization directly or indirectly owned at least a 10% interest in the foreign partnership; or

   b. The FMV of the property the organization contributed to the foreign partnership in exchange for a partnership interest, when added to other contributions of property made to the foreign partnership by the organization or a related person during the preceding 12-month period, exceeds $100,000.

Also, the organization may have to file Form 8865 to report certain dispositions by a foreign partnership of property it previously contributed to that foreign partnership if it was a partner at the time of the disposition. For more details, including penalties that may apply, see Form 8865 and its separate instructions.

Form 8886. Use Form 8886, Reportable Transaction Disclosure Statement, to disclose information for each reportable transaction in which the organization participated. Form 8886 must be filed for each tax year that the federal income tax liability of the organization is affected by its participation in the transaction. The organization may have to pay a penalty if it is required to file Form 8886 but does not do so. The following are reportable transactions.

- Any listed transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS.
- Any transaction offered under conditions of confidentiality for which the organization paid an advisor a fee of at least $250,000.
- Certain transactions for which the organization has contractual protection against disallowance of the tax benefits.
- Any transaction resulting in a loss of at least $10 million in any single year or $20 million in any combination of years.
- Any transaction resulting in a tax credit of more than $250,000, if the organization held the asset generating the credit for 45 days or less.

Penalties. The organization may have to pay a penalty if it is required to disclose a reportable transaction under section 6011 and fails to properly complete and file Form 8886. The penalty is $50,000 ($200,000 if the reportable transaction is a listed transaction) for each failure to file Form 8886 with its return or for failure to provide a copy of Form 8886 to the Office of Tax Shelter Analysis (OTSA). Other penalties, such as an accuracy-related penalty under section 6662A, may also apply. See the Instructions for Form 8886 for details.

Form 8873. Use Form 8873, Extraterritorial Income Exclusion, to report the amount of extraterritorial income from line 54 that is excluded from the organization's gross income for the tax year.

Form 8899. Use Form 8899, Notice of Income from Donated Intellectual Property, to report income from qualified intellectual property.

Form 8903. Use Form 8903, Domestic Production Activities Deduction, to report this deduction. An organization may be able to deduct a portion of income from certain qualified productions.

Accounting Methods

An accounting method is a set of rules used to determine when and how income and expenses are reported. Figure taxable income using the method of accounting regularly used in keeping the organization's books and records.

Generally, permissible methods include:

- Cash,
- Accrual, or
- Any other method authorized by the Internal Revenue Code.

In all cases, the method used must clearly show taxable income.

See Pub. 538, Accounting Periods and Methods, for more information.

Change in accounting method. To change the method of accounting used to report taxable income (for income as a whole or for the treatment of any material item), the organization must file with the IRS either an (a) advanced consent request for a ruling or (b) automatic change request for certain specific changes in accounting method.

In either case, the organization must file Form 3115, Application for Change in Accounting Method. For more information, see Form 3115 and Pub. 538, Accounting Periods and Methods.

Section 481(a) adjustment. The organization may have to make an adjustment under section 481(a) to prevent amounts of income or expense from being duplicated or omitted. The section 481(a) adjustment period is generally 1 year for a net negative adjustment and 4 years for a net positive adjustment. However, an organization may elect to use a 1-year adjustment period if the net section 481(a) adjustment for the change is less than $25,000. The organization must complete the appropriate lines of Form 3115 to make the election.

Include any net positive section 481(a) adjustment on Form 990-T, page 1, line 12. If the net section 481(a) adjustment is negative, report it on Form 990-T,page 1, line 28.

Accounting Period and Tax Year

The return must be filed using the organization's established annual accounting period. If the organization has no established accounting period, file the return on the calendar-year basis.

To change an accounting period, some organizations may make a notation on a timely filed Form 990, 990-EZ, 990-PF, or 990-T. Others may be required to file Form 1128, Application To Adopt, Change, or Retain a Tax Year. For details on which procedure applies to your organization, see Rev. Proc. 85-58, 1985-2 C.B. 740, and the instructions for Form 1128.

If the organization changes its accounting period, file Form 990-T for the short period that begins with the first day after the end of the old tax year and ends on the day before the first day of the new tax year. For the short period return, figure the tax by placing the organization's taxable income on an annual basis. For details, see Pub. 538 and section 443.

Reporting Form 990-T Information on Other Returns

Your organization may be required to file an annual information return on:

- Form 990, Return of Organization Exempt From Income Tax;
- Form 990-EZ, Short Form Return of Organization Exempt From Income Tax;
- Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation; or
- Form 5500, Annual Return/Report of Employee Benefit Plan.

If so, include on that information return the unrelated business gross income and expenses (but not including the specific deduction claimed on line 33, page 1, or any expense carryovers from prior years) reported on Form 990-T for the same tax year.

Rounding Off to Whole Dollars

The organization may round off cents to whole dollars on Form 990-T and its schedules. If the organization does round to whole dollars, it must round all amounts. To round, drop amounts under 50 cents and increase amount from 50 to 99 cents to the next dollar. For example, $1.39 becomes $1 and $2.50 becomes $3.

If two or more amounts must be added to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Attachments

If you need more space on the form or schedules, attach separate sheets. On the attachment, write the corresponding form or schedule number or letter and follow the same format. Show totals on the printed form. Also, include the organization's name and EIN. The separate sheets should be the same size as the printed form and should be attached after the printed form.

Public Inspection Requirements of Section 501(c)(3) Organizations

Under section 6104(d), a section 501(c)(3) organization that has gross income from an unrelated trade or business of $1,000 or more must make its annual exempt organization business income tax return (including amended returns) available for public inspection.

TIP *A section 501(c)(3) organization filing the Form 990-T only to request a credit for certain federal excise taxes paid does not have to make the Form 990-T available for public inspection.*

How Does a 501(c)(3) Organization Make Its Annual Returns Available for Public Inspection?

A 501(c)(3) organization must make its annual returns available in two ways:

- By office visitation, and
- By providing copies or making them widely available.

Public Inspection by Office Visitation

A 501(c)(3) organization must make its annual returns available for public inspection without charge at its principal, regional, and district offices during regular business hours.

Conditions that may be set for public inspection at the office. A 501(c)(3) organization:

- May have an employee present,
- Must allow the individual conducting the inspection to take notes freely during the inspection, and
- Must allow an individual to make photocopies of documents at no charge but only if the individual brings photocopying equipment to the place of inspection.

Determining if a site is a regional or district office. A regional or district office is any office of a 501(c)(3) organization, other than its principal office, that has paid employees whose total number of paid hours a week are normally 120 hours or more. Include the hours worked by part-time (as well as full-time) employees in making that determination.

What sites are not considered a regional or district office. A site is not considered a regional or district office if:

1. The only services provided at the site further the organization's exempt purposes (for example, day care, health care, or scientific or medical research), and
2. The site does not serve as an office for management staff, other than managers who are involved only in managing the exempt function activities at the site.

What if the 501(c)(3) organization does not maintain a permanent office? If the 501(c)(3) organization does not maintain a permanent office, it will comply with the public inspection by office visitation requirement by making the annual returns available at a reasonable location of its choice. It must permit public inspection:

- Within a reasonable amount of time after receiving a request for inspection (normally, not more than 2 weeks), and
- At a reasonable time of day.

Optional method of complying. If a 501(c)(3) organization that does not have a permanent office wishes not to allow an inspection by office visitation, it may mail a copy of the requested documents instead of allowing an inspection. However, it must mail the documents within 2 weeks of receiving the request and may charge for copying and postage only if the requester consents to the charge.

501(c)(3) organizations with a permanent office but limited or no hours. Even if a 501(c)(3) organization has a permanent office but no office hours or very limited hours during certain times of the year, it must still meet the office visitation requirement. To meet this requirement during those periods when office hours are limited or not available, follow the rules above under *What if the 501(c)(3) organization does not maintain a permanent office?*

Public Inspection—Providing Copies

A 501(c)(3) organization must provide copies of its annual returns to any individual who makes a request for a copy in person or in writing unless it makes these documents widely available.

In-person requests for document copies. A 501(c)(3) organization must provide copies to any individual who makes a request in person at the 501(c)(3) organization's principal, regional, or district offices during regular business hours on the same day that the individual makes the request.

Accepted delay in fulfilling an in-person request. If unusual circumstances exist and fulfilling a request on the same day places an unreasonable burden on the 501(c)(3) organization, it must provide copies by the earlier of:

- The next business day following the day that the unusual circumstances end, or
- The fifth business day after the date of the request.

Examples of unusual circumstances include:

- Receipt of a volume of requests (for document copies) that exceeds the 501(c)(3) organization's daily capacity to make copies,
- Requests received shortly before the end of regular business hours that require an extensive amount of copying, or
- Requests received on a day when the 501(c)(3) organization's managerial staff capable of fulfilling the request is conducting official duties (for example, student registration or attending an off-site meeting or convention) instead of its regular administrative duties.

Use of local agents for providing copies. A 501(c)(3) organization may use a local agent to handle in-person requests for document copies. If a 501(c)(3) organization uses a local agent, it must immediately provide the local agent's name, address, and telephone number to the requester.

The local agent must:

- Be located within reasonable proximity to the principal, regional, or district office where the individual makes the request, and
- Provide document copies within the same time frames as the 501(c)(3) organization.

Written requests for document copies. If a 501(c)(3) organization receives a written request for a copy of its annual returns (or parts of these documents), it must give a copy to the requester. However, this rule only applies if the request:

- Is addressed to a 501(c)(3) organization's principal, regional, or district office,
- Is delivered to that address by mail, electronic mail (email), facsimile (fax), or a private delivery service approved by the IRS (see *Private Delivery Services* on page 3 for a list), and
- Gives the address to which the document copies should be sent.

How and when a written request is fulfilled.

- Requested document copies must be mailed within 30 days from the date the 501(c)(3) organization receives the request.
- Unless other evidence exists, a request or payment that is mailed is considered to be received by the 501(c)(3) organization 7 days after the postmark date.
- If an advance payment is required, copies must be provided within 30 days from the date payment is received.
- If the 501(c)(3) organization requires payment in advance and it receives a request without payment or with insufficient payment, it must notify the requester of the prepayment policy and the amount due within 7 days from the date it receives the request.
- A request that is transmitted to the 501(c)(3) organization by email or fax is considered received the day the request is transmitted successfully.
- Requested documents can be emailed instead of the traditional method of mailing if the requester consents to this method.

A document copy is considered as provided on the:

- Postmark date,
- Private delivery date,
- Registration date for certified or registered mail,
- Postmark date on the sender's receipt for certified or registered mail, or
- Day the email is successfully transmitted (if the requester agreed to this method).

Requests for parts of a document copy. A person can request all or any specific part or schedule of the annual returns and the 501(c)(3) organization must fulfill their request for a copy.

Can an agent be used to provide copies? A 501(c)(3) organization can use an agent to provide document copies for the written requests it receives. However, the agent must provide the document copies under the same conditions that are imposed on the 501(c)(3) organization itself. Also, if an agent fails to provide the documents as required, the 501(c)(3) organization will continue to be subject to penalties.

Example. The ABC Organization retained an agent to provide copies for all written requests for documents. However, ABC Organization received a request for document copies before the agent did.

The deadline for providing a response is referenced by the date that the ABC Organization received the request and not when the agent received it. If the agent received the request first, then a response would be referenced to the date that the agent received it.

Can a fee be charged for providing copies? A 501(c)(3) organization may charge a reasonable fee for providing copies. Also, it can require the fee to be paid before providing a copy of the requested document.

What is a reasonable fee? A fee is reasonable only if it is no more than the per-page copying fee charged by the IRS for providing copies, plus no more than the actual postage costs incurred to provide the copies.

What forms of payment must the 501(c)(3) organization accept? The form of payment depends on whether the request for copies is made in person or in writing.

Cash and money order must be accepted for in-person requests for document copies. The 501(c)(3) organization, if it wishes, may accept additional forms of payment.

Certified check, money order, and either personal check or credit card must be accepted for written requests for document copies. The 501(c)(3) organization, if it wishes, may accept additional forms of payment.

Other fee information. If a 501(c)(3) organization provides a requester with notice of a fee and the requester does not pay the fee within 30 days, it may ignore the request.

If a requester's check does not clear on deposit, it may ignore the request.

If a 501(c)(3) organization does not require prepayment and the requester does not prepay, the 501(c)(3) organization must receive consent from the requester if the copying and postage charge exceeds $20.

501(c)(3) organizations subject to a harassment campaign. If the IRS determines that a 501(c)(3) organization is being harassed, it is not required to comply with any request for copies that it reasonably believes is part of the harassment campaign.

A group of requests for a 501(c)(3) organization's annual return is indicative of a harassment campaign if the requests are part of a single coordinated effort to disrupt the operations of the 501(c)(3) organization rather than to collect information about it.

Requests that may be disregarded without IRS approval. A 501(c)(3) organization may disregard any request for copies of all or part of any document beyond the first two received within any 30-day period or the first four received within any 1-year period from the same individual or the same address.

Making the Annual Returns Widely Available

A 501(c)(3) organization does not have to provide copies of its annual returns if it makes these documents widely available. However, it must still allow public inspection by office visitation.

How does a 501(c)(3) organization make its annual returns widely available? A 501(c)(3) organization's annual returns are widely available if it meets all four of the following requirements:

1. The Internet posting requirement—This is met if:
   - The document is posted on a World Wide Web page that the 501(c)(3) organization establishes and maintains, or
   - The document is posted as part of a database of like documents of other tax-exempt organizations on a World Wide Web page established and maintained by another entity.
2. Additional posting information requirement—This is met if:
   - The World Wide Web page through which the document is available clearly informs readers that the document is available and provides instructions for downloading the document;
   - After it is downloaded and viewed, the web document exactly reproduces the image of the annual return as it was originally filed with the IRS, except for any

information permitted by statute to be withheld from public disclosure; and

• Any individual with access to the Internet can access, download, view, and print the document without special computer hardware or software required for that format (except software that is readily available to members of the public without payment of any fee) and without payment of a fee to the 501(c)(3) organization or to another entity maintaining the web page.

3. Reliability and accuracy requirements—To meet this, the entity maintaining the World Wide Web page must:

• Have procedures for ensuring the reliability and accuracy of the document that it posts on the page;

• Take reasonable precautions to prevent alteration, destruction, or accidental loss of the document when posted on its page; and

• Correct or replace the document if a posted document is altered, destroyed, or lost.

4. Notice requirement—To meet this, a 501(c)(3) organization must notify any individual requesting a copy of its annual return where the documents are available (including the Internet address). If the request is made in person, the 501(c)(3) organization must notify the individual immediately. If the request is in writing, it must notify the individual within 7 days of receiving the request.

Penalties

A penalty may be imposed on any person who does not make the annual returns (including all required attachments to each return) available for public inspection according to the section 6104(d) rules discussed above. If more than one person fails to comply, each person is jointly and severally liable for the full amount of the penalty. The penalty amount is $20 for each day during which a failure occurs. The maximum penalty that may be imposed on all persons for any one annual return is $10,000.

Any person who willfully fails to comply with the section 6104(d) public inspection requirements is subject to an additional penalty of $5,000 (section 6685).

Specific Instructions

Period Covered

File the 2006 return for calendar year 2006 or a fiscal year beginning in 2006 and ending 2007. For a fiscal year, fill in the tax year information at the top of the form.

The 2006 Form 990-T may also be used if:

• The organization has a tax year of less than 12 months that begins and ends in 2007, and

• The 2007 Form 990-T is not available at the time the organization is required to file its return. The organization must show its 2007 tax year on the 2006 Form 990-T and take into account any tax law changes that are effective for tax years beginning after December 31, 2006.

Name and Address

The name and address on Form 990-T should be the same as the name and address shown on other Forms 990. If you received a mailing label and any information is incorrect or missing, cross out any errors, print the correct information, and add any missing information.

Include the suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

CAUTION *Change of name. If the organization has changed its name, it must check the box next to "Name of organization" and also provide the following when filing this return, if it is:*

• A corporation or is incorporated with the state, an amendment to the articles of incorporation along with proof of filing with the state is required.

• A trust, an amendment to the trust agreement is required along with the trustee(s) signature.

• An association or an unincorporated association, an amendment to the articles of association, constitution, by-laws or other organizing document is required along with signatures of at least two officers/members.

Blocks A through J

Block A. If the organization has changed its address since it last filed a return, check Block A.

TIP *If a change in address occurs after the return is filed, use* Form 8822, Change of Address, *to notify the IRS of the new address.*

Block B. Check the box under which the organization receives its tax exemption.

Qualified pension, profit-sharing, and stock bonus plans should check the 501 box and enter "a" between the first set of parentheses.

For other organizations exempt under section 501, check the box for 501 and enter the section that describes their tax exempt status, for example, 501(c)(3).

For tax exempts that do not receive their exemption under section 501, use the following guide.

If you are a	Then check this box
IRA, SEP, or SIMPLE	408(e)
Roth IRA	408A
Archer MSA	220(e)
Coverdell ESA	530(a)
Qualified State Tuition Program	529(a)

Block C. Enter the total of the end-of-year assets from the organization's books of account.

Block D. An employees' trust described in section 401(a) and exempt under section 501(a) should enter its own trust identification number in this block.

An IRA trust enters its own EIN in this block. An IRA trust never uses a social security number or the trustee's EIN.

An EIN may be applied for:

• Online—Click on the *Employer ID Numbers (EINs)* link at *www.irs.gov/businesses/small.* The EIN is issued immediately once the application information is validated.

• By telephone at 1-800-829-4933.

• By mailing or faxing Form SS-4, Application for Employer Identification Number.

If the organization has not received its EIN by the time the return is due, write "Applied for" in the space for the EIN. For more details, see Pub. 583, Starting a Business and Keeping Records.

Note. The online application process is not yet available for organizations with addresses in foreign countries or Puerto Rico.

Block E. Enter the applicable unrelated business activity code(s) that specifically describes the organization's unrelated business activity. If a specific activity code does not accurately describe the organization's activities, then choose a general code that best describes its activity. These codes are listed on page 24.

Block F. If the organization is covered by a group exemption, enter the group exemption number.

Block G. Check the box that describes your organization.

"Other trust" includes IRAs, SEPs, SIMPLEs, Roth IRAs, Coverdell IRAs, and Archer MSAs.

Section 529 organizations check the 501(c) corporation or 501(c) trust box depending on whether the organization is a corporation or a trust. Also, be sure the box for 529(a) in Block B is checked.

If you check "501(c) corporation," leave line 36 blank. If you check "501(c) trust," "401(a) trust," or "Other trust" leave lines 35a, b, and c blank.

Block H. Describe the primary unrelated business activity of your organization based on unrelated income. Attach a schedule if more space is needed.

Block I. Check the "Yes" box if your organization is a corporation and either 1 or 2 below applies:

1. The corporation is a subsidiary in an affiliated group (defined in section 1504) but is not filing a consolidated return for the tax year with that group.

2. The corporation is a subsidiary in a parent-subsidiary controlled group (defined in section 1563).

Excluded member. If the corporation is an "excluded member" of a controlled group (see section 1563(b)(2)), it is still considered a member of a controlled group for purposes of Block I.

Block J. Enter the name of the person who has the organization's books and records and the telephone number at which he or she can be reached.

Part I—Unrelated Trade or Business Income

Complete column (A), lines 1 through 13. If the amount on line 13 is $10,000 or less, you may complete only line 13 for columns (B) and (C). These filers do not have to complete Schedules A through K (however, refer to applicable schedules when completing column (A)). If the amount on line 13, column (A), is more than $10,000, complete all lines and schedules that apply.

Member income of mutual or cooperative electric companies. Income of a mutual or cooperative electric company described in section 501(c)(12) which is treated as member income under subparagraph (H) of that section is excluded from unrelated business taxable income.

Extraterritorial income. Except as otherwise provided in the Internal Revenue Code, gross income includes all income from whatever source derived. Gross income generally does not include extraterritorial income that is qualifying foreign trade income. Use Form 8873, Extraterritorial Income Exclusion, to figure the exclusion. Include the exclusion in the total for *Other deductions* on line 28, Form 990-T.

Income from qualifying shipping activities. The organization's gross income does not include income from qualifying shipping activities (as defined in section 1356) if the organization makes an election under section 1354 on a timely filed return (including extensions) to be taxed on its notional shipping income (as defined in section 1353) at the highest corporate rate (35%). If the election is made, the organization generally may not claim any loss, deduction, or credit with respect to qualifying shipping activities. An organization making this election also may elect to defer gain on the disposition of a qualifying vessel under section 1359. Use Form 8902, Alternative Tax on Qualifying Shipping Activities, to figure the tax. Include the alternative tax on Form 990-T, Part IV, line 42.

Line 1a—Gross Receipts or Sales

Enter the gross income from any unrelated trade or business regularly carried on that involves the sale of goods or performance of services.

TIP *A section 501(c)(7) social club would report its restaurant and bar receipts from nonmembers on line 1, but would report its investment income on line 9 and in Schedule G.*

Advance payments. In general, advanced payments are reported in the year of receipt. To report income from long-term contracts, see section 460. For special rules for reporting certain advanced payments for goods and long-term contracts, see Regulations section 1.451-5. For permissible methods for reporting advanced payments for services and certain goods by an accrual method organization, see Rev. Proc. 2004-34, 2004-22 I.R.B. 991.

Installment sales. Generally, the installment method cannot be used for dealer dispositions of property. A "dealer disposition" is (a) any disposition of personal property by a person who regularly sells or otherwise disposes of personal property of the same type on the installment plan or (b) any disposition of real property held for sale to customers in the ordinary course of the taxpayer's trade or business.

These restrictions on using the installment method do not apply to dispositions of property used or produced in a farming business or sales of timeshares and residential lots for which the organization elects to pay interest under section 453(l)(3).

For sales of timeshares and residential lots reported under the installment method, the organization's income tax is increased by the interest payable under section 453(l)(3). To report this addition to the tax, see the instructions for line 42.

Enter on line 1a (and carry to line 3), the gross profit on collections from installment sales for any of the following:

• Dealer dispositions of property before March 1, 1986.

• Dispositions of property used or produced in the trade or business of farming.

• Certain dispositions of timeshares and residential lots reported under the installment method.

Attach a schedule showing the following information for the current and the 3 preceding years:

1. Gross sales,
2. Cost of goods sold,
3. Gross profits,
4. Percentage of gross profits to gross sales,
5. Amount collected, and
6. Gross profit on amount collected.

Nonaccrual experience method. Accrual method organizations are not required to accrue certain amounts to be received from the performance of services that, on the basis of their experience, will not be collected, if:

• The services are in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, or

• The organization's average annual gross receipts for the 3 prior tax years does not exceed $5 million.

This provision does not apply to any amount if interest is required to be paid on the amount or if there is any penalty for failure to timely pay the amount. For more information, see section 448(d)(5) and Regulations section 1.488-2. Organizations that qualify to use the nonaccrual experience method should attach a schedule showing total gross receipts, amounts not accrued as a result of the application of section 448(d)(5), and the net amount accrued. Enter the net amount on line 1a.

Certain cooperatives that have gross receipts of $10 million or more and have patronage and nonpatronage source income and deductions must complete and attach Form 8817, Allocation of Patronage and Nonpatronage Income and Deductions, to their return.

Gain or loss on disposition of certain brownfield property. Gain or loss from the qualifying sale, exchange, or other disposition of a qualifying brownfield property (as defined in section 512(b)(18)(C)), which was acquired by the organization after December 31, 2004, is excluded from unrelated business taxable income and is excepted from the debt-financed rules for such property. See section 512(b)(19) and 514(b)(1)(E).

Line 4a—Capital Gain Net Income

Generally, organizations required to file Form 990-T (except organizations described in sections 501(c)(7), (9), and (17)) are not taxed on the net gains from the sale, exchange, or other disposition of property. However, net capital gains on debt-financed property, capital gains on cutting timber, and ordinary gains on sections 1245, 1250, 1252, 1254, and 1255 property are taxed. See Form 4797, Sales of Business Property, and its instructions for additional information.

Also, any capital gain or loss passed through from an S corporation or any gain or loss on the disposition of S corporation stock by a qualified tax exempt (see *S Corporations* under the line 5 instructions) is taxed as a capital gain or loss.

Capital gains and losses should be reported by a trust on Schedule D (Form 1041), Capital Gains and Losses, and by a corporation on Schedule D (Form 1120), Capital Gains and Losses.

An organization that transfers securities it owns for the contractual obligation of the borrower to return identical securities recognizes no gain or loss. To qualify for this treatment, the organization must lend the securities under an agreement that requires:

1. The return of identical securities;
2. The payment of amounts equivalent to the interest, dividends, and other distributions that the owner of the securities would normally receive; and
3. The risk of loss or opportunity for gain not be lessened.

See section 512(a)(5) for details.

Debt-financed property disposition. The amount of gain or loss to be reported on the sale, exchange, or other disposition of debt-financed property is the same percentage as the highest acquisition indebtedness for the property for the 12-month period before the date of disposition is to the average adjusted basis of the property. The percentage may not be more than 100%. See the instructions for Schedule E, column 5, to determine adjusted basis and average adjusted basis.

If debt-financed property is depreciable or depletable property, the provisions of sections 1245, 1250, 1252, 1254, and 1255 must be considered first.

Example. On January 1, 2005, an exempt educational corporation, using $288,000 of borrowed funds, purchased an office building for $608,000. The only adjustment to basis was $29,902 for depreciation (straight line method under MACRS over the 39-year recovery period for nonresidential real property). The corporation sold the building on December 31, 2006, for $640,000. At the date of sale, the adjusted basis of the building was $578,098 ($608,000 − $29,902) and the indebtedness remained at $288,000. The adjusted basis of the property on the first day of the year of disposition was $593,037. The average adjusted basis is $585,568 (($593,037 + $578,098) ÷ 2). The debt/basis percentage is 49% ($288,000 ÷ $585,568).

The taxable gain is $30,332 (49% × ($640,000 − $578,098)). This is a long-term capital gain. A corporation should enter the gain on line 6, Part II, Schedule D (Form 1120). A trust should enter the gain on Schedule D (Form 1041). Both should attach a statement to the return showing how the gain was figured.

Line 4b—Net Gain or (Loss)

Show gains and losses on other than capital assets on Form 4797. Enter on this line the net gain or (loss) from Part II, line 17, Form 4797.

An exempt organization using Form 4797 to report ordinary gain on sections 1245, 1250, 1252, 1254, and 1255 property will include only depreciation, amortization, or depletion allowed or allowable in figuring unrelated business taxable income or taxable income of the organization (or a predecessor organization) for a period when it was not exempt.

Line 4c—Capital Loss Deduction for Trusts

If a trust has a net capital loss, it is subject to the limitations of Schedule D (Form 1041). Enter on this line the loss figured on Schedule D (Form 1041).

Line 5—Income or (Loss) From Partnerships and S Corporations

Combine all partnership income or loss (determined below) with all S corporation income or loss and enter it on line 5.

However, for limitations on losses for certain activities, see Form 6198 and, for trusts, Form 8582, Passive Activity Loss Limitations, or, for corporations, Form 8810, Corporate Passive Activity Loss and Credit Limitations, and sections 465 and 469.

Partnerships

If the organization is a partner in a partnership carrying on an unrelated trade or business, enter the organization's share (whether or not distributed) of the partnership's income or loss from the unrelated trade or business.

Figure the gross income and deductions of the partnership in the same way you figure unrelated trade or business income the organization earns directly.

Attachment. Attach a statement to this return showing the organization's share of the partnership's gross income from the unrelated trade or business, and its share of the partnership deductions directly connected with the unrelated gross income. Also, see *Attachments* on page 7 for other information you need to include.

S Corporations

For tax years beginning after December 31, 1997, qualified tax exempts can be shareholders in an S corporation without the S corporation losing its status as an S corporation. Qualified tax exempts that hold stock in an S corporation treat their stock interest as an unrelated trade or business. All items of income, loss, or deduction are taken into account in figuring unrelated business taxable income. Report on line 4 any gain or loss on the disposition of S corporation stock.

Qualified tax exempts. A qualified tax exempt is an organization that is described in section 401(a) (qualified stock bonus, pension, and profit-sharing plans) or 501(c)(3) and exempt from tax under section 501(a).

Exception. Employer stock ownership plans (ESOPs) do not follow these S corporation rules if the S corporation stock is an employer security as defined in section 409(l).

Attachment. Attach a statement to this return showing the qualified tax exempt's share of all items of income, loss, or deduction. Show capital gains and losses separately and include them on line 4a. Combine the income, loss, and deductions (except for the capital gains and losses) on the statement. If you hold stock in more than one S corporation, total the combined amounts. Also, see *Attachments* on page 7 for other information you need to include.

Line 12—Other Income

Enter on line 12 any item of unrelated business income that is not reportable elsewhere on the return. Include:

- Recoveries of bad debts deducted in earlier years under the specific charge-off method. Attach a separate schedule of any items of other income to your return;
- The amount from Form 6478, Credit for Alcohol Used as Fuel; and
- The amount from Form 8864, Biodiesel and Renewable Diesel Fuels Credit.

Organizations described in section 501(c)(19). Enter the net income from insurance business that was not properly set aside. These organizations may set aside income from payments received for life, sick, accident, or health insurance for members of the organization or their dependents:

1. To provide for the payment of insurance benefits;
2. For a purpose specified in section 170(c)(4) (religious, charitable, scientific, literary, educational, etc.); or
3. For administrative costs directly connected with benefits described in 1 and 2 above.

Amounts set aside and used for purposes other than those in 1, 2, or 3 above must be included in unrelated business taxable income for the tax year if they were previously excluded from taxable income.

Any amount spent for a purpose described in section 170(c)(4) is first considered paid from funds earned by the organization from insurance activities if the income is not used for the insurance activities.

Expenditures for lobbying are not considered section 170(c)(4) expenses.

Income from property financed with qualified 501(c)(3) bonds. If any part of the property is used in a trade or business of any person other than a section 501(c)(3) organization or a governmental unit, your section 501(c)(3) organization is considered to have received unrelated business income in the amount of the greater of the actual rental income or the fair rental value of the property for the period it is used. No deduction is allowed for interest on the private activity bond. Report the greater of the actual rent or the fair rental value on line 12. Report allowable deductions in Part II. See section 150(b)(3) for more information.

Passive foreign investment company (PFIC) shareholders. If your organization is a direct or indirect shareholder of a PFIC within the meaning of section 1296, it may have income tax consequences under section 1291 on the disposition of the PFIC stock or on receipt of an excess distribution from the PFIC, described in section 1291(a). Your

organization may have current income under section 1293 if the PFIC is a qualified electing fund (QEF) with respect to the organization.

Include on line 12 the portion of an excess distribution or section 1293 inclusion that is taxable as unrelated business taxable income. See Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund, for more information on reporting excess distributions and current income inclusions.

See the instructions for lines 35c and 36 in Part III for reporting the deferred tax amount that may be owed by your organization with respect to an excess distribution.

Part II—Deductions Not Taken Elsewhere

If the amount on Part I, line 13, column (A), is $10,000 or less, you do not have to complete lines 14 through 28 of Part II. However, you must complete lines 29 through 34 of Part II.

Directly connected expenses. Only expenses directly connected with unrelated trade or business income (except contributions) may be deducted on these lines (see *Directly connected expenses* on page 2). Contributions may be deducted, whether or not directly connected. Do not separately include in Part II any expenses that are reported in Schedules A through J, other than excess exempt expenses entered on line 26 and excess readership costs entered on line 27. For example, officers' compensation allocable to advertising income is reported on Schedule J only, and should not be included on Schedule K or line 14 of Part II.

Limitations on Deductions

The following items discuss certain areas in which the amount of the deduction may to some extent be limited.

Activities Lacking a Profit Motive

If income is attributable to an activity lacking a profit motive, a loss from the activity cannot be claimed on Form 990-T. Therefore, in Part I, column (B) and Part II, the total of deductions for expenses directly connected with income from an activity lacking a profit motive is limited to the amount of that income. Generally, an activity lacking a profit motive is one that is not conducted for the purpose of producing a profit or one that has consistently produced losses when both direct and indirect expenses are taken into account.

Deductions related to property leased to tax-exempt entities

For property leased to a governmental or other tax-exempt entity, or in the case of property acquired after March 12, 2004, that is treated as tax-exempt use property other than by reason of a lease, the organization may not claim deductions related to the property to the extent that they exceed the organization's income from the lease payments. Amounts disallowed may be carried over to the next year and treated as a deduction with respect to the property. See section 470 for more information.

Transactions Between Related Taxpayers

Generally, an accrual basis taxpayer may only deduct business expenses and interest owed to a related party in the year the payment is included in the income of the related party. See sections 163(e)(3), 163(j), and 267 for limitations on deductions for unpaid interest and expenses.

Preference Items

Corporations may be required to adjust deductions for depletion of iron ore and coal, intangible drilling and exploration and development costs, and the amortizable basis of pollution control facilities. See section 291 to determine the amount of the adjustment.

Section 263A Uniform Capitalization Rules

These rules require organizations to capitalize or include as inventory cost certain costs incurred in connection with:

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property held in inventory (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property produced by the organization for use in its trade or business or in an activity engaged in for profit.

Tangible personal property produced by an organization includes a film, sound recording, videotape, book, or similar property.

Indirect expenses. Organizations subject to the section 263A uniform capitalization rules are required to capitalize direct costs and an allocable part of most indirect costs (including taxes) that benefit the assets produced or acquired for resale or are incurred by reason of the performance of production or resale activities.

For inventory, some of the indirect expenses that must be capitalized are:

- Administration expenses,
- Taxes,
- Depreciation,
- Insurance,
- Compensation paid to officers attributable to services,
- Rework labor, and
- Contributions to pension, stock bonus, and certain profit-sharing, annuity, or deferred compensation plans.

Regulations section 1.263A-1(e)(3) specifies other indirect costs that relate to production or resale activities that must be capitalized and those that may be currently deductible.

Interest expense. Interest expense paid or incurred during the production period of designated property must be capitalized and is governed by special rules. For more details, see Regulations section 1.263A-8 through 1.263A-15.

When are section 263A capitalized costs deductible? The costs required to be capitalized under section 263A are not deductible until the property (to which the costs relate) is sold, used, or otherwise disposed of by the organization.

Exceptions. Section 263A does not apply to:

- Personal property acquired for resale if the organization's average annual gross receipts for the 3 prior tax years were $10 million or less.
- Timber.
- Most property produced under long-term contract.
- Certain property produced in a farming business.
- Research and experimental costs under section 174.
- Geological and geophysical costs amortized under section 167(h).
- Intangible drilling costs for oil, gas, and geothermal property.
- Mining exploration and development costs.
- Inventory of an organization that accounts for inventories in the same manner as materials and supplies that are not incidental. See *Schedule A—Cost of Goods Sold* on page 19 for details.

Additional information. For more details on the uniform capitalization rules, see Regulations sections 1.263A-1 through 1.263A-3.

Travel, Meals, and Entertainment

Subject to limitations and restrictions discussed below, an organization can deduct ordinary and necessary travel, meals, and entertainment expenses paid or incurred in its trade or business. Also, special rules apply to deductions for gifts, skybox rentals, luxury water travel, convention expenses, and entertainment tickets. See section 274 and Pub. 463, Travel, Entertainment, Gift, and Car Expenses, for more details.

Travel. The organization cannot deduct travel expenses of any individual accompanying an organization's officer or employee, including a spouse or dependent of the officer or employee, unless:

- That individual is an employee of the organization and
- His or her travel is for a bona fide business purpose and would otherwise be deductible by that individual.

Meals and entertainment. Generally, the organization can deduct only 50% of the amount otherwise allowable for meals and entertainment expenses paid or incurred in its trade or business. In addition (subject to exceptions under section 274(k)(2)):

- Meals must not be lavish or extravagant;
- A bona fide business discussion must occur during, immediately before, or immediately after the meal; and
- An employee of the organization must be present at the meal.

Membership dues. The organization may deduct amounts paid or incurred for membership dues in civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards. However, no deduction is allowed if a principal purpose of the organization is to entertain, or provide entertainment facilities for members or their guests. In addition, organizations may not deduct membership dues in any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion.

Entertainment facilities. The organization cannot deduct an expense paid or incurred for use of a facility (such as a yacht or hunting lodge) for an activity usually considered entertainment, amusement, or recreation.

Amounts treated as compensation. The organization generally may be able to deduct otherwise nondeductible travel, meals, and entertainment expenses if the amounts are treated as compensation and reported on Form W-2 for an employee or Form 1099-MISC for an independent contractor.

However, if the recipient is an officer or director, the deduction for otherwise nondeductible meals, travel, and entertainment expenses is limited to the amount treated as compensation. See section 274(e)(2) and Notice 2005-45, 2005-24 I.R.B. 1228.

Certain Expenses For Which Credits Are Allowable

For each of the credits listed below, the organization may need to reduce the otherwise allowable deductions for expenses used to figure the credit by the amount of the current year credit:

1. The credit for increasing research activities,
2. The disabled access credit,
3. The employer credit for social security and Medicare taxes paid on certain employee tips,
4. The credit for employer-provided child care,
5. The orphan drug credit,
6. The credit for small employer pension plan startup,
7. The low sulfur diesel fuel production credit, and
8. Mine rescue team training credit.

If the organization has any of these credits, figure each current year credit before figuring the deduction for expenses on which the credit is based.

Business Startup Expenses

Business startup and organizational costs must be capitalized unless an election is made to amortize them. For costs paid or incurred before October 23, 2004, the organization must capitalize them unless it elects to amortize these costs over a period of 60 months or more. For costs paid or incurred after October 23, 2004, the following rules apply separately to each category of costs.

- The organization can elect to deduct up to $5,000 of such costs for the year the organization begins business operations.
- The $5,000 deduction is reduced (but not below zero) by the amount the total costs exceed $50,000. If the total costs are $55,000 or more, the deduction is reduced to zero.
- If the election is made, any costs that are not deducted must be amortized ratably over a 180-month period.

In all cases, the amortization period begins the month the corporation begins operations. For more details on the election for business startup and organizational costs, see Pub. 535.

For more details on the election for business startup costs, see section 195 and attach the statement required by Regulations section 1.195-1(b). For more details on the election for organizational costs, see section 248 and attach the statement required by Regulations section 1.248-1(c). Report the deductible amount of these costs and any amortization on line 28. For amortization that begins during the 2006 tax year, complete and attach Form 4562.

Line 16—Repairs and Maintenance

Enter the cost of incidental repairs and maintenance not claimed elsewhere on the return, such as labor and supplies, that do not add to the value or appreciably prolong the life of the property.

Line 17—Bad Debts

Enter the total receivables from unrelated business activities that were previously included in taxable income and that became worthless in whole or in part during the tax year.

Line 18—Interest

Attach a separate schedule listing the interest being claimed on this line.

- **Interest allocation.** If the proceeds of a loan were used for more than one purpose (for example, to purchase a portfolio investment and to acquire an interest in a passive activity), an interest allocation must be made. See Temporary Regulations section 1.163-8T for the interest allocation rules.
- **Tax-exempt interest.** Do not include interest on indebtedness incurred or continued to purchase or carry obligations, on which the interest income is totally exempt from income tax. For exceptions, see section 265(b).
- **Prepaid interest.** Generally, a cash basis taxpayer cannot deduct prepaid interest allocable to years following the current tax year. For example, in 2006 a cash basis calendar year taxpayer prepaid interest on a loan. The taxpayer can deduct only that part of the prepaid interest that was for the use of the loan before January 1, 2007.
- **Straddle interest.** Generally, the interest and carrying charges on straddles cannot be deducted and must be capitalized. See section 263(g).
- **Original issue discount.** See section 163(e)(5) for special rules for the disqualified portion of original issue discount on a high yield discount obligation.
- **Related party interest.** Certain interest paid or accrued by the organization (directly or indirectly) to a related person may be limited if no tax is imposed on such interest. See section 163(j) for more details.
- **Interest on certain underpayments of tax.** Interest paid or incurred on any portion of an underpayment of tax that is attributable to an understatement arising from an undisclosed listed transaction or an undisclosed reportable avoidance transaction (other than a listed transaction) entered into in tax years beginning after October 22, 2004.
- **Interest allocable to the production of designated property.** Do not deduct interest on debt allocable to the production of designated property. Interest that is allocable to such property produced by an organization for its own use or for sale must be capitalized. An organization must also capitalize any interest on debt allocable to an asset used to produce the above property. See section 263A(f) and Regulations sections 1.263A-8 through 1.263A-15 for definitions and more information.
- **Interest on below-market loans.** See section 7872 for special rules regarding the deductibility of foregone interest on certain below-market-rate loans.
- **Interest on which no tax is imposed (section 163(j)).** For tax years beginning after May 16, 2006, an organization that owns an interest in a partnership, directly or indirectly, must treat its distributive share of the partnership liabilities, interest income, and interest expense as liabilities, income, and expenses of the organization for purposes of applying the earnings stripping rules. For more details, see section 163(j)(8).

Line 19—Taxes and Licenses

Enter taxes and license fees paid or accrued during the year, but do not include the following:

- Federal income taxes.
- Foreign or U.S. possession income taxes if a foreign tax credit is claimed.
- Taxes not imposed on your organization.
- Taxes, including state or local sales taxes, paid or incurred in connection with an acquisition or disposition of property (these taxes must be treated as part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition).
- Taxes assessed against local benefits that increase the value of the property assessed (such as for paving, etc.).
- Taxes deducted elsewhere on the return, such as those reflected in cost of good sold.

See section 164(d) for apportionment of taxes on real property between the buyer and seller.

Line 20—Charitable Contributions

Enter contributions or gifts actually paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c). Also, enter any unused contributions carried over from earlier years. The deduction for contributions will be allowed whether or not directly connected with the carrying on of a trade or business.

Corporations. The total amount claimed normally cannot be more than 10% of unrelated business taxable income figured without regard to the following.

- Any deduction for contributions.
- The domestic production activities deduction under section 199.
- Any net operating loss (NOL) carryback to the tax year under section 172.
- Any capital loss carryback to the tax year under section 1212(a)(1).

Corporations on the accrual basis can elect to deduct contributions paid by the 15th day of the 3rd month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. Attach a declaration to the return stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. The declaration must also include the date the resolution was adopted. See Regulations section 1.170A-11

Suspension of 10% limitation for farmers and ranchers. For tax years beginning in 2006, an organization that is a qualified farmer or rancher (as defined in section 170(b)(1)(E) that does not have publicly traded stock, can deduct contributions of qualified conservation property without regard to the general 10% limit. The total amount of the contribution claimed for the qualified conservation property cannot exceed 100% of the excess of the organization's taxable income (as computed above substituting "100%" for "10%") over all other allowable charitable contributions. Any excess qualified conservation contributions can be carried over to the next 15 years subject to the 100% limitation. See section 170(b)(2)(B).

For contributions made after August 17, 2006, contributed conservation property that is used in agriculture or livestock production must remain available for such production.

Carryover. Charitable contributions over the 10% limitation cannot be deducted for the tax year, but may be carried over to the next 5 tax years.

In figuring the charitable contributions deduction, if the corporation has an NOL carryover to the tax year, the 10% limit is applied using the taxable income after taking into account any deduction for the NOL.

To figure the amount of any remaining NOL carryover to later years, taxable income must be modified. See section 172(b). To the extent charitable contributions are used to reduce taxable income for this purpose and increase a net operating loss carryover, a contributions carryover is not allowed. See section 170(d)(2)(B).

Trusts. In general:

1. For contributions to organizations described in section 170(b)(1)(A), the amount claimed may not be more than 50% of the unrelated business taxable income figured without this deduction; and
2. For contributions to other organizations, the amount claimed may not be more than the smaller of:

   a. 30% of unrelated business taxable income figured without this deduction; or
   b. The amount by which 50% of the unrelated business taxable income is more than the contributions allowed in 1 above.

TIP *Contributions not allowable in whole or in part because of the limitations may not be deducted as a business expense, but may be carried over to the next 5 tax years.*

Substantiation requirements. Generally, no deduction is allowed for any contribution of $250 or more, unless the organization gets a written acknowledgment from the donee organization that shows the amount of cash contributed, describes any property contributed, and either gives a description and a good faith estimate of the value of any goods or services provided in return for the contribution or states that no goods or services were provided in return for the contribution. The acknowledgment must be obtained by the due date (including extensions) of the organization's return, or, if earlier, the date the return is filed. However, see section 170(f)(8) and the related regulations for exceptions to this rule. Do not attach the acknowledgment to the return, but keep it with the organization's records.

Note. For contributions of cash, check, or other monetary gifts (regardless of the amount), made in tax years beginning after August 17, 2006, the organization must maintain a bank record, or a receipt, letter, or other written communication from the donee organization indicating the name of the organization, the date of the contribution, and the amount of the contribution.

Contributions of property other than cash. If an organization contributes property other than cash and claims over a $500 deduction for the property, it must attach a schedule to the return describing the kind of property contributed and the method used to determine its fair market value (FMV). All organizations generally must complete and attach Form 8283, Noncash Charitable Contributions, to their returns for contributions or property (other than money) if the total claimed deduction for all property contributed was more than $5,000. Special rules apply to the contribution of certain property. See the instructions for Form 8283.

Special rules for contributions of certain easements in registered historic districts. The following rules apply to certain contributions of real property interests located in a registered historic district.

- For contributions made after July 25, 2006, a deduction is allowed for the qualified real property interest, if the exterior of the building (including the front, side, rear, and space above the building) is preserved and no portion of the exterior is changed in manner that is inconsistent with its historical character. For more details, see section 170(h)(4)(B).
- For contributions made after August 17, 2006, a deduction is allowed on the building only (no deduction is allowed for a structure or land) if located in a registered historic district. However, if listed in the National Register, a deduction is also allowed for structures or land areas. For more information, see section 170(h)(4)(c)
- For contributions made in tax years beginning after August 17, 2006, the organization must also include the following information with the tax return.

  1. A qualified appraisal (as defined in section 170(f)(11)(E)) of the qualified property interest,
  2. Photographs of the entire exterior of the building, and
  3. A description of all restrictions on the development of the building. See section 170(h)(4)(B)(iii).
- The organization's deduction may be reduced if rehabilitation credits were claimed on the building. See section 170(f)(14).
- A $500 filing fee may apply to certain deductions over $10,000. See section 170(f)(13).

Other special rules. The organization must reduce its deduction for contributions of certain capital gain property. See sections 170(e)(1) and 170(e)(5).

A larger deduction is allowed for certain contributions of:

- Inventory and other property to certain organizations for use in the care of the ill, needy, or infants (section 170(e)(3)), including contributions of "apparently wholesome food" (section 170(e)(3)(C)) and contributions of qualified book inventory to public schools (section 170(e)(3)(D)).

- Of scientific equipment used for research to institutions of higher learning or to certain scientific research organizations (other than by personal holding companies and service organizations), see section 170(e)(4).
- Computer technology and equipment for educational purposes.

For more information on charitable contributions, including substantiation and recordkeeping requirements, see section 170, the related regulations, and Pub. 526, Charitable Contributions.

Line 21—Depreciation

Besides depreciation, include on line 21 the part of the cost, under section 179, that the organization elected to expense for certain tangible property placed in service during tax year 2006 or carried over from 2005. See Form 4562, Depreciation and Amortization, and its instructions.

Line 23—Depletion

See sections 613 and 613A for percentage depletion rates for natural deposits. Attach Form T, Forest Activities Schedules, if a deduction is taken for depletion of timber.

Line 24—Contributions to Deferred Compensation Plans

Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file Form 5500. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year. Section 6652(e) imposes a penalty for late filing of these forms. In addition, there is a penalty for overstating the pension plan deduction. See section 6662(f).

Line 25—Employee Benefit Programs

Enter the amount of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a deferred compensation plan included on line 24.

Line 28—Other Deductions

Enter on this line the deduction taken for amortization (see Form 4562) as well as other authorized deductions for which no space is provided on the return. Attach a separate schedule listing the deductions claimed on this line. Deduct only items directly connected with the unrelated trade or business for which income is reported in Part I.

Domestic production activities. Complete Form 8903 and enter the deduction on this line.

Energy efficient commercial buildings. You may deduct expenses for energy efficient commercial buildings placed in service after December 31, 2005. See section 179D.

Do not deduct fines or penalties paid to a government for violating any law.

Line 31—Net Operating Loss (NOL) Deduction

The NOL deduction is the total of the net operating loss carryovers and carrybacks that can be deducted in the tax year. To be deductible, an NOL must have been incurred in an unrelated trade or business activity. See section 172(a).

If any portion of any NOL is a qualified Gulf Opportunity Zone loss that was paid or incurred after August 27, 2005, and before January 1, 2008, the amount of the NOL may be eligible for a 5-year carryback. However, an organization may elect to treat a Go Zone public utility casualty loss as a specified liability loss to which the 10-year carryback period applies. See sections 172 and 1400N(k) for more information.

Enter on line 31, the total NOL carryover from other tax years, but do not enter more than the amount shown on line 30. Attach a schedule showing the computation of the NOL deduction. The amount of an NOL carryback or carryover is determined under section 172. See Regulations section 1.512(b)-1(e). For more information about NOLs, see Pub. 536, Net Operating Losses for Individuals, Estates and Trusts..

Line 33—Specific Deduction

A specific deduction of $1,000 is allowed except for computing the net operating loss and the net operating loss deduction under section 172.

Only one specific deduction may be taken, regardless of the number of unrelated businesses conducted. However, a diocese, province of a religious order, or convention or association of churches is allowed one specific deduction for each parish, individual church, district, or other local unit that regularly conducts an unrelated trade or business. This applies only to those parishes, districts, or other local units that are not separate legal entities, but are components of a larger entity (diocese, province, convention, or association). Each specific deduction will be the smaller of $1,000 or the gross income from any unrelated trade or business the local unit conducts. If you claim a total specific deduction larger than $1,000, attach a schedule showing how you figured the amount.

The diocese, province of a religious order, or convention or association of churches must file a return reporting the gross income and deductions of all its units that are not separate legal entities. These local units cannot file separate returns because they are not separately incorporated. Local units that are separately incorporated must file their own returns and cannot be included with any other entity except for a title holding company. See the instructions under *Consolidated Returns* on page 5.

For details on the specific deduction, see section 512(b)(12) and the related regulations.

Part III—Tax Computation

Lines 35a and 35b

Corporate members of a controlled group, as defined in section 1563, must check the box on line 35 and complete lines 35a and 35b.

The term "controlled group" means any parent-subsidiary group, brother-sister group, or combined group. See the definitions below.

Parent-subsidiary group. Parent-subsidiary group is one or more chains of corporations connected through stock ownership with a common parent corporation if:

- Stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of each of the corporations, except the common parent corporation, is directly or indirectly owned by one or more of the other corporations; and
- The common parent corporation directly or indirectly owns stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of at least one of the other corporations, excluding, in computing such voting power or value, stock owned directly by such other corporation.

Brother-sister group. A brother-sister group is two or more corporations if the same five or fewer persons who are individuals, estates, or trusts directly or indirectly own stock possessing:

1. At least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of the stock of each corporation, and
2. More than 50% of the total combined voting power of all classes of stock entitled to vote or more than 50% of the total value of shares of all classes of stock of each corporation, taking into account the stock ownership of each such person only to the extent such stock ownership is identical with respect to each such corporation.

The definition of a brother-sister group does not include (1) above, for purposes of determining and allocating the following.

- Taxable income brackets,
- Accumulated earnings credit,
- Alternative minimum tax exemption amount,
- Phaseout of the alternative minimum tax exemption amount, or
- The additional tax.

For purposes of determining whether a corporation is a member of a brother-sister controlled group of

corporations, within the meaning of section 1563(a)(2), stock owned by a person who is an individual, estate, or trust means:

- Stock owned directly by such person, and
- Stock owned with the application of section 1563(e).

Combined group. A combined group is three or more corporations each of which is a member of a parent-subsidiary group or a brother-sister group, and one of which is:

- A common parent corporation included in a group of corporations in a parent-subsidiary group, and also
- Included in a group of corporations in a brother-sister group.

For more details on controlled groups, see section 1563.

Members of a controlled group are entitled to one $50,000, one $25,000, and one $9,925,000 taxable income bracket amount (in that order) on line 35a.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the amount in each taxable income bracket apportioned to that member. See Regulations section 1.1561-3(b) for other requirements and for the time and manner of making the consent.

Equal apportionment plan. If no apportionment plan is adopted, members of a controlled group must divide the amount in each taxable income bracket equally among themselves. For example, Controlled Group AB consists of Corporation A and Corporation B. They do not elect an apportionment plan. Therefore, Corporation A and Corporation B are each entitled to $25,000 (one-half of $50,000) in the $50,000 taxable income bracket on line 35a(1), $12,500 (one-half of $25,000) in the $25,000 taxable income bracket on line 35a(2), and $4,962,500 (one-half of $9,925,000) in the $9,925,000 taxable income bracket on line 35a(3).

Unequal apportionment plan. Members of a controlled group may elect an unequal apportionment plan and divide the taxable income brackets as they want. There is no need for consistency among taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the taxable income bracket. However, the total amount for all members cannot be more than the total amount in each taxable income bracket.

Additional 5% tax and additional 3% tax. Members of a controlled group are treated as one corporation to figure the applicability of the additional 5% tax that must be paid by corporations with taxable income over $100,000 and the additional 3% tax that must be paid by corporations with taxable income over $15 million. If either additional tax applies, each member of the controlled group will pay that tax based on the part of the amount that is used in each taxable income bracket to reduce that member's tax. See section 1561(a). Each member must enter its share of the additional 5% tax on line 35b(1) and its share of the additional 3% tax on line 35b(2) and attach to its tax return a schedule that shows the taxable income of the entire group, as well as how its share of the additional tax was figured.

Lines 35c and 36

Deferred tax amount under section 1291. If your organization has an excess distribution from a passive foreign investment company (PFIC) that is taxable as unrelated business taxable income, the organization may owe the deferred tax amount defined in section 1291(c)(1). The portion of the deferred tax amount that is the aggregate increases in taxes (described in section 1291(c)(2)) must be included in the amount entered on line 35c or 36. Write to the left of line 35c or 36, "Sec. 1291" and the amount.

Do not include on line 35c or 36 the portion of the deferred tax amount that is the aggregate amount of interest determined under section 1291(c)(3). Instead, write "Sec. 1291 interest" and the amount in the bottom right margin of page 2, Form 990-T. See Part IV of Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund.

Line 35c—Corporations

Use the *Tax Rate Schedule for Corporations* shown below to figure the tax.

CAUTION *Members of a controlled group use the* Tax Computation Worksheet for Members of a Controlled Group *shown below to figure the tax. Members of a controlled group should see the* instructions *above* for lines 35a and 35b. *Members of a controlled group must attach a statement showing the computation of the tax entered on line 35c.*

Tax Rate Schedule for Corporations
(*Internal Revenue Code – Section 11*)

If the amount on line 34, page 1 is:

Over—	*But not over—*	*Tax is:*	*Of the amount over—*
$0	$50,000	**15%**	$0
50,000	75,000	**$ 7,500 + 25%**	50,000
75,000	100,000	**13,750 + 34%**	75,000
100,000	335,000	**22,250 + 39%**	100,000
335,000	10,000,000	**113,900 + 34%**	335,000
10,000,000	15,000,000	**3,400,000 + 35%**	10,000,000
15,000,000	18,333,333	**5,150,000 + 38%**	15,000,000
18,333,333	- - - - -	**35%**	0

Tax Computation Worksheet for Members of a Controlled Group
(Keep for your records)

Each member of a controlled group must compute the tax using the computation below:

1. Enter unrelated business taxable income (line 34, page 1, Form 990-T) ______
2. Enter line 1 or corporation's share of the $50,000 taxable income bracket, whichever is less . . . . ______
3. Subtract line 2 from line 1 . . . . ______
4. Enter line 3 or corporation's share of the $25,000 taxable income bracket, whichever is less . . . . ______
5. Subtract line 4 from line 3 . . . . ______
6. Enter line 5 or corporation's share of the $9,925,000 taxable income bracket, whichever is less . . . . ______
7. Subtract line 6 from line 5 . . . . ______
8. Enter 15% of line 2 . . . . ______
9. Enter 25% of line 4 . . . . ______
10. Enter 34% of line 6 . . . . ______
11. Enter 35% of line 7 . . . . ______
12. If the taxable income of the controlled group exceeds $100,000, enter this member's share of the smaller of: (a) 5% of the excess over $100,000, or (b) $11,750 (see instructions for additional 5% and additional 3% tax). . . . . ______
13. If the taxable income of the controlled group exceeds $15 million, enter this member's share of the smaller of: (a) 3% of the excess over $15 million, or (b) $100,000 (see instructions for additional 5% and additional 3% tax). ______
14. Add lines 8 through 13. Enter here and on line 35c, page 2, Form 990-T . . . . ______

Line 36—Trusts

Trusts exempt under section 501(a), which otherwise would be subject to subchapter J (estates, trusts, etc.), are taxed at trust rates. This rule also applies to employees' trusts that qualify under section 401(a). Most trusts figure the tax on the amount on line 34 using the Tax Rate Schedule for Trusts, later. If the tax rate schedule is used, enter the tax on line 36 and check the "tax rate schedule" box on line 36. If the trust is eligible for the rates on net capital gains, complete Schedule D (Form 1041) and enter the tax from Schedule D (Form 1041) on page 2, line 36. Check the "Schedule D" box on line 36 and attach Schedule D (Form 1041) to Form 990-T.

Tax Rate Schedule for Trusts
(Internal Revenue Code – Section 1(e))

If the amount on line 34, page 1 is:

Over—	*But not over—*	*Tax is:*	*Of the amount over—*
$0	$2,050	**15%**	$0
2,050	4,850	**$ 307.50 + 25%**	2,050
4,850	7,400	**1,007.50 + 28%**	4,850
7,400	10,050	**1,721.50 + 33%**	7,400
10,050	- - - - -	**2,596 + 35%**	10,050

Line 37—Proxy Tax

To pay the section 6033(e)(2) proxy tax on nondeductible lobbying and political expenditures, enter the proxy tax on line 37 and attach a schedule showing the computation.

Exempt organizations, except section 501(c)(3) and certain other organizations, must include certain information regarding lobbying expenditures on Form 990. In addition, organizations may have to provide notices to members regarding their share of dues to which the expenditures are allocable. See Form 990 instructions and Rev. Proc. 98-19, 1998-1 C.B. 547 for exceptions and other details.

If the organization elects not to provide the notices described above, it must pay the proxy tax described in section 6033(e)(2). If the organization does not include the entire amount of allocable dues in the notices, it may have to pay the proxy tax. This tax is not applicable to section 501(c)(3) organizations. Figure the proxy tax by multiplying the aggregate amount not included in the notices described above by 35%. No deductions are allowed.

Line 38—Alternative Minimum Tax

Organizations liable for tax on unrelated business taxable income may be liable for alternative minimum tax on certain adjustments and tax preference items. Trusts attach Schedule I, Alternative Minimum Tax, of Form 1041 and enter any tax from Schedule I on this line. A corporation, unless it is treated as a "small corporation" exempt from the alternative minimum tax, may have to attach Form 4626, Alternative Minimum Tax—Corporations, and enter any tax from Form 4626 on this line. See the Instructions for Form 4626 for the definition of a small corporation.

Part IV—Tax and Payments

Line 40a—Foreign Tax Credit

- **Corporations.** See Form 1118, Foreign Tax Credit—Corporations, for an explanation of when a corporation can take this credit for payment of income tax to a foreign country or U.S. possession.
- **Trusts.** See Form 1116, Foreign Tax Credit (Individual, Estate, Trust, or Nonresident Alien Individual), for rules on how the trust computes the foreign tax credit.

Complete the form that applies to the organization and attach the form to its Form 990-T. Enter the credit on this line.

Line 40b—Other Credits

- **Qualified electric vehicle credit.** Include on line 40b any credit from Form 8834, Qualified Electric Vehicle Credit, if the organization can claim a credit for the purchase of a new qualified electric vehicle.
- **Clean renewable energy bond credit and gulf bond credit.** Complete and attach Form 8912.

Line 40c—General Business Credit

Enter on line 40c the organization's total general business credit (excluding the Indian employment credit, the work opportunity credit, the welfare-work credit, and the empowerment zone and renewal community employment credit).

The organization is required to file Form 3800, General Business Credit, to claim any business credit not listed below. For a list of credits, see Form 3800. Check the "Form 3800" box and include the allowable credit from Part II, line 19 of Form 3800, on line 40c of Form 990-T.

If the organization is filing Form 6478, Credit for Alcohol Used as Fuel; or Form 8835, Renewable Electricity, Refined Coal, and Indian Coal Production Credit, with a credit from Section B, check the "Form(s)" box, enter the form number in the space provided, and include the allowable credit on line 40c.

Line 40d—Credit for Prior Year Minimum Tax

Use Form 8801 to figure the minimum tax credit and any carryforwards of that credit for trusts. For corporations, use Form 8827.

Line 42—Other Taxes

Recapture of investment credit. If property is disposed of, or ceases to be qualified property, before the end of the recapture period or the useful life applicable to the property, there may be a recapture of the credit. See Form 4255, Recapture of Investment Credit.

Recapture of low-income housing credit. If the organization disposed of property (or there was a reduction in the qualified basis of the property) for which it took the low-income housing credit, it may owe a tax. See Form 8611, Recapture of Low-Income Housing Credit, and section 42(j) for details.

Interest due under the look-back method. If the organization used the look-back method for certain long-term contracts, see Form 8697 for information on figuring the interest the organization may have to include. The organization may also have to include interest due under the look-back method for property depreciated under the income forecast method. See Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method.

Other. Additional taxes and interest amounts may be included in the total entered on line 42. Check the box for "Other" if the organization includes any of the taxes and interest discussed later. See *How to report*, later, for details on reporting these amounts on an attached schedule.

- Recapture of qualified electric vehicle (QEV) credit. The organization must recapture part of the QEV credit it claimed in a prior year if within 3 years of the date the vehicle was placed in service, it ceases to qualify for the credit. See Regulations section 1.30-1 for details on how to figure the recapture.
- Tax and interest on a nonqualified withdrawal from a capital construction fund (section 7518).
- Interest on deferred tax attributable to (a) installment sales of certain timeshares and residential lots (section 453(l)(3)) and (b) certain nondealer installment obligations (section 453A(c)).
- Interest due on deferred gain (section 1260(b)).
- If the organization makes the election to be taxed on its income from qualifying shipping activities, complete and attach Form 8902 to Form 990-T. See *Income from qualifying shipping activities* on page 10.

How to report. If the organization checked the "Other" box, attach a schedule showing the computation of each item included in the total for line 42. In addition, identify (a) the applicable Code section, (b) the type of tax or interest, and (c) enter the amount of tax or interest. For example, if the organization is reporting $100 of tax due from the recapture of the QEV credit, write "Section 30-QEV recapture tax—$100" on the attached schedule.

Line 43—Total Tax

Include any deferred tax on the termination of a section 1294 election applicable to shareholders in a qualified electing fund in the amount entered on line 43. See Form 8621, Part V, and *How to report*, below.

Subtract from the total entered on line 43 any deferred tax on the corporation's share of undistributed earnings of a qualified electing fund (see Form 8621, Part II).

How to report. Attach a schedule showing the computation of each item included in, or subtracted from, the total on line 43. On the dotted line next to line 43, specify (a) the applicable Code section, (b) the type of tax, and (c) enter the amount of tax.

Line 44b—Estimated Tax

Enter the total estimated tax payments made for the tax year.

If an organization is the beneficiary of a trust, and the trust makes a section 643(g) election to credit its estimated tax payments to its beneficiaries, include the organization's share of the estimated tax payment in the total amount entered here. In the entry space to the left of line 44b, write "T" and the amount attributable to it.

Line 44d—Foreign Organizations

Enter the tax withheld on unrelated business taxable income from U.S. sources that is not effectively connected with the conduct of a trade or business within the United States. Attach Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, or other form which verifies the withheld tax reported on line 44d.

Line 44e—Backup Withholding

Recipients of dividends or interest payments must generally certify their correct tax identification number to the bank or other payer on Form W-9. If the payer does not get this information, it must withhold part of the payments as "backup withholding." If your organization was subject to erroneous backup withholding because the payer did not realize you were an exempt organization and not subject to this withholding, you can claim credit for the amount withheld by including it on line 44e. See *Backup withholding* under *Which Parts To Complete* beginning on page 5.

Line 44f—Credit for Federal Telephone Excise Tax Paid

If a tax-exempt organization, government entity, Indian tribal government, or eligible pension plan was billed after February 28, 2003, and before August 1, 2006, for the federal telephone excise tax on long distance or bundled service, the organization may be able to request a credit for the tax paid. The organization had bundled service if its local and long distance service was provided under a plan that does not separately state the charge for local service. The organization cannot request the credit if it has already received a credit or refund from its service provider. If the organization requests the credit, it cannot ask its service provider for a credit or refund and must withdraw any request previously submitted to its provider.

The organization can request the credit by attaching Form 8913, Credit for Federal Telephone Excise Tax Paid, showing the actual amount the entity paid. The organization also may be able to request the credit based on an estimate of the amount paid. See Form 8913 for details. In either case, the organization must keep records to substantiate the amount of the credit requested.

If a tax-exempt organization, government entity, Indian tribal government or eligible pension plan is filing Form 990-T ***only*** *to request a credit for federal excise tax on long-distance telephone service, complete the following steps:*
1. Fill in the heading (the area above Part I) except items E, H, and I.
2. Enter -0- on the line 13, column (A), line 34, and line 43.
3. Enter the credit from Form 8913 on line 44f.
4. Complete lines 45, 48, 49 and the signature area.
5. Write "Request for TETR Credit" *on the top of the Form 990-T.*

Line 44g—Other Credits and Payments

Check the appropriate box(es) and enter:

- From Form 2439, the credit from regulated investment company (RIC) or real estate investment trust (REIT). Also, attach Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains. If you are filing a composite Form 990-T, see *Composite Form 990-T* under *Which Parts To Complete* beginning on page 5 of these instructions.
- From Form 4136, the credit for federal tax paid on fuels. Also, attach Form 4136, Credit for Federal Tax Paid on Fuels, if the organization qualifies to take this credit.
- The credit for ozone-depleting chemicals. Include any credit the organization is claiming under section 4682(g) for taxes paid on chemicals used as propellants in metered-dose inhalers.

After entering these amounts in the appropriate spaces, add them all together and enter the total on line 44g.

Form 8849, Claim for Refund of Excise Taxes, may be used to claim a periodic refund of excise taxes instead of waiting to claim a credit on Form 4136. See the instructions for Form 8849 and Pub. 378, Fuel Tax Credits and Refunds, for more information.

Line 47—Tax Due

Domestic organizations owing less than $500 and foreign organizations that do not have an office or place of business in the United States should enclose a check or money order (in U.S. funds), made payable to the "United States Treasury," with Form 990-T.

Domestic organizations owing $500 or more and foreign organizations with an office or place of business in the United States should see *Depository Method of Tax Payment* on page 4.

Part V—Statements Regarding Certain Activities and Other Information

Complete all items in Part V.

Line 1. Check "Yes" if either 1 or 2 below applies:

1. At any time during the 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 the accounts was more than $10,000 at any time during the year; and

b. The accounts were not 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 the "Yes" box is checked, write the name of the foreign country or countries. Attach a separate sheet if more space is needed.

Get Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, to see if the organization is considered to have 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). The organization can obtain Form TD F 90-22.1 from the IRS Forms Distribution Center or by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at *www.irs.gov*. If the organization is required to file this form, file it by June 30, 2007, with the Department of the Treasury at the address shown on the form. Do not file it with the IRS or attach it to Form 990-T.

Line 2. The organization may be required to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, if:

- It directly or indirectly transferred money or property to a foreign trust. For this purpose, any U.S. person who created a foreign trust is considered a transferor.
- It is treated as the owner of any part of the assets of a foreign trust under the grantor trust rules.
- It received a distribution from a foreign trust.

For more information, see the instructions for Form 3520.

An owner of a foreign trust must ensure that the trust files an annual information return on Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner. For details, see the Instructions for Form 3520-A.

Line 3. Report any tax-exempt interest received or accrued in the space provided. Include any exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

Signature

Corporations. The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or by any other corporate officer (such as tax officer) authorized to sign. Receivers, trustees, or assignees must also sign and date any return filed on behalf of the organization.

Trusts. The return must be signed and dated by the individual fiduciary, or by the authorized officer of the trust receiving or having custody or control and management of the income of the trust. If two or more individuals act jointly as fiduciaries, any one of them may sign.

Special rule for IRA trusts. A trustee of IRA trusts may use a facsimile signature if all of the following conditions are met:

- Each group of returns sent to the IRS must be accompanied by a letter signed by the person authorized to sign the returns declaring, under penalties of perjury, that the facsimile signature appearing on the returns is the signature adopted by that person to sign the returns filed and that the signature was affixed to the returns by that person or at that person's direction.

- The letter must also list each return by the name and EIN of the IRA trust.
- After the facsimile signature is affixed, no entries on the return may be altered other than to correct discernible arithmetic errors.
- A manually signed copy (of the letter submitted to the IRS with the returns and a record of any arithmetic errors corrected) must be retained on behalf of the IRA trusts listed in the letter and it must be available for inspection by the IRS.

Paid preparer. If an officer of the organization filled in its return, the paid preparer's space should remain blank. Anyone who prepares the return but does not charge the organization should not sign the return. Certain others who prepare the return should not sign. For example, a regular, full-time employee of the organization, such as a clerk, secretary, etc., should not sign.

Generally, anyone who is paid to prepare the organization's tax return must sign it and fill in the "Paid Preparer's Use Only" area.

The paid preparer must complete the required preparer information:

- Sign the return in the space provided for the preparer's signature.
- Give a copy of the return to the organization.

Note. A paid preparer may sign original returns, amended returns, or requests for filing extensions by rubber stamp, mechanical device, or computer software program.

Paid Preparer Authorization. If the organization wants to allow the IRS to discuss its 2006 tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Paid Preparer's Use Only" section of its return. It does not apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the organization is authorizing the IRS to call the paid preparer to:

- Give the IRS any information that is missing from its return,
- Call the IRS for information about the processing of its return or the status of its refund or payment(s), and
- Respond to certain IRS notices that the organization has shared with the preparer about a math error, offsets, and return preparation. The notices will not be sent to the preparer.

The organization is not authorizing the paid preparer to receive any refund check, bind the organization to anything (including any additional tax liability), or otherwise represent the organization before the IRS. If the organization wants to expand the paid preparer's authorization, see Pub. 947, Practice Before the IRS and Power of Attorney.

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (excluding extensions) for filing the 2007 Form 990-T.

Schedule A—Cost of Goods Sold

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of merchandise is an income-producing factor. See Regulations section 1.471-1.

However, if the organization is a qualifying taxpayer or a qualifying small business taxpayer, it may adopt or change its accounting method to account for inventoriable items in the same manner as materials and supplies that are not incidental (unless its business is a tax shelter (as defined in section 448(d)(3))).

A qualifying taxpayer is a taxpayer that, for each prior tax year ending after December 16, 1998, has average annual gross receipts of $1 million or less for the 3-tax-year period ending with that prior tax year.

A qualifying small business taxpayer is a taxpayer (a) that has average annual gross receipts of $10 million or less for the 3-tax-year period ending with that prior tax year, and (b) whose principle business activity is not an ineligible activity.

Under this accounting method, inventory cost for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year the organization paid for the raw materials or merchandise, if it is also using the cash method). For additional guidance on this method of accounting for inventoriable items, see Pub. 538 and the Instructions for Form 3115.

Enter amounts paid for all raw materials and merchandise during the tax year on line 2. The amount the organization can deduct for the tax year is figured on line 7.

All filers not using the cash method of accounting should see Section 263A uniform capitalization rules in the instructions for *Limitations on Deductions* on page 12 before completing Schedule A. The instructions for lines 4a, 4b, and 6 below apply to Schedule A.

Inventory valuation methods. Inventories can be valued at:

1. Cost as described in Regulations section 1.471-3,
2. Lower of cost or market as described in Regulations section 1.471-4, or
3. Any other method approved by the IRS that conforms to the requirements of the applicable regulations cited below.

However, if the organization is using the cash method of accounting, it is required to use cost.

A small producer is one whose average annual gross receipts are $1 million or less. Small producers that account for inventories in the same manner as materials and supplies that are not incidental may currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs.

The average cost (rolling average) method of valuing inventories generally does not conform to the requirement of the regulations. See Rev. Rul. 71-234, 1971-1 C.B. 148.

Organizations that use erroneous valuation methods must change to a method permitted for federal income tax purposes. File Form 3115 to make this change.

Inventory may be valued below cost when the merchandise is unsalable at normal prices, or unusable in the normal way because the goods are subnormal because of damage, imperfections, shop wear, etc., within the meaning of Regulations section 1.471-2(c). The goods may be valued at the current bona fide selling price, minus direct cost of disposition (but not less than scrap value) if such a price can be established.

If this is the first year the Last-in First-out (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method provided in section 472, attach Form 970, Application To Use LIFO Inventory Method, or a statement with the information required by Form 970.

If the organization changed or extended its inventory method to LIFO and had to write up the opening inventory to cost in the year of election, report the effect of this write up as other income (line 12, page 1) proportionately over a 3-year period that begins in the tax year the LIFO election was made (section 472(d)).

Schedule A, line 1. If the organization is changing its method of accounting to no longer account for inventories, it must refigure last year's closing inventory using the new method of accounting and enter the result on line 1. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring the organization's section 481(a) adjustment (explained on page 6).

Schedule A, line 4a. An entry is required on this line only for organizations that have elected a simplified method of accounting.

For organizations that have elected the simplified production method, additional section 263A costs are generally those costs, other than interest, that are now required to be capitalized under section 263A but that were not capitalized under the organization's method of accounting

immediately prior to the effective date of section 263A. For details, see Regulations section 1.263A-2(b).

For organizations that have elected the simplified resale method, additional section 263A costs are generally those costs incurred with respect to the following categories: off-site storage or warehousing; purchasing; handling, such as processing, assembling, repackaging, and transporting; and general and administrative costs (mixed service costs). For details, see Regulations section 1.263A-3(d).

Enter on line 4a the balance of section 263A costs paid or incurred during the tax year not included on lines 2 and 3.

Schedule A, line 4b. Enter on line 4b any costs paid or incurred during the tax year not entered on lines 2 through 4a.

Schedule A, line 6. See Regulations sections 1.263A-1 through 1.263A-3 for details on figuring the amount of additional section 263A costs to be included in ending inventory.

If the organization accounts for inventories in the same manner as materials and supplies that are not incidental, enter on line 6 the portion of its raw materials and merchandise purchased for resale that are included on line 5 and were not sold during the year.

Schedule C—Rent Income

Section 501(c)(7), (9), and (17) organizations, enter gross rents on Part I, line 6, and applicable expenses on Part II, lines 14 through 28. All rents except those that are exempt function income must be included.

All organizations that have applicable rent income, other than section 501(c)(7), (9), and (17) organizations, should complete Schedule C on page 3 of the return. For organizations other than section 501(c)(7), (9), and (17) organizations, only the following rents are taxable in Part I, line 6:

1. Rents from personal property leased with real property, if the rents from the personal property are more than 10% of the total rents received or accrued under the lease, determined at the time the personal property is placed in service.
2. Rents from real and personal property if:

a. More than 50% of the total rents received or accrued under the lease are for personal property; or

b. The amount of the rent depends on the income or profits derived by any person from the property leased (except an amount based on a fixed percentage of receipts or sales).

A redetermination of the percentage of rent for personal property is required when either:

1. There is an increase of 100% or more by the placing of additional or substitute personal property in service; or
2. There is a modification of the lease that changes the rent charged.

Rents from both real and personal property not taxable in Part I, line 6, may be taxable on line 8 if the income is from a controlled organization or on line 7 if the property is debt-financed. Taxability of the rents must be considered in that order; that is, rents not taxed on line 6 may be taxed on line 8 and rents not taxed on line 6 or line 8 may be taxed on line 7.

Rents from personal property that is not leased with real property should be reported on line 12 of Part I.

See Form 8582 (for trusts) or Form 8810 (for corporations) and section 469 for limitations on losses from rental activities.

Schedule E—Unrelated Debt-Financed Income

Schedule E applies to all organizations except sections 501(c)(7), (9), and (17) organizations.

When debt-financed property is held for exempt purposes and other purposes, the organization must allocate the basis, debt, income, and deductions among the purposes for which the property is held. Do not include in Schedule E amounts allocated to exempt purposes.

For section 514 purposes, do not treat an interest in a qualified state tuition program (QSTP) as debt. However, a QSTP's investment income is treated as debt-financed income if the QSTP incurs indebtedness when acquiring or improving income-producing property.

Column 1—Description of debt-financed property. Any property held to produce income is debt-financed property if at any time during the tax year there was acquisition indebtedness outstanding for the property. When any property held for the production of income by an organization is disposed of at a gain during the tax year, and there was acquisition indebtedness outstanding for that property at any time during the 12-month period before the date of disposition, the property is debt-financed property. Securities purchased on margin are considered debt-financed property if the liability incurred in purchasing them remains outstanding.

Acquisition indebtedness is the outstanding amount of principal debt incurred by the organization to acquire or improve the property:

1. Before the property was acquired or improved, if the debt was incurred because of the acquisition or improvement of the property; or
2. After the property was acquired or improved, if the debt was incurred because of the acquisition or improvement, and the organization could reasonably foresee the need to incur the debt at the time the property was acquired or improved.

With certain exceptions, acquisition indebtedness does not include debt incurred by:

1. A qualified (section 401) trust in acquiring or improving real property. See section 514(c)(9) for more details.
2. A tax-exempt school (section 170(b)(1)(A)(ii)) and its affiliated support organizations (section 509(a)(3)) for indebtedness incurred after July 18, 1984.
3. An organization described in section 501(c)(25) in tax years beginning after December 31, 1986.
4. An obligation, to the extent that it is insured by the Federal Housing Administration, to finance the purchase, rehabilitation, or construction of housing for low and moderate income persons, or indebtedness incurred by a small business investment company licensed after October 22, 2004, under the Small Business Investment Act of 1958 if such indebtedness is evidenced by a debenture issued by such company under section 303(a) of that Act, and held or guaranteed by the Small Business Administration (see section 514(c)(6)(B) for limitations).
5. A retirement income account described in section 403(b)(9) of the Internal Revenue Code in acquiring or improving real property in tax years beginning on or after August 17, 2006.

See Pub. 598 for additional exceptions to the rules for debt-financed property.

Column 2. Income is not unrelated debt-financed income if it is otherwise included in unrelated business taxable income. For example, do not include rents from personal property shown in Schedule C, or rents and interest from controlled organizations shown in Schedule F.

Column 4. Average acquisition indebtedness for any tax year is the average amount of the outstanding principal debt during the part of the tax year the property is held by the organization. To figure the average amount of acquisition debt, determine the amount of the outstanding principal debt on the first day of each calendar month during that part of the tax year that the organization holds the property. Add these amounts together, and divide the result by the total number of months during the tax year that the organization held the property. See section 514(a) and the related regulations for property acquired for an indeterminate price.

Column 5. The average adjusted basis for debt-financed property is the average of the adjusted basis of the property on the first and last days during the tax year that the organization holds the property. Determine the adjusted basis of property under section 1011. Adjust the basis of the property by the depreciation for all earlier tax years, whether or not the organization was exempt from tax for any of these years. Similarly, for tax years during which the organization is subject to tax on unrelated business taxable income, adjust the basis of the property by the entire amount of allowable depreciation, even though only a part of the deduction for depreciation is taken into account in figuring unrelated business taxable income.

If no adjustments to the basis of property under section 1011 apply, the basis of the property is cost.

See section 514(d) and the related regulations for the basis of debt-financed property acquired in a complete or partial liquidation of a corporation in exchange for its stock.

Column 7. The amount of income from debt-financed property included in unrelated trade or business income is figured by multiplying the property's gross income by the percentage obtained from dividing the property's average acquisition indebtedness for the tax year by the property's average adjusted basis during the period it is held in the tax year. This percentage cannot be more than 100%.

Column 8. For each debt-financed property, deduct the same percentage (as determined above) of the total deductions that are directly connected to the income (including the dividends-received deductions allowed by sections 243, 244, and 245). However, if the debt-financed property is depreciable property, figure the depreciation deduction by the straight line method only, and enter the amount in column 3(a).

For each debt-financed property, attach schedules showing separately a computation of the depreciation deduction (if any) reported in column 3(a) and a breakdown of the expenses included in column 3(b). Corporations owning stock that is unrelated debt-financed property should see Schedule C (Dividends and Special Deductions) of Form 1120, U.S. Corporation Income Tax Return, to determine the dividends-received deductions to include in column 3(b).

Enter on the last line of Schedule E, the total dividends-received deductions (after reduction, when applicable, by the debt-basis percentage(s)) included in column 8.

When a capital loss for the tax year may be carried back or carried over to another tax year, the amount to carry over or back is figured by using the percentage determined above. However, in the year to which the amounts are carried, do not apply the debt-basis percentage to determine the deduction for that year.

Example 1. An exempt organization owns a four-story building. Two floors are used for an exempt purpose and two floors are rented (as an unrelated trade or business) for $10,000. Expenses are $1,000 for depreciation and $5,000 for other expenses that relate to the entire building. The average acquisition indebtedness is $6,000, and the average adjusted basis is $10,000. Both apply to the entire building.

To complete Schedule E for this example, describe the property in column 1. Enter $10,000 in column 2 (since the entire amount is for debt-financed property), $500 and $2,500 in columns 3(a) and 3(b), respectively (since only one-half of the expenses are for the debt-financed property), $3,000 and $5,000 in columns 4 and 5, respectively (since only one-half of the acquisition indebtedness and the average adjusted basis are for debt-financed property), 60% in column 6, $6,000 in column 7, and $1,800 in column 8.

Example 2. Assume the same facts as in *Example 1*, except the entire building is rented out as an unrelated trade or business for $20,000. To complete Schedule E for this example, enter $20,000 in column 2, $1,000 and $5,000 in columns 3(a) and 3(b), respectively (since the entire amount is for debt-financed property), $6,000 and $10,000 in columns 4 and 5 (since the entire amount is for debt-financed property), 60% in column 6, $12,000 in column 7, and $3,600 in column 8.

Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations

Interest, annuities, royalties, and rents received or accrued (directly or indirectly) by a controlling organization from a controlled organization are subject to tax, whether or not the activity conducted by the controlling organization to earn these amounts is a trade or business or is regularly carried on.

Controlled organization. An entity is a "controlled organization" if the controlling organization owns:

- By vote or value more than 50% of a corporation's stock (for an organization that is a corporation);
- More than 50% of a partnership's profits or capital interests (for an organization that is a partnership); or
- More than 50% of the beneficial interests in an organization (for an organization other than a corporation or partnership).

- By vote or value more than 50% of a corporation's stock (for an organization that is a corporation);
- More than 50% of a partnership's profits or capital interests (for an organization that is a partnership); or
- More than 50% of the beneficial interests in an organization (for an organization other than a corporation or partnership).

To determine the ownership of stock in a corporation, apply the principles of section 318 (constructive ownership of stock). Apply similar principles to determine the ownership of interests in partnership or any other organization.

Specified payment. Specified payment means any payment of interest, annuities, royalties, or rents. Include the specified payment in gross income to the extent that the payment reduces the net unrelated income (or increases the net unrelated loss) of the controlled organization. If any part of a specified payment is included in gross income, Schedule F must be completed.

Qualifying specified payments. Qualifying specified payments means any payment of interest, annuities, royalties, or rents received or accrued from the controlled organization after December 31, 2005, and before January 1, 2008, pursuant to a binding written contract that was in effect on August 17, 2006, or is a renewable contract under substantially similar terms of a contract in effect on August 17, 2006. Qualifying specified payments are subject to tax only on the amount that exceeds what would have been paid or accrued if such payment had been determined under the principles of section 482.

Columns 1 and 2. List every controlled entity and its employer identification number from which your organization received interest, annuities, royalties, or rents. For each of the columns, if a controlled organization makes specified payments, some of which are qualifying specified payments and some of which are not, report the qualifying specified payments on one line and all other specified payments on another line. Thus, the organization must repeat the name of any controlled organization from which the organization receives both specified payments and qualifying specified payments.

Column 3. Enter the net unrelated income (or net unrelated loss) of each controlled entity listed that is exempt from tax under section 501(a).

Column 7. Enter each controlled organization's taxable income.

Column 8. Enter the net unrelated income (or net unrelated loss) of each controlled entity that is listed that is not exempt from tax under section 501(a). Net unrelated income is that portion of the controlled entity's taxable income that would be unrelated business taxable income if the entity were exempt under section 501(a) and had the same exempt purposes as the controlling organization. Net unrelated loss is the controlled organization's net operating loss adjusted under rules similar to those used to determine net unrelated income.

Column 4 or 9. For each controlled organization, enter the total of specified payments received from each controlled organization. If the organization received both specified payments and qualifying specified payments from a controlled organization, enter specified payments on one line and qualifying specified payments on another so that there are dual entries for that controlled organization.

Column 5 or 10. For specified payments, enter the portion of columns 4 or 9 to the extent that the payment reduced the net unrelated income (or increased the net unrelated loss) of the controlled entity.

For qualifying specified payments, enter the portion of columns 4 or 9 that is in excess of the amount that would have been received or accrued if the payment had been determined under the principles of section 482 to the extent that such excess reduced the net unrelated income (or increased any unrelated loss) of the controlled organization. Enter -0- if there is no such excess.

Column 6 or 11. Enter only those deductions directly connected with the income entered in column 5 or 10.

With respect to qualifying specified payments, enter only that portion of expenses that are directly connected to the amounts included in columns 5 or 10, that is, the excess of the payment over the fair market value amount as determined in accordance with section 482. Do not enter any expenses relating to the portion of such payment that is not includible in income under this special rule.

CAUTION *For valuation misstatements, the Code imposes a 20% addition to tax. See section 512(b)(13)(E)(ii) for details.*

Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization

Generally, for section 501(c)(7), (9), or (17) organizations, unrelated trade or business income includes all gross income from nonmembers with certain modifications. See section 512(a)(3)(A). Report on Schedule G all income from investments in securities and other similar investment income from nonmembers, including 100% of income and directly connected expenses from debt-financed property. Do not report nonmember income from debt-financed property on Schedule E.

All section 501(c)(7), (9), and (17) organizations figure their investment income using Schedule G. Do not include interest on state and local governmental obligations described in section 103(a).

Investment income includes all income from debt-financed property.

Deduct only those expenses that are directly connected to the net investment income. Allocate deductions between exempt activities and other activities where necessary. The organization may not take the dividends-received deductions in figuring net investment income because they are not treated as directly connected with the production of gross income.

Section 501(c)(7), (9), and (17) organizations may set aside income that would otherwise be taxable under section 512(a)(3). However, income derived from an unrelated trade or business may not be set aside and thus cannot be exempt function income. In addition, any income set aside and later expended for other purposes must be included in income.

Section 501(c)(7), (9), and (17) organizations will not be taxed on income set aside for:

1. Religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals;
2. The payment of life, sick, accident, or other benefits by a section 501(c)(9) or (17) organization. The amount allowed as a set aside may not exceed a limit determined using section 419A. See sections 419A and 512(a)(3)(E) for details;
3. Reasonable administration costs directly connected with 1 and 2 above.

Report income set aside in column 4 of Schedule G. Amounts set aside are not deductible under section 170 or any other section of the Code.

The organization may elect to treat income set aside by the date for filing the return, including any extensions of time, as income set aside in the tax year for which the return is filed. The income set aside must have been includible in gross income for that earlier tax year.

Although set aside income may be accumulated, any accumulation that is unreasonable will be evidence that the set aside was not for the purposes described above.

Net investment income set aside must be specifically earmarked as such, or placed in a separate account or fund (except for an employees' association which, by the terms of its governing instrument, must use its net investment income for the purposes stated in 2 above).

These rules apply to a corporation described in section 501(c)(2) (title holding corporation) whose income is payable to an organization described in section 501(c)(7), (9), or (17) if it files a consolidated return with the section 501(c)(7), (9), or (17) organization.

If a section 501(c)(7), (9), or (17) organization (or a title holding corporation described above) sells property that was used for the exempt function of the section 501(c)(7), (9), or (17) organization, and buys other property used for the organization's exempt function within a period beginning 1 year before the date of the sale, and ending 3 years after the date of the sale, the gain from the sale will be recognized only to the extent that the sales price of the old property is more than the cost of the other property. The other property need not be similar in type or use to the old property. The organization must notify the IRS of the sale by a statement attached to the return, or other written notice.

To compute the gain on the sale of depreciable property, see the instructions for column 5 of Schedule E to determine the adjusted basis of the property.

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income

A section 501(c)(7), (9), or (17) organization does not report exploited exempt activity income in Schedule I. Report the income in Part I, line 1a instead, or the appropriate line for the particular kind of income.

Exempt organizations (other than section 501(c)(7), (9), or (17) organizations) that have gross income from an unrelated trade or business activity that exploits an exempt activity (other than advertising income) should complete Schedule I. See Regulations section 1.513-1(d)(4)(iv) for a definition of exploited exempt activity.

An organization may take all deductions directly connected with the gross income from the unrelated trade or business activity. In addition, the organization may take into account all deductible items attributable to the exploited exempt activity, with the following limitations:

1. Reduce the deductible items of the exempt activity by the income from the activity;
2. Limit the net amount of deductible items arrived at in 1 above for the exempt activity to the net unrelated business income from the exploited exempt activity;
3. Exclude income and expenses of the exempt activity in figuring a loss carryover or carryback from the unrelated trade or business activity exploiting the exempt activity; and
4. Exclude deductible items of the exempt activity in figuring unrelated trade or business income from an activity that is not exploiting the same exempt activity.

Therefore, the net includible exploited exempt activity income is the unrelated business taxable income minus the excess of the exempt activity expenses over the exempt activity income. If the income from the exempt activity exceeds the exempt activity expenses, do not add that profit to the net income from the unrelated business activity. If two or more unrelated trade or business activities exploit the same exempt activity, treat those activities as one on Schedule I. Attach a separate schedule showing the computation.

Schedule J—Advertising Income

A section 501(c)(7), (9), or (17) organization does not report advertising income on Schedule J. Instead, report that income in Part I, line 1a.

An exempt organization (other than a section 501(c)(7), (9), or (17) organization) that earned gross income from the sale of advertising in an exempt organization periodical must complete Schedule J. The part of the advertising income taken into account is determined as follows:

1. If direct advertising costs (expenses directly connected with advertising income) are more than advertising income (unrelated business income), deduct that excess in figuring unrelated business taxable income from any other unrelated trade or business activity carried on by the organization.
2. If advertising income is more than direct advertising costs, and circulation income (exempt activity income) equals or exceeds readership costs (exempt activity expenses), then unrelated business taxable income is the excess of advertising income over direct advertising costs.
3. If advertising income is more than direct advertising costs, and readership costs are more than circulation income, then unrelated business taxable income is the excess of total income (advertising income and circulation income) over total periodical costs (direct advertising costs and readership costs).
4. If the readership costs are more than the circulation income, and the net readership costs are more than the excess of advertising income over direct advertising costs, no loss is allowable. See Regulations section 1.512(a)-1(f)(2)(ii)(b).

For allocating membership receipts to circulation income, see Rev. Rul. 81-101, 1981-1 C.B. 352.

Consolidated periodicals. If an organization publishes two or more periodicals, it may elect to treat the gross income for all (but not less than all) periodicals, and deductions directly connected with those periodicals (including excess readership costs), as if the periodicals were one to determine its unrelated business taxable income. This rule only applies to periodicals published for the production of income. A periodical is considered published for the production of income if gross advertising income of the periodical is at least 25% of the readership costs, and the periodical is an activity engaged in for profit.

Schedule K—Compensation of Officers, Directors, and Trustees

Complete columns 1 through 4, Schedule K, for those officers, directors, and trustees whose salaries or other compensation are allocable to unrelated business gross income. Do not include in column 4 compensation that is deducted on lines 15, 28, or Schedules A through J of Form 990-T.

Include on Schedule K (or elsewhere on the return) only compensation that is directly attributable to the unrelated trade or business activities of the organization. If personnel is used both to carry on exempt activities and to conduct unrelated trade or business activities, the salaries and wages of those individuals will be allocated between the activities. For example, assume an exempt organization derives gross income from the conduct of certain unrelated trade or business activities. The organization pays its president a salary of $65,000 a year. Ten percent of the president's time is devoted to the unrelated business activity. On Form 990-T, the organization enters $6,500 (10% of $65,000) on Schedule K for the part of the president's salary allocable to the unrelated trade or business activity. However, the remaining $58,500 (90% of $65,000) cannot be deducted on Form 990-T because it is not directly attributable to the organization's unrelated trade or business activities.

If taxable fringe benefits are provided to your employees, such as personal use of a car, do not deduct as salaries and wages the amounts you deducted for depreciation and other deductions.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. Section 6109 requires return preparers to provide their identifying numbers on the return.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	67 hr., 26 min.
Learning about the law or the form	27 hr., 10 min.
Preparing the form	43 hr., 25 min.
Copying, assembling, and sending the form to the IRS	4 hr., 1 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send the Form 990-T to this address. Instead, see *Where To File* on page 3.

Codes for Unrelated Business Activity

(If engaged in more than one unrelated business activity, select up to two codes for the principal activities. List first the largest in terms of gross unrelated income, then the next largest. Be sure to classify your unrelated activities, rather than your related activities. For example, code income from advertising in publications as 541800, Advertising and related services, rather than selecting a code describing a printing or publishing activity. Also, if possible, select a code that more specifically describes your unrelated activity, rather than a code for a more general activity.)

AGRICULTURE, FORESTRY, HUNTING, AND FISHING

Code	
110000	Agriculture, forestry, hunting, and fishing
111000	Crop production

MINING

Code	
211110	Oil and gas extraction
212000	Mining (except oil and gas)

UTILITIES

Code	
221000	Utilities

CONSTRUCTION

Code	
230000	Construction
236000	Construction of buildings

MANUFACTURING

Code	
310000	Manufacturing
323100	Printing and related support activities
339110	Medical equipment and supplies manufacturing

WHOLESALE TRADE

Code	
423000	Merchant wholesalers, durable goods
424000	Merchant wholesalers, nondurable goods

RETAIL TRADE

Code	
441100	Automobile dealers
442000	Furniture and home furnishings stores
443120	Computer and software stores
444100	Building materials and supplies dealers
445100	Grocery stores
445200	Specialty food stores
446110	Pharmacies and drug stores
446199	All other health and personal care stores
448000	Clothing and clothing accessories stores
451110	Sporting goods stores
451211	Book stores
452000	General merchandise stores
453000	Miscellaneous store retailers
453220	Gift, novelty, and souvenir stores
453310	Used merchandise stores
454110	Electronic shopping and mail-order houses

TRANSPORTATION AND WAREHOUSING

Code	
480000	Transportation
485000	Transit and ground passenger transportation
493000	Warehousing and storage

INFORMATION

Code	
511110	Newspaper publishers (except Internet)
511120	Periodical publishers (except Internet)
511130	Book publishers (except Internet)
511140	Directory and mailing list publishers (except Internet)
511190	Other publishers (except Internet)
512000	Motion picture and sound recording industries
515100	Radio and television broadcasting (except Internet)
516110	Internet publishing and broadcasting
517000	Telecommunications (including paging, cellular, satellite, cable, and other telecommunications)
518111	Internet service providers
518112	Web search portals
518210	Data processing, hosting, and related services
519100	Other information services

FINANCE AND INSURANCE

Code	
522100	Depository credit intermediation (including commercial banking, savings institutions, and credit unions)
522200	Nondepository credit intermediation (including credit card issuing and sales financing)
523000	Securities, commodity contracts, and other financial investments and related activities
524113	Direct life insurance carriers
524114	Direct health and medical insurance carriers
524126	Direct property and casualty insurance carriers
524292	Third-party administration of insurance and pension funds
524298	All other insurance-related activities
525100	Insurance and employee benefit funds
525920	Trusts, estates, and agency accounts
525990	Other financial vehicles

REAL ESTATE AND RENTAL AND LEASING

Code	
531110	Lessors of residential buildings and dwellings
531120	Lessors of nonresidential buildings (except miniwarehouses)
531190	Lessors of other real estate property
531310	Real estate property managers
531390	Other activities related to real estate
532000	Rental and leasing services
532420	Office machinery and equipment rental and leasing
533110	Lessors of nonfinancial intangible assets (except copyrighted works)

PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES

Code	
541100	Legal services
541200	Accounting, tax preparation, bookkeeping, and payroll services
541300	Architectural, engineering, and related services
541380	Testing laboratories
541511	Custom computer programming services
541519	Other computer-related services
541610	Management consulting services
541700	Scientific research and development services
541800	Advertising and related services
541860	Direct mail advertising
541900	Other professional, scientific, and technical services

MANAGEMENT OF COMPANIES AND ENTERPRISES

Code	
551111	Offices of bank holding companies
551112	Offices of other holding companies

ADMINISTRATIVE AND SUPPORT AND WASTE MANAGEMENT AND REMEDIATION SERVICES

Administrative and Support Services

Code	
561000	Administrative and support services
561300	Employment services
561439	Other business service centers (including copy shops)
561499	All other business support services
561500	Travel arrangement and reservation services
561520	Tour operators
561700	Services to buildings and dwellings

Waste Management and Remediation Services

Code	
562000	Waste management and remediation services (sanitary services)

EDUCATIONAL SERVICES

Code	
611600	Other schools and instruction (other than elementary and secondary schools or colleges and universities, which should select a code to describe their unrelated activities)
611710	Educational support services

HEALTHCARE AND SOCIAL ASSISTANCE

Code	
621110	Offices of physicians
621300	Offices of other health practitioners
621400	Outpatient care centers
621500	Medical and diagnostic laboratories
621610	Home health care services
621910	Ambulance services
621990	All other ambulatory health care services
623000	Nursing and residential care facilities
623990	Other residential care facilities
624100	Individual and family services
624200	Community food and housing, and emergency and other relief services
624310	Vocational rehabilitation services
624410	Child day care services

ARTS, ENTERTAINMENT, AND RECREATION

Code	
711110	Theater companies and dinner theaters
711120	Dance companies
711130	Musical groups and artists
711190	Other performing art companies
711210	Spectator sports (including sports clubs and racetracks
711300	Promoters of performing arts, sports, and simiilar events
713110	Amusement and theme parks
713200	Gambling industries
713910	Golf courses and country clubs
713940	Fitness and recreational sports centers
713990	All other amusement and recreation industries (including skiing facilities, marinas, and bowling centers)

ACCOMMODATION AND FOOD SERVICES

Code	
721000	Accomodation
721110	Hotels (except casino hotels) and motels
721210	RV (recreational vehicle) parks and recreational camps
721310	Rooming and boarding houses
722100	Full-service restaurants
722210	Limited-service eating places
722320	Caterers
722410	Drinking places (alcoholic beverages)

OTHER SERVICES

Code	
811000	Repair and maintenance
812300	Drycleaning and laundry services
812900	Other personal services
812930	Parking lots and garages

OTHER

Code	
900000	Unrelated debt-financed activities other than rental of real estate
900001	Investment activities of section 501(c)(7), (9), or (17) organizations
900002	Rental of personal property
900003	Passive income activities with controlled organizations
900004	Exploited exempt activities

Form **990-T**

Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

For calendar year 2006 or other tax year beginning ...., 2006, and ending , 20 . ▶ See separate instructions.

OMB No. 1545-0687

2006

Open to Public Inspection for 501(c)(3) Organizations Only

A ☐ Check box if address changed

B Exempt under section
☐ 501( )( )
☐ 408(e) ☐ 220(e)
☐ 408A ☐ 530(a)
☐ 529(a)

C Book value of all assets at end of year

Print or Type

Name of organization (☐ Check box if name changed and see instructions.)

Number, street, and room or suite no. If a P.O. box, see page 9 of instructions.

City or town, state, and ZIP code

D Employer identification number (Employees' trust, see instructions for Block D on page 9.)

E Unrelated business activity codes (See instructions for Block E on page 9.)

F Group exemption number (See instructions for Block F on page 9.) ▶

G Check organization type ▶ ☐ 501(c) corporation ☐ 501(c) trust ☐ 401(a) trust ☐ Other trust

H Describe the organization's primary unrelated business activity. ▶

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . ▶ ☐ Yes ☐ No
If "Yes," enter the name and identifying number of the parent corporation. ▶

J The books are in care of ▶ Telephone number ▶ ( )

Part I Unrelated Trade or Business Income

		(A) Income	(B) Expenses	(C) Net
1a Gross receipts or sales				
b Less returns and allowances c Balance ▶	1c			
2 Cost of goods sold (Schedule A, line 7)	2			
3 Gross profit. Subtract line 2 from line 1c	3			
4a Capital gain net income (attach Schedule D)	4a			
b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b			
c Capital loss deduction for trusts	4c			
5 Income (loss) from partnerships and S corporations (attach statement)	5			
6 Rent income (Schedule C)	6			
7 Unrelated debt-financed income (Schedule E)	7			
8 Interest, annuities, royalties, and rents from controlled organizations (Schedule F)	8			
9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9			
10 Exploited exempt activity income (Schedule I)	10			
11 Advertising income (Schedule J)	11			
12 Other income (See page 11 of the instructions; attach schedule.)	12			
13 **Total.** Combine lines 3 through 12	13			

Part II Deductions Not Taken Elsewhere (See page 12 of the instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees (Schedule K)	14	
15 Salaries and wages	15	
16 Repairs and maintenance	16	
17 Bad debts	17	
18 Interest (attach schedule)	18	
19 Taxes and licenses	19	
20 Charitable contributions (See page 14 of the instructions for limitation rules.)	20	
21 Depreciation (attach Form 4562) — 21		
22 Less depreciation claimed on Schedule A and elsewhere on return — 22a	22b	
23 Depletion	23	
24 Contributions to deferred compensation plans	24	
25 Employee benefit programs	25	
26 Excess exempt expenses (Schedule I)	26	
27 Excess readership costs (Schedule J)	27	
28 Other deductions (attach schedule)	28	
29 **Total deductions.** Add lines 14 through 28	29	
30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13	30	
31 Net operating loss deduction (limited to the amount on line 30)	31	
32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30	32	
33 Specific deduction (Generally $1,000, but see line 33 instructions for exceptions.)	33	
34 **Unrelated business taxable income.** Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	34	

For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cat. No. 11291J Form **990-T** (2006)

Form 990-T (2006) Page **2**

Part III Tax Computation

35 **Organizations Taxable as Corporations.** See instructions for tax computation on page 15. Controlled group members (sections 1561 and 1563) check here ▶ ☐ **See instructions** and:		
a Enter your share of the $50,000, $25,000, and $9,925,000 taxable income brackets (in that order): (1) $ (2) $ (3) $		
b Enter organization's share of: **(1)** Additional 5% tax (not more than $11,750) $		
(2) Additional 3% tax (not more than $100,000) $		
c Income tax on the amount on line 34 ▶	35c	
36 **Trusts Taxable at Trust Rates.** See instructions for tax computation on page 16. Income tax on the amount on line 34 from: ☐ Tax rate schedule or ☐ Schedule D (Form 1041) ▶	36	
37 **Proxy tax.** See page 16 of the instructions ▶	37	
38 Alternative minimum tax	38	
39 **Total.** Add lines 37 and 38 to line 35c or 36, whichever applies	39	

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116)	40a			
b Other credits (see page 17 of the instructions)	40b			
c General business credit. Check here and indicate which forms are attached: ☐ Form 3800 ☐ Form(s) (specify) ▶	40c			
d Credit for prior year minimum tax (attach Form 8801 or 8827)	40d			
e **Total credits.** Add lines 40a through 40d			40e	
41 Subtract line 40e from line 39			41	
42 Other taxes. Check if from: ☐ Form 4255 ☐ Form 8611 ☐ Form 8697 ☐ Form 8866 ☐ Other (attach schedule)			42	
43 **Total tax.** Add lines 41 and 42			43	
44a Payments: A 2005 overpayment credited to 2006	44a			
b 2006 estimated tax payments	44b			
c Tax deposited with Form 8868	44c			
d Foreign organizations: Tax paid or withheld at source (see instructions)	44d			
e Backup withholding (see instructions)	44e			
f Credit for federal telephone excise tax paid (attach Form 8913)	44f			
g Other credits and payments: ☐ Form 2439 ☐ Form 4136 ☐ Other Total ▶	44g			
45 **Total payments.** Add lines 44a through 44g			45	
46 Estimated tax penalty (see page 4 of the instructions). Check if Form 2220 is attached ▶ ☐			46	
47 **Tax due.** If line 45 is less than the total of lines 43 and 46, enter amount owed ▶			47	
48 **Overpayment.** If line 45 is larger than the total of lines 43 and 46, enter amount overpaid ▶			48	
49 Enter the amount of line 48 you want: **Credited to 2007 estimated tax** ▶ **Refunded** ▶			49	

Part V Statements Regarding Certain Activities and Other Information (see instructions on page 18)

	Yes	No
1 At any time during the 2006 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22.1. If YES, enter the name of the foreign country here ▶		
2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see page 5 of the instructions for other forms the organization may have to file.		
3 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ $		

Schedule A—Cost of Goods Sold. Enter method of inventory valuation ▶

1 Inventory at beginning of year	1		6 Inventory at end of year	6	
2 Purchases	2		7 **Cost of goods sold.** Subtract line 6 from line 5. Enter here and in Part I, line 2	7	
3 Cost of labor	3				
4a Additional section 263A costs (attach schedule)	4a		8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?	Yes	No
b Other costs (attach schedule)	4b				
5 **Total.** Add lines 1 through 4b	5				

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer Date Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ☐ / Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code		EIN / Phone no. ( )

Form **990-T** (2006)

Schedule C—Rent Income (From Real Property and Personal Property Leased With Real Property)
(see instructions on page 20)

1 Description of property
(1)
(2)
(3)
(4)

	2 Rent received or accrued		
	(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3 Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)			
(2)			
(3)			
(4)			
	Total	Total	
	Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) . . . ▶		**Total deductions.** Enter here and on page 1, Part I, line 6, column (B) . ▶

Schedule E—Unrelated Debt-Financed Income (see instructions on page 20)

	1 Description of debt-financed property	2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property: (a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)				
(2)				
(3)				
(4)				

	4 Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5 Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Column 4 divided by column 5	7 Gross income reportable (column 2 × column 6)	8 Allocable deductions (column 6 × total of columns 3(a) and 3(b))
(1)			%		
(2)			%		
(3)			%		
(4)			%		
Totals . . . . ▶				Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
Total dividends-received deductions included in column 8 . . . . ▶					

Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions on page 21)

Exempt Controlled Organizations

	1 Name of Controlled Organization	2 Employer Identification Number	3 Net unrelated income (loss) (see instructions)	4 Total of specified payments made	5 Part of column 4 that is included in the controlling organization's gross income	6 Deductions directly connected with income in column 5
(1)						
(2)						
(3)						
(4)						

Nonexempt Controlled Organizations

	7 Taxable Income	8 Net unrelated income (loss) (see instructions)	9 Total of specified payments made	10 Part of column 9 that is included in the controlling organization's gross income	11 Deductions directly connected with income in column 10
(1)					
(2)					
(3)					
(4)					
Totals . . . . ▶				Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).

Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization
(see instructions on page 22)

1 Description of income	2 Amount of income	3 Deductions directly connected (attach schedule)	4 Set-asides (attach schedule)	5 Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals . . . . ▶	Enter here and on page 1, Part I, line 9, column (A).			Enter here and on page 1, Part I, line 9, column (B).

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income
(see instructions on page 22)

1 Description of exploited activity	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals . . . . ▶	Enter here and on page 1, Part I, line 10, col. (A).	Enter here and on page 1, Part I, line 10, col. (B).				Enter here and on page 1, Part II, line 26.

Schedule J—Advertising Income (see instructions on page 23)

Part I **Income From Periodicals Reported on a Consolidated Basis**

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5 Circulation income	6 Readership costs	7 Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5)) . ▶						

Part II **Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

(1)						
(2)						
(3)						
(4)						
(5) **Totals from Part I**						
Totals, Part II (lines 1-5) . . . ▶	Enter here and on page 1, Part I, line 11, col. (A).	Enter here and on page 1, Part I, line 11, col. (B).				Enter here and on page 1, Part II, line 27.

Schedule K—Compensation of Officers, Directors, and Trustees (see instructions on page 23)

1 Name	2 Title	3 Percent of time devoted to business	4 Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
Total. Enter here and on page 1, Part II, line 14 . . . . ▶			

Printed on recycled paper

Form 990 and New Changes

Objectives:

- Purpose of Form 990
- Reason for 990 Changes
- Introduction of New Form 990
- Pension Protection Act Form 990 Changes
- Excess Benefit Transactions
- Filing Requirements

TE/GE Internal Revenue Service Tax Exempt and Government Entities

Purpose

- To provide information on your organization's programs and activities, not to report and pay taxes
- Almost all of the information reported on the form is open to public inspection
- Most state agencies that regulate exempt organizations use the Form 990 to satisfy their filing requirements rather than create their own form

TE/GE Internal Revenue Service Tax Exempt and Government Entities

Reason for New 990 Changes

Last revised in 1979- almost 30 years ago

Form " jury-rigged" when lines needed for legislation or compliance issues

Unable to renumber form because of cost resulting in haphazard and illogical form design

Complaints from the users of the form about complexity

- Leads to incomplete returns
- Incomplete returns leads to poor data
- Transcription errors leads to poor data

Guiding Principles

- Improve Transparency
- Improve Compliance
- Reduce Burden

Core Breakdown

Structured the Core form so that all sections are applicable to all filers and sections not applicable to all filers are moved to Schedules

- Part I-Summary page
- Part II-A List of Officers, etc.
- Part II-B Compensation of Officers, etc.
- Part III- Governance
- Parts IV-VI Financial Statements
- Part VII – questions about activities, "triggers
- Part VIII – questions about activities requiring other filings

Core Breakdown (Cont.)

Old" Schedules

Following existed as attachments:

- Schedule D- balance sheet attachments and DAF's, easements with new information on endowment and escrows
- Schedule E- schools (no change)
- Schedule I- grants
- Schedule L- loans
- Schedule N – terminations

Core Breakdown (Cont.)

"New" Schedules

- Schedule F- foreign
- Schedule G – fundraising including gaming
- Schedule H- hospitals
- Schedule J – compensation
- Schedule K – tax exempt bonds
- Schedule M – non-cash contributions
- Schedule R – related organizations

Achievements of Goals

Transparency

- Summary page provides snapshot and guidelines viewer to detail
- Restructuring of core and addition of schedules improves readability

Compliance- structuring of schedules insures completion

Burden- structuring of schedules insures completion of relevant parts-only

Timeline

- Summer 2007- internal and external comment period
- Fall 2007 – finalize form and systems requirements
- Winter 2008 – release final forms and draft instructions for comment again
- Spring & Summer 2008 – finalize instructions
- Fall 2008 – education and outreach on new form
- Spring 2009 – first returns filed

Pension Protection Act Changes

A. Donor Advised Funds:

1. Organizations Maintaining Donor Advised Funds
   Form 990, Part I, Lines 1a, 22a
2. Definitions of Disqualified Person and Excess Benefit Transactions
   Form 990, Part II, Line 25c
3. Receivables from Officers, Directors, Etc.
   Form 990, Part IV, Line 50b
4. Excess business holding
   Form 990, Part VI, Line 89g
5. Funds where Donors have Advisory Powers
   Schedule A, Part III, Lines 4a-4g

Pension Protection Act Changes

B. Supporting Organizations

1. Definitions of Disqualified Person and Excess Benefit Transactions

   Form 990, Part II, Lines 25c

2. Receivables from Officers, Directors, Etc.

   Form 990, Part IV, Line 50b

3. A supporting organization is also required to certify that it should not be regarded as a private foundation because it meets the requirements of IRC 509(a)(3) as a Type I, Type II, Type III functionally intergrated, or Type III other supporting organization.

   Sch A, Part IV, Line 13

TE/GE Tax Exempt and Government Entities

Pension Protection Act Changes

C. Other PPA Changes

1. Information Regarding Transfers to and from Controlled Entities

   a. Organizations must disclose whether they directly or indirectly owned a controlled entity within the meaning of IRC 512(b)(13)

   b. Organizations must disclose if they made loans or transfers ***to*** a controlled entity

   c. Organizations must disclose if they received any transfers of funds or payments ***from*** a controlled entity

2. Form 990-T: Public Inspection

TE/GE Tax Exempt and Government Entities

Pension Protection Act Changes

D. Compensation of Officers, Directors, Trustees, Key Employees and Disqualified Persons

1. Compensation and other distributions provided to disqualified persons must be listed on Form 990, Part II, Line 25c
2. Compensation reporting for officers, directors, trustees, and key employees has been expanded
   a. Form 990, Part II, Line 25a (Current)
   b. Form 990, Part II, Line 25b (Former)

TE/GE Internal Revenue Service Tax Exempt and Government Entities

Pension Protection Act Changes

E. Other Changes

- Expenses Paid for Government Officials
- Reporting of Investments
- Reporting of Changes in Activities
- Prohibited Tax Shelter Transactions
- Conservation Easement
- Calculation of Public Support

TE/GE Internal Revenue Service Tax Exempt and Government Entities

Excess Benefit Transactions

Definition of Excess Benefit Transaction:

A. The amount by which the value of the economic benefit provided by the tax-exempt organization directly to a disqualified person exceeds the value of the consideration received

B. An EBT is reported on a 990 return or in a schedule or statement attached to the return if it is **disclosed in a manner sufficient to apprise the IRS of the existence and nature** of the EBT with a disqualified person (DP) or organization manager (OM).

Regs. § 301.6501(e)-1(c)(3)(ii); Rev. Rul. 69-247, 1969- 1 C.B. 303.

TE/GE Tax Exempt and Government Entities

Excess Benefit Transaction (Cont.)

C. Definition of disqualified person:

1. Family members
2. Thirty-five percent controlled entities
3. Stockholdings
4. Profits or beneficial interest
5. Persons having substantial influence
6. Voting members of the governing body
   - a) Presidents, chief executive officers, or chief operating officers
   - b) Treasurers and chief financial officers
7. Persons with a material financial interest

TE/GE Tax Exempt and Government Entities

Excess Benefit Transaction (Cont.)

D. Definition of an organization manager

- Officer
- Director
- Trustee of such organization

Excess Benefit Transaction (Cont.)

Section 4958 imposes excise taxes on each excess benefit transaction

1. A disqualified person who receives an excess benefit from an excess benefit transaction is liable for payment of a section 4958(a)(1) excise tax equal to 25 percent of the excess benefit.
2. If an initial tax is imposed by section 4958(a)(1) on an excess benefit transaction and the transaction is not corrected (as defined in section 4958(f)(6) and §53.4958-7) within the taxable period, then any disqualified person who received an excess benefit from the excess benefit transaction on which the initial tax was imposed is liable for an additional tax of 200 percent of the excess benefit.

Excess Benefit Transaction (Cont.)

3. An organization manager, who participates in an excess benefit transaction, knowing that it was such a transaction, is liable for payment of a section 4958(a)(2) excise tax equal to 10 percent of the excess benefit, unless the participation was not willful and was due to reasonable cause. If an organization manager also receives an excess benefit from an excess benefit transaction, the manager may be liable for both taxes imposed by section 4958(a).

TE/GE Tax Exempt and Government Entities

Excess Benefit Transaction (Cont.)

Correction Period

An EBT is corrected by undoing the excess benefit to the extent possible and taking any additional measures necessary to place the applicable tax-exempt organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. (IRC § 4958(f) (6); Regs. § 53.4958-7(a)).

Generally, correction must be made in cash or cash equivalents, or, if the organization consents, return of the specific property involved in the EBT (Reg. 53.4958-7(b)).

The anti-abuse rule under Reg. 53.4958-7(b)(2) **prohibits the substitution of other property as correction.**

TE/GE Tax Exempt and Government Entities

Filing Requirement Changes

A. Form 990 EZ & Donor Advice Funds
   - Must file Form 990; cannot file Form 990EZ

B. Supporting Organizations
   - Mandatory filing of Form 990, even if its gross receipts are normally $25,000 or less.

C. Form 990-N, Electronic Notice (e-Postcard) for Small Tax-Exempt

Filing Requirements Changes (Cont.)

Organizations Not required to File Form 990 or 990-EZ

1. First e-Postcards are due in calendar year 2008
2. Any organization that fails to meet its annual reporting requirement for three consecutive years automatically loses its tax-exempt status under the new law
3. e-Postcard requires small organizations to provide:
   - Legal name
   - Mailing address
   - Other names used
   - Web address

Filing Requirement Changes (Cont.)

- Name and address of a principal officer
- Statement confirming the organization's annual gross receipts are normally $25,000 or less.
- An organization's gross receipts are normally ≤ $25,000 (submit e-card) if it is:
  - Less than 1 year old and received ≤ $37,500
  - Up to 3 years old and received ≤ $30,000 per year
  - 3 years or older and received ≤ $25,000 per year

For More Information

Specialized Assistance on Tax-Exempt Organizations through the Exempt Organizations (EO) division of the IRS:

www.irs.gov/eo

(877) 829-5500 (toll-free)

Customer Account Services

Internal Revenue Service

TE/GE Customer Account Services

P.O. Box 2508

Cincinnati, OH 45201

IRS tax forms and publications specific to charities are available on the EO website

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)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

Department of the Treasury
Internal Revenue Service

OMB No. 1545-0047

2006

Open to Public Inspection

A For the 2006 calendar year, or tax year beginning , 2006, and ending , 20

B Check if applicable:
☐ Address change
☐ Name change
☐ Initial return
☐ Final return
☐ Amended return
☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization

Number and street (or P.O. box if mail is not delivered to street address) | Room/suite

City or town, state or country, and ZIP + 4

D Employer identification number

E Telephone number
( )

F Accounting method: ☐ Cash ☐ Accrual
☐ Other (specify) ▶

• **Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).**

H and I are not applicable to section 527 organizations.
H(a) Is this a group return for affiliates? ☐ Yes ☐ No
H(b) If "Yes," enter number of affiliates ▶
H(c) Are all affiliates included? ☐ Yes ☐ No
(If "No," attach a list. See instructions.)
H(d) Is this a separate return filed by an organization covered by a group ruling? ☐ Yes ☐ No
I Group Exemption Number ▶
M Check ▶ ☐ if the organization is **not** required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

G Website: ▶

J Organization type (check only one) ▶ ☐ 501(c) ( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

K Check here ▶ ☐ if the organization is not a 509(a)(3) supporting organization **and** its gross receipts are normally **not** more than $25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances *(See the instructions.)*

Revenue	1	Contributions, gifts, grants, and similar amounts received:				
	a	Contributions to donor advised funds	1a			
	b	Direct public support (not included on line 1a)	1b			
	c	Indirect public support (not included on line 1a)	1c			
	d	Government contributions (grants) (not included on line 1a)	1d			
	e	**Total** (add lines 1a through 1d) (cash $ noncash $)			1e	
	2	Program service revenue including government fees and contracts (from Part VII, line 93)			2	
	3	Membership dues and assessments			3	
	4	Interest on savings and temporary cash investments			4	
	5	Dividends and interest from securities			5	
	6a	Gross rents	6a			
	b	Less: rental expenses	6b			
	c	Net rental income or (loss). Subtract line 6b from line 6a			6c	
	7	Other investment income (describe ▶)			7	
			(A) Securities	(B) Other		
	8a	Gross amount from sales of assets other than inventory	8a			
	b	Less: cost or other basis and sales expenses	8b			
	c	Gain or (loss) (attach schedule)	8c			
	d	Net gain or (loss). Combine line 8c, columns (A) and (B)			8d	
	9	Special events and activities (attach schedule). If any amount is from **gaming,** check here ▶ ☐				
	a	Gross revenue (not including $ of contributions reported on line 1b)	9a			
	b	Less: direct expenses other than fundraising expenses	9b			
	c	Net income or (loss) from special events. Subtract line 9b from line 9a			9c	
	10a	Gross sales of inventory, less returns and allowances	10a			
	b	Less: cost of goods sold	10b			
	c	Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a			10c	
	11	Other revenue (from Part VII, line 103)			11	
	12	**Total revenue.** Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11			12	
Expenses	13	Program services (from line 44, column (B))			13	
	14	Management and general (from line 44, column (C))			14	
	15	Fundraising (from line 44, column (D))			15	
	16	Payments to affiliates (attach schedule)			16	
	17	**Total expenses.** Add lines 16 and 44, column (A)			17	
Net Assets	18	Excess or (deficit) for the year. Subtract line 17 from line 12			18	
	19	Net assets or fund balances at beginning of year (from line 73, column (A))			19	
	20	Other changes in net assets or fund balances (attach explanation)			20	
	21	Net assets or fund balances at end of year. Combine lines 18, 19, and 20			21	

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form **990** (2006)

Form 990 (2006) Page **2**

Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. *(See the instructions.)*

Line	*Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.*		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a	Grants paid from donor advised funds (attach schedule) (cash $ noncash $) If this amount includes foreign grants, check here ▶ ☐	22a				
22b	Other grants and allocations (attach schedule) (cash $ noncash $) If this amount includes foreign grants, check here ▶ ☐	22b				
23	Specific assistance to individuals (attach schedule)	23				
24	Benefits paid to or for members (attach schedule)	24				
25a	Compensation of current officers, directors, key employees, etc. listed in Part V-A (attach schedule)	25a				
b	Compensation of former officers, directors, key employees, etc. listed in Part V-B (attach schedule)	25b				
c	Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)	25c				
26	Salaries and wages of employees not included on lines 25a, b, and c	26				
27	Pension plan contributions not included on lines 25a, b, and c	27				
28	Employee benefits not included on lines 25a – 27	28				
29	Payroll taxes	29				
30	Professional fundraising fees	30				
31	Accounting fees	31				
32	Legal fees	32				
33	Supplies	33				
34	Telephone	34				
35	Postage and shipping	35				
36	Occupancy	36				
37	Equipment rental and maintenance	37				
38	Printing and publications	38				
39	Travel	39				
40	Conferences, conventions, and meetings	40				
41	Interest	41				
42	Depreciation, depletion, etc. (attach schedule)	42				
43	Other expenses not covered above (itemize):					
a		43a				
b		43b				
c		43c				
d		43d				
e		43e				
f		43f				
g		43g				
44	**Total functional expenses.** Add lines 22a through 43g. (Organizations completing columns (B)–(D), carry these totals to lines 13–15)	44				

Joint Costs. Check ▶ ☐ if you are following SOP 98-2.
Are any joint costs from a combined educational campaign and fundraising solicitation reported in **(B)** Program services? ▶ ☐ **Yes** ☐ **No**
If "Yes," enter **(i)** the aggregate amount of these joint costs $; **(ii)** the amount allocated to Program services $;
(iii) the amount allocated to Management and general $; and **(iv)** the amount allocated to Fundraising $

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Part III **Statement of Program Service Accomplishments** *(See the instructions.)*

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ▶ All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	**Program Service Expenses** (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
a	
(Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	
b	
(Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	
c	
(Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	
d	
(Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	
e Other program services (attach schedule)	
(Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	
f **Total of Program Service Expenses** (should equal line 44, column (B), Program services). ▶	

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Part IV **Balance Sheets** *(See the instructions.)*

	Note: *Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.*			(A) Beginning of year		(B) End of year
Assets	**45** Cash—non-interest-bearing				45	
	46 Savings and temporary cash investments				46	
	47a Accounts receivable	47a				
	b Less: allowance for doubtful accounts	47b			47c	
	48a Pledges receivable	48a				
	b Less: allowance for doubtful accounts	48b			48c	
	49 Grants receivable				49	
	50a Receivables from current and former officers, directors, trustees, and key employees (attach schedule)				50a	
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)				50b	
	51a Other notes and loans receivable (attach schedule)	51a				
	b Less: allowance for doubtful accounts	51b			51c	
	52 Inventories for sale or use				52	
	53 Prepaid expenses and deferred charges				53	
	54a Investments—publicly-traded securities ▶ ☐ Cost ☐ FMV				54a	
	b Investments—other securities (attach schedule) ▶ ☐ Cost ☐ FMV				54b	
	55a Investments—land, buildings, and equipment: basis	55a				
	b Less: accumulated depreciation (attach schedule)	55b			55c	
	56 Investments—other (attach schedule)				56	
	57a Land, buildings, and equipment: basis	57a				
	b Less: accumulated depreciation (attach schedule)	57b			57c	
	58 Other assets, including program-related investments (describe ▶)				58	
	59 **Total assets** (must equal line 74). Add lines 45 through 58				59	
Liabilities	**60** Accounts payable and accrued expenses				60	
	61 Grants payable				61	
	62 Deferred revenue				62	
	63 Loans from officers, directors, trustees, and key employees (attach schedule)				63	
	64a Tax-exempt bond liabilities (attach schedule)				64a	
	b Mortgages and other notes payable (attach schedule)				64b	
	65 Other liabilities (describe ▶)				65	
	66 **Total liabilities.** Add lines 60 through 65				66	
Net Assets or Fund Balances	**Organizations that follow SFAS 117, check here ▶** ☐ and complete lines 67 through 69 and lines 73 and 74.					
	67 Unrestricted				67	
	68 Temporarily restricted				68	
	69 Permanently restricted				69	
	Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 70 through 74.					
	70 Capital stock, trust principal, or current funds				70	
	71 Paid-in or capital surplus, or land, building, and equipment fund				71	
	72 Retained earnings, endowment, accumulated income, or other funds				72	
	73 **Total net assets or fund balances.** Add lines 67 through 69 **or** lines 70 through 72. (Column (A) **must** equal line 19 and column (B) **must** equal line 21)				73	
	74 **Total liabilities and net assets/fund balances.** Add lines 66 and 73				74	

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Part IV-A Reconciliation of Revenue per Audited Financial Statements With Revenue per Return *(See the instructions.)*

a	Total revenue, gains, and other support per audited financial statements		a	
b	Amounts included on line **a** but not on Part I, line 12:			
1	Net unrealized gains on investments	b1		
2	Donated services and use of facilities	b2		
3	Recoveries of prior year grants	b3		
4	Other (specify):	b4		
	Add lines **b1** through **b4**		b	
c	Subtract line **b** from line **a**		c	
d	Amounts included on Part I, line 12, but not on line **a:**			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify):	d2		
	Add lines **d1** and **d2**		d	
e	**Total revenue** (Part I, line 12). Add lines **c** and **d** ▶		e	

Part IV-B Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

a	Total expenses and losses per audited financial statements		a	
b	Amounts included on line **a** but not on Part I, line 17:			
1	Donated services and use of facilities	b1		
2	Prior year adjustments reported on Part I, line 20	b2		
3	Losses reported on Part I, line 20	b3		
4	Other (specify):	b4		
	Add lines **b1** through **b4**		b	
c	Subtract line **b** from line **a**		c	
d	Amounts included on Part I, line 17, but not on line **a:**			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify):	d2		
	Add lines **d1** and **d2**		d	
e	**Total expenses** (Part I, line 17). Add lines **c** and **d** ▶		e	

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) *(See the instructions.)*

(A) Name and address	**(B)** Title and average hours per week devoted to position	**(C)** Compensation **(If not paid, enter -0-.)**	**(D)** Contributions to employee benefit plans & deferred compensation plans	**(E)** Expense account and other allowances

Form **990** (2006)

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Part V-A Current Officers, Directors, Trustees, and Key Employees *(continued)*

			Yes	No
75a	Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings ▶			
b	Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s)	75b		
c	Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to the organization? See the instructions for the definition of "related organization." ▶ If "Yes," attach a statement that includes the information described in the instructions.	75c		
d	Does the organization have a written conflict of interest policy?	75d		

Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

(A) Name and address	**(B)** Loans and Advances	**(C)** Compensation (if not paid, enter -0-)	**(D)** Contributions to employee benefit plans & deferred compensation plans	**(E)** Expense account and other allowances

Part VI Other Information *(See the instructions.)*

			Yes	No
76	Did the organization make a change in its activities or methods of conducting activities? If "Yes," attach a detailed statement of each change	76		
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77		
78a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?	78a		
b	If "Yes," has it filed a tax return on **Form 990-T** for this year?	78b		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79		
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a		
b	If "Yes," enter the name of the organization ▶ and check whether it is ☐ exempt **or** ☐ nonexempt			
81a	Enter direct and indirect political expenditures. (See line 81 instructions.) 81a			
b	Did the organization file **Form 1120-POL** for this year?	81b		

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Part VI Other Information *(continued)*

			Yes	No
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a		
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) 82b			
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a		
b	Did the organization comply with the disclosure requirements relating to *quid pro quo* contributions?	83b		
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a		
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b		
85	*501(c)(4), (5), or (6) organizations.* **a** Were substantially all dues nondeductible by members?	85a		
b	Did the organization make only in-house lobbying expenditures of $2,000 or less?	85b		
	If "Yes" was answered to either 85a or 85b, **do not** complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.			
c	Dues, assessments, and similar amounts from members 85c			
d	Section 162(e) lobbying and political expenditures 85d			
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices 85e			
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) 85f			
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h		
86	*501(c)(7) orgs.* Enter: **a** Initiation fees and capital contributions included on line 12 86a			
b	Gross receipts, included on line 12, for public use of club facilities 86b			
87	*501(c)(12) orgs.* Enter: **a** Gross income from members or shareholders 87a			
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) 87b			
88a	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88a		
b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI ▶	88b		
89a	*501(c)(3) organizations.* Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ ; section 4912 ▶ ; section 4955 ▶			
b	*501(c)(3) and 501(c)(4) orgs.* Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b		
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶			
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization ▶			
e	*All organizations.* At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?	89e		
f	*All organizations.* Did the organization acquire a direct or indirect interest in any applicable insurance contract?	89f		
g	*For supporting organizations and sponsoring organizations maintaining donor advised funds.* Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	89g		

90a List the states with which a copy of this return is filed ▶

b Number of employees employed in the pay period that includes March 12, 2006 (See instructions.) 90b

91a The books are in care of ▶ Telephone no. ▶ ( )

Located at ▶ ZIP + 4 ▶

			Yes	No
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	91b		
	If "Yes," enter the name of the foreign country ▶ See the instructions for exceptions and filing requirements for **Form TD F 90-22.1,** Report of Foreign Bank and Financial Accounts.			

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Part VI Other Information *(continued)*

			Yes	No
c	At any time during the calendar year, did the organization maintain an office outside of the United States? If "Yes," enter the name of the foreign country ▶	91c		

92 *Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of* ***Form 1041—***Check here ▶ ☐ and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 92

Part VII Analysis of Income-Producing Activities *(See the instructions.)*

Note: *Enter gross amounts unless otherwise indicated.*	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a					
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: a					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))					

105 **Total** (add line 104, columns (B), (D), and (E)) ▶

Note: *Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I.*

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes *(See the instructions.)*

Line No. ▼	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities *(See the instructions.)*

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts *(See the instructions.)*

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☐ No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ Yes ☐ No

Note: *If "Yes" to* ***(b),*** *file Form 8870* ***and*** *Form 4720 (see instructions).*

Form **990** (2006)

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Part XI **Information Regarding Transfers To and From Controlled Entities.** *Complete only if the organization is a controlling organization as defined in section 512(b)(13).*

		Yes	No
106	Did the reporting organization **make** any transfers **to** a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.		

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a				
b				
c				
Totals				

		Yes	No
107	Did the reporting organization **receive** any transfers **from** a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.		

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a				
b				
c				
Totals				

		Yes	No
108	Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

▶ Signature of officer — Date

▶ Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's SSN or PTIN (See Gen. Inst. X)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶		EIN ▶	Phone no. ▶ ( )

Form **990** (2006)

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Form **990-T**

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

Department of the Treasury
Internal Revenue Service

For calendar year 2006 or other tax year beginning ...., 2006, and ending , 20 . ▶ **See separate instructions.**

OMB No. 1545-0687

2006

Open to Public Inspection for 501(c)(3) Organizations Only

A ☐ Check box if address changed

B Exempt under section ☐ 501( )( ) ☐ 408(e) ☐ 220(e) ☐ 408A ☐ 530(a) ☐ 529(a)

C Book value of all assets at end of year

Print or Type

Name of organization (☐ Check box if name changed and see instructions.)

Number, street, and room or suite no. If a P.O. box, see page 9 of instructions.

City or town, state, and ZIP code

D Employer identification number (Employees' trust, see instructions for Block D on page 9.)

E Unrelated business activity codes (See instructions for Block E on page 9.)

F Group exemption number (See instructions for Block F on page 9.) ▶

G Check organization type ▶ ☐ 501(c) corporation ☐ 501(c) trust ☐ 401(a) trust ☐ Other trust

H Describe the organization's primary unrelated business activity. ▶

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . ▶ ☐ Yes ☐ No
If "Yes," enter the name and identifying number of the parent corporation. ▶

J The books are in care of ▶ Telephone number ▶ ( )

Part I **Unrelated Trade or Business Income**

			(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales				
b	Less returns and allowances c Balance ▶	1c			
2	Cost of goods sold (Schedule A, line 7)	2			
3	Gross profit. Subtract line 2 from line 1c	3			
4a	Capital gain net income (attach Schedule D)	4a			
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b			
c	Capital loss deduction for trusts	4c			
5	Income (loss) from partnerships and S corporations (attach statement)	5			
6	Rent income (Schedule C)	6			
7	Unrelated debt-financed income (Schedule E)	7			
8	Interest, annuities, royalties, and rents from controlled organizations (Schedule F)	8			
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9			
10	Exploited exempt activity income (Schedule I)	10			
11	Advertising income (Schedule J)	11			
12	Other income (See page 11 of the instructions; attach schedule.)	12			
13	**Total.** Combine lines 3 through 12	13			

Part II **Deductions Not Taken Elsewhere** (See page 12 of the instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule K)	14	
15	Salaries and wages	15	
16	Repairs and maintenance	16	
17	Bad debts	17	
18	Interest (attach schedule)	18	
19	Taxes and licenses	19	
20	Charitable contributions (See page 14 of the instructions for limitation rules.)	20	
21	Depreciation (attach Form 4562) — 21		
22	Less depreciation claimed on Schedule A and elsewhere on return — 22a	22b	
23	Depletion	23	
24	Contributions to deferred compensation plans	24	
25	Employee benefit programs	25	
26	Excess exempt expenses (Schedule I)	26	
27	Excess readership costs (Schedule J)	27	
28	Other deductions (attach schedule)	28	
29	**Total deductions.** Add lines 14 through 28	29	
30	Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13	30	
31	Net operating loss deduction (limited to the amount on line 30)	31	
32	Unrelated business taxable income before specific deduction. Subtract line 31 from line 30	32	
33	Specific deduction (Generally $1,000, but see line 33 instructions for exceptions.)	33	
34	**Unrelated business taxable income.** Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	34	

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Part III Tax Computation

35	**Organizations Taxable as Corporations.** See instructions for tax computation on page 15. Controlled group members (sections 1561 and 1563) check here ▶ ☐ **See instructions** and:		
a	Enter your share of the $50,000, $25,000, and $9,925,000 taxable income brackets (in that order): **(1)** $ **(2)** $ **(3)** $		
b	Enter organization's share of: **(1)** Additional 5% tax (not more than $11,750) $ **(2)** Additional 3% tax (not more than $100,000) . . . . $		
c	Income tax on the amount on line 34 . . . . ▶	**35c**	
36	**Trusts Taxable at Trust Rates.** See instructions for tax computation on page 16. Income tax on the amount on line 34 from: ☐ Tax rate schedule or ☐ Schedule D (Form 1041) . . . . ▶	**36**	
37	**Proxy tax.** See page 16 of the instructions . . . . ▶	**37**	
38	Alternative minimum tax	**38**	
39	**Total.** Add lines 37 and 38 to line 35c or 36, whichever applies	**39**	

Part IV Tax and Payments

40a	Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116) .	**40a**			
b	Other credits (see page 17 of the instructions)	**40b**			
c	General business credit. Check here and indicate which forms are attached: ☐ Form 3800 ☐ Form(s) (specify) ▶	**40c**			
d	Credit for prior year minimum tax (attach Form 8801 or 8827)	**40d**			
e	**Total credits.** Add lines 40a through 40d			**40e**	
41	Subtract line 40e from line 39			**41**	
42	Other taxes. Check if from: ☐ Form 4255 ☐ Form 8611 ☐ Form 8697 ☐ Form 8866 ☐ Other (attach schedule) .			**42**	
43	**Total tax.** Add lines 41 and 42			**43**	
44a	Payments: A 2005 overpayment credited to 2006	**44a**			
b	2006 estimated tax payments	**44b**			
c	Tax deposited with Form 8868	**44c**			
d	Foreign organizations: Tax paid or withheld at source (see instructions) . .	**44d**			
e	Backup withholding (see instructions)	**44e**			
f	Credit for federal telephone excise tax paid (attach Form 8913)	**44f**			
g	Other credits and payments: ☐ Form 2439 ______ ☐ Form 4136 ______ ☐ Other ______ Total ▶	**44g**			
45	**Total payments.** Add lines 44a through 44g			**45**	
46	Estimated tax penalty (see page 4 of the instructions). Check if Form 2220 is attached . ▶ ☐			**46**	
47	**Tax due.** If line 45 is less than the total of lines 43 and 46, enter amount owed . . . . . ▶			**47**	
48	**Overpayment.** If line 45 is larger than the total of lines 43 and 46, enter amount overpaid . . ▶			**48**	
49	Enter the amount of line 48 you want: **Credited to 2007 estimated tax** ▶		Refunded ▶	**49**	

Part V Statements Regarding Certain Activities and Other Information (see instructions on page 18)

		Yes	No
1	At any time during the 2006 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22.1. If YES, enter the name of the foreign country here ▶		
2	During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? . If YES, see page 5 of the instructions for other forms the organization may have to file.		
3	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ $		

Schedule A—Cost of Goods Sold. Enter method of inventory valuation ▶

1	Inventory at beginning of year	**1**		**6**	Inventory at end of year	**6**	
2	Purchases	**2**		**7**	**Cost of goods sold.** Subtract line 6 from line 5. Enter here and in Part I, line 2	**7**	
3	Cost of labor	**3**					
4a	Additional section 263A costs (attach schedule)	**4a**		**8**	Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?	Yes	No
b	Other costs (attach schedule)	**4b**					
5	**Total.** Add lines 1 through 4b	**5**					

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date | ▶ Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only			
Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ▶		EIN	
		Phone no. ( )	

Form **990-T** (2006)

Form 990-T (2006) Page **3**

Schedule C—Rent Income (From Real Property and Personal Property Leased With Real Property)

(see instructions on page 20)

1 Description of property
(1)
(2)
(3)
(4)

2 Rent received or accrued		
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	**(b)** From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	**3** Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)		
(2)		
(3)		
(4)		
Total	Total	
Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) . . ▶		**Total deductions.** Enter here and on page 1, Part I, line 6, column (B) . ▶

Schedule E—Unrelated Debt-Financed Income (see instructions on page 20)

1 Description of debt-financed property	2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property: (a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)			
(2)			
(3)			
(4)			

4 Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5 Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Column 4 divided by column 5	7 Gross income reportable (column 2 × column 6)	8 Allocable deductions (column 6 × total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		
			Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
Totals . . . . ▶				
Total dividends-received deductions included in column 8 . . . . ▶				

Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions on page 21)

1 Name of Controlled Organization	2 Employer Identification Number	Exempt Controlled Organizations: 3 Net unrelated income (loss) (see instructions)	4 Total of specified payments made	5 Part of column 4 that is included in the controlling organization's gross income	6 Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7 Taxable Income	8 Net unrelated income (loss) (see instructions)	9 Total of specified payments made	10 Part of column 9 that is included in the controlling organization's gross income	11 Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				
			Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).
Totals . . . . ▶				

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Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization
(see instructions on page 22)

1 Description of income	2 Amount of income	3 Deductions directly connected (attach schedule)	4 Set-asides (attach schedule)	5 Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals . . . . ▶	Enter here and on page 1, Part I, line 9, column (A).			Enter here and on page 1, Part I, line 9, column (B).

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income
(see instructions on page 22)

1 Description of exploited activity	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals . . . . ▶	Enter here and on page 1, Part I, line 10, col. (A).	Enter here and on page 1, Part I, line 10, col. (B).				Enter here and on page 1, Part II, line 26.

Schedule J—Advertising Income (see instructions on page 23)

Part I Income From Periodicals Reported on a Consolidated Basis

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5 Circulation income	6 Readership costs	7 Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5)) . ▶						

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

(1)						
(2)						
(3)						
(4)						
(5) **Totals from Part I**						
Totals, Part II (lines 1-5) . . . ▶	Enter here and on page 1, Part I, line 11, col. (A).	Enter here and on page 1, Part I, line 11, col. (B).				Enter here and on page 1, Part II, line 27.

Schedule K—Compensation of Officers, Directors, and Trustees (see instructions on page 23)

1 Name	2 Title	3 Percent of time devoted to business	4 Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
Total. Enter here and on page 1, Part II, line 14 . . . . ▶			

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