PacificCPE

COURSE

33751A

Tax-Exempt Orgs: The Basics of From 990 and Public Charity Life Cycle

Get up to speed on the essentials of Form 990, including its structure, filing requirements, and how it differs from Form 990-PF. This course also walks through the life cycle of a public charity, from entity formation to governance considerations. You'll cover the general instructions for completing the form, including how to calculate gross receipts, select accounting methods, meet filing deadlines, and avoid common penalties. Ideal for practitioners new to nonprofit tax compliance or those looking to strengthen their foundational knowledge.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

Start Course ↓

Final Exam Copy ↓

LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Recall characteristics of the core Form 990.
- Recognize what is involved in creating a tax-exempt organization.
- Identify the key governance issues the IRS believes are necessary for a charity to operate effectively and consistent with tax law requirements.
- Recognize some of the basic filing requirements of the core Form 990.

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Chapter 1: INTRODUCTION TO FORM 990

Chapter Objective

After completing this chapter, you should be able to:

- Recall characteristics of the core Form 990.

I. INTRODUCTION

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 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. Each year, over 500,000 organizations file a Form 990 or Form 990-EZ with the IRS.

The form consists of a 12-page, 12-part core form that is required to be completed by all tax-exempt organizations (herein after referred to simply as “organizations”) that file the form, as well as a series of 16 schedules.

Organizations and their tax preparers need to carefully review the form and instructions in order to make sure they satisfy the form’s reporting requirements.

II. STRUCTURE OF THE FORM

The form includes a core form to be completed by all filing organizations, and schedules to be completed by organizations based on their particular activities. The IRS has designed the form to allow the organization to “tell its story” up front and throughout the form.

The Core Form

This will be completed by all organizations filing Form 990. It includes a summary page and the following:

A snapshot of financial and operating information (Summary);

Program service accomplishments (Part III);

A checklist of schedules (Part IV);

Tax compliance questions (Part V);

Governance section (Part VI);

Revised compensation reporting (Part VII); and

The financial statements come at the end (Part VIII, IX, X, XI, & XII).

A summary page provides a snapshot of financial, governance, and operational information, including a 2-year comparison of key financial data. The Statement of Program Service Accomplishments immediately follows the summary page. Numerous opportunities are provided throughout the form and schedules for organizations to provide narrative information, and Schedule O, Supplemental Information to Form 990, allows organizations to supplement responses provided elsewhere on the form.

A. GOVERNANCE SECTION

The form includes a section on governance, which consists of three parts – composition of the organization's governing body, its governance and management policies, and its disclosure practices. The section's heading and related instructions explain that this section asks information about policies and practices that are not required by federal tax law. The instructions also explain that an organization should consider its own facts and circumstances, including its size, type and culture, when considering whether to adopt or revise its policies and practices.

Why does the form contain a section on governance? Even though much of this information is not required by the Internal Revenue Code, the IRS has said it believes that governance procedures and policies generally improve tax compliance. For example, it asks questions about: (1) the number of independent voting members of the governing body; (2) whether the organization has a conflict of interest policy; and (3) whether the organization contemporaneously documents the governing body's meetings. Form 990 is not only about the numbers. It is about the whole picture of the organization, including governance.

B. REPORTING OF COMPENSATION AND OTHER INSIDER TRANSACTIONS

The form requires the reporting of executive compensation and transactions with interested persons. All organizations must list their officers, directors, trustees, and key employees, regardless of whether they were compensated, and report compensation paid by the organization and related organizations to such persons. The Form 990 instructions provide definitions of these terms.

In addition, the form requires all organizations to report the five highest compensated individuals and the five highest paid independent contractors. The reporting threshold for the top five highest compensated employees and highest paid independent contractors is $100,000. All organizations must report basic compensation information for such persons on the core form.

Compensation reporting for most organizations requires compensation to be reported based on the amounts reported in Form W-2 or Form 1099-MISC. Certain compensation not reported on those forms, such as retirement plan, health benefits, and deferred compensation, must also be reported on the Form 990. In general, those organizations that pay compensation greater than $150,000 to a person required to be listed in the core form must provide additional compensation detail and information on Schedule J, Compensation Information.

The form also requires the reporting of transactions between the organization and certain interested persons. This information must be described on Schedule L, Transactions with Interested Persons, which requires reporting of excess benefit transactions, loans, grants and other financial assistance, and business transactions involving interested persons.

C. MORE SCHEDULES, FEWER ATTACHMENTS

The current Form 990 has 16 schedules which are to be completed only by those organizations that engage in activities for which reporting is required. Many of these schedules replace “unstructured attachments” which were required by the prior form. Very few organizations will have to fill out all of the schedules. Most organizations are expected to have to complete between one and five schedules, according to the IRS’s estimate. This will depend on the organization’s type of activities.

D. MINIMIZING REPORTING BURDEN

The form reduces the reporting burden for many organizations through the use of reporting thresholds and exceptions, reporting by type rather than by transaction in some cases, and the elimination of attachments or schedules in others. The various

tools contained in the instructions, such as the glossary and sequencing list, also should help minimize the reporting burden associated with the form.

E. OTHER CHANGES

The current Form 990 includes determination of public charity status and public support; supplemental financial statement reporting; and fundraising, special events and gaming. Schedule A emphasizes reporting by charities of their public charity status and public support. Schedule D contains reporting requirements for organizations maintaining donor advised funds or other similar funds or accounts; conservation organizations; museums and other organizations maintaining collections; credit counseling organizations and others holding funds in escrow or custodial arrangements; and organizations maintaining endowments. Schedule G requires reporting of certain information regarding arrangements with professional fundraisers, special events, and gaming activities.

III. FILING REQUIREMENTS

2025 Tax Year (Filed in 2026)	Form to File
Gross receipts normally ≤ $50,000	990-N
Gross receipts > $50,000 and < $200,000, and Total assets < $500,000	990-EZ or 990
Gross receipts ≥ $200,000, or Total assets ≥ $500,000	990

IV. FORM 990-PF

A limited number of organizations are required to complete Form 990-PF, including exempt private foundations (section 6033(a), (b), and (c)); taxable private foundations (section 6033(d)); organizations that agree to private foundation status and whose applications for exempt status are pending on the due date for filing Form 990-PF; organizations that made an election under section 41(e)(6); foundations that are making a section 507 termination; and section 4947(a)(1) nonexempt charitable trusts that are treated as private foundations (section 6033(d)).

The Form 990-PF and its instructions for proper completion can be found at the IRS website, www.irs.gov.

Chapter 1: TEST YOUR KNOWLEDGE

The following questions are designed to ensure that you have a complete understanding of the information presented in the chapter (assignment). They are included as an additional tool to enhance your learning experience and do not need to be submitted in order to receive CPE credit.

We recommend that you answer each question and then compare your response to the suggested solutions on the following page(s) before answering the final exam questions related to this chapter (assignment).

1. All of the following are true regarding the Form 990 except:

A. the IRS uses the form as the primary tax compliance tool for tax exempt organizations

B. all states rely on the form to perform charitable and other regulatory oversight

C. some states use the form to satisfy state income tax filing requirements for organizations claiming exemption from state income tax

D. the form is a public document

2. The summary form allows an organization to “tell its story” up front. The summary form contains all of the following except:

A. a snapshot of financial information

B. governance information

C. program service accomplishments

D. revenue and expenses