PacificCPE

COURSE
33756A

# Tax-Exempt Orgs: Public Status and Public Support Testing

Schedule A is required for most public charities, and getting it right matters. This course provides a thorough overview of Schedule A, focusing on how organizations establish and maintain their public charity status and how the public support tests work. Understanding these calculations is critical for advising nonprofits on their classification and helping them avoid losing public charity status. Practitioners who work with 501(c)(3) organizations will find this course directly applicable to their client engagements.

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

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## 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

- Identify reporting requirements for filing Schedule A.

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# Chapter 1: PUBLIC CHARITY STATUS AND PUBLIC SUPPORT (SCHEDULE A)

**Chapter Objective**

**After completing this chapter, you should be able to:**

- Identify reporting requirements for filing Schedule A.

## I. OVERVIEW

### A. PURPOSE OF SCHEDULE A

Schedule A (Form 990) is used by an organization that files Form 990 or Form 990-EZ to provide the required information regarding public charity status and public support.

### B. WHO MUST FILE SCHEDULE A

An organization that answered ‘‘Yes’’ to Form 990, Part IV, Line 1, must complete and attach Schedule A (Form 990) to Form 990. Any section 501(c)(3) organization (or organization treated as such) that files a Form 990-EZ must complete and attach this schedule to Form 990-EZ.

These include:

- Organizations that are described in section 501(c)(3) and are public charities;
- Organizations that are described in section 501(e), 501(f), 501(j), 501(k), or 501(n); and
- Nonexempt charitable trusts described in section 4947(a)(1) that are not treated as private foundations.

If an organization is not required to file Form 990 or Form 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules. Any organization that is tax-exempt under section 501(c)(3) but is a private foundation and not a public charity shouldn’t file Form 990, Form 990-EZ, or Schedule A (Form 990), but should file Form 990-PF. See instructions for Part I.

### C. ACCOUNTING METHOD

When completing Schedule A (Form 990), the organization must use the same accounting method it checked on Form 990, Part XII, Line 1; or Form 990-EZ, Line G. The organization must use this accounting method in reporting all amounts on Schedule A (Form 990), regardless of the accounting method it used in completing Schedule A (Form 990) for prior years, except that in Part V, Sections D and E, distributions must be reported on the cash receipts and disbursements method.

If the accounting method the organization used in completing the 2024 Schedule A (Form 990) was different from the accounting method checked on the 2025 Form 990, Part XII, line 1; or the 2025 Form 990-EZ, line G, the organization shouldn't report in either Part II or Part III the amounts reported in the applicable columns of the 2024 Schedule A (Form 990). Instead, the organization should report all amounts in Part II or Part III using the accounting method checked on the 2025 Form 990, Part XII, line 1; or the 2025 Form 990-EZ, line G.

**Example 1**

An organization checks "Cash" on Form 990, Part XII, line 1. It should report the amounts in Part II or Part III using the cash method. If the organization filed a 2024 Schedule A (Form 990) using the cash method, it should report in the 2021 through 2024 columns on the 2025 Schedule A (Form 990) the same amounts that it reported in the 2021 through 2024 columns on the 2024 Schedule A (Form 990).

**Example 2**

An organization checks ''Accrual'' on Form 990, Part XII, Line 1. The organization reports grants on Form 990, Part VIII, Line 1, in accordance with FASB ASC 958 (see instructions for Form 990, Part VIII, Line 1). The organization receives a grant to be paid in future years. The organization should report the grant's present value on the 2025 Schedule A (Form 990). The organization should report accruals of present value increments to the unpaid grant on Schedule A (Form 990) in future years.

## II. PART I. REASON FOR PUBLIC CHARITY STATUS

### Lines 1-12

Check only one of the boxes on Lines 1-12 to indicate the reason the organization is a public charity for the tax year. The reason can be the same as stated in the

organization’s tax-exempt determination letter from the IRS (“exemption letter”) or subsequent IRS determination letter, or it can be different. An organization that doesn’t check any of the boxes on lines 1 through 12 shouldn’t file Form 990, Form 990-EZ, or Schedule A (Form 990) for the tax year, but should file Form 990-PF instead.

If an organization believes there is more than one reason why it is a public charity, it should check only one box but can explain the other reasons it qualifies for public charity status in Part VI. An organization that claims a public charity status other than section 170(b)(1)(A)(vi) can also demonstrate that it qualifies under section 170(b) (1)(A)(vi) by completing Part II; it may want to do so for purposes such as qualifying for the first Special Rule on Schedule B (Form 990), Schedule of Contributors, by meeting the 33⅓% support test.

The IRS does not update its records on an organization’s public charity status based on a change the organization makes on Schedule A (Form 990). Thus, an organization that checks a public charity status different from the reason stated in its exemption letter or subsequent determination letter, although not required, may submit a request to the IRS Exempt Organizations Determinations Office for a determination letter confirming that it qualifies for the new public charity status.

**Example 1**

The organization received an exemption letter that it is a public charity under section 170(b)(1)(A)(vi). For the tax year, it meets the requirements for public charity status under section 170(b)(1)(A)(vi). The organization should check the box on Line 7 and complete Part II.

**Example 2**

The organization received an exemption letter that it is a public charity under section 170(b)(1)(A) (vi). For the tax year, it doesn’t meet the requirements for public charity status under section 170(b)(1)(A)(vi). Instead, it meets the requirements for public charity status under section 509(a)(2). The organization should check the box on line 10 and complete Part III.

### Example 3

The organization received an exemption letter that it is a public charity under section 509(a)(2). For the tax year, it doesn't meet the requirements for public charity status under section 509(a)(2) or 170(b)(1)(A)(vi). Instead, it meets the requirements for public charity status as a supporting organization under section 509(a)(3). The organization should check the box on Line 12 and the box on either Line 12a, 12b, 12c, or 12d; complete Line 12f; complete the table on Line 12g; and complete Part IV and (if applicable) Part V.

### Example 4

The organization received an exemption letter that it is a supporting organization under section 509(a)(3). Based on Rev. Proc. 2025-5, the organization submitted a Form 8940 request to the IRS to change its classification to public charity status under section 509(a) (2). For the tax year, it meets the requirements of section 509(a)(2). The organization received a determination letter that it has been reclassified as a public charity under section 509(a)(2). The organization should check the box on line 10 and complete Part III.

### Example 5

The organization received an exemption letter that it is a public charity under section 170(b)(1)(A) (vi). For the tax year, it doesn't meet the requirements for public charity status under section 170(b)(1)(A)(vi) or 509(a)(2), or as a supporting organization under section 509(a)(3). Nor does it meet the requirements for public charity status under any other provision of the Internal Revenue Code. The organization is a private foundation and shouldn't file Form 990, Form 990-EZ, or Schedule A (Form 990) for the tax year but should file Form 990-PF instead.

### Example 6

The organization received an exemption letter that it is a supporting organization under section 509(a)(3). The letter doesn't state which type of supporting organization it is. The organization should review the instructions for Lines 12a–12d to determine which type best describes the organization. The organization may wish to file Form 8940 to request a determination of type.

## A. SPECIFIC INSTRUCTIONS

**Line 1.** Check the box for a church, convention of churches, or association of churches. Pub. 1828, Tax Guide for Churches and Religious Organizations, lists certain characteristics generally attributed to churches. These attributes of a church have been developed by the IRS and by court decisions. They include distinct legal existence; recognized creed and form of worship; definite and distinct ecclesiastical government; formal code of doctrine and discipline; distinct religious history; membership not associated with any other church or denomination; organization of ordained ministers; ordained ministers selected after completing prescribed courses of study; literature of its own; established places of worship; regular congregations; regular religious services; Sunday schools for the religious instruction of the young; and schools for the preparation of its ministers. The IRS generally uses a combination of these characteristics, together with other facts and circumstances, to determine whether an organization is considered a church for federal tax purposes.

Line 2. Check the box for a school whose primary function is the presentation of formal instruction, which regularly has a faculty, a curriculum, an enrolled body of students, and a place where educational activities are regularly conducted. A private school must have a racially nondiscriminatory policy toward its students.[1]

**Note**

An organization that checks this box on Line 2 must also complete Schedule E (Form 990).

**Line 3.** Check the box for an organization whose main purpose is to provide hospital or medical care. A rehabilitation institution or an outpatient clinic may qualify as a hospital if its principal purposes or functions are the providing of hospital or medical care, but the term doesn’t include medical schools, medical research organizations, convalescent homes, homes for children or the aged, or vocational training institutions for handicapped individuals.

Check the box on Line 3 also for a cooperative hospital service organization described in section 501(e).

**Note**

The definition of hospital for Schedule A (Form 990), Part I, is different from the definition for Schedule H (Form 990). Accordingly, see about whether the organization is also required to complete Schedule H (Form 990).

**Line 4.** Check the box for an organization whose principal purpose or function is to engage in medical research, and that is directly engaged in the continuous active conduct of medical research in conjunction with a hospital. The hospital must be described in section 501(c) (3) or operated by the federal government, a state or its political subdivision, a U.S. territory or its political subdivision, or the District of Columbia.

If the organization primarily gives funds to other organizations (or grants and scholarships to individuals) for them to do the research, the organization isn't a medical research organization.

The organization isn't required to be an affiliate of the hospital, but there must be a joint effort by the organization and the hospital to maintain continuing close cooperation in the active conduct of medical research.

**Note**

The definition of medical research for Schedule A (Form 990), Part I, is different from the definition for Schedule H (Form 990). Accordingly, research that is medical research for purposes of determining whether an organization is a medical research organization isn't necessarily medical research for Schedule H (Form 990) reporting purposes.

1. Assets Test/Expenditure Test

An organization qualifies as a medical research organization if its principal purpose is medical research, and if it devotes more than half its assets, or spends at least 3.5% of the fair market value of its endowment, directly in conducting medical research. Either test may be met based on a computation period consisting of the immediately preceding tax year or the immediately preceding 4 tax years.

If an organization doesn't satisfy either the assets test or the expenditure test, it may still qualify as a medical research organization based on the circumstances involved.

These tests are discussed in Regulations sections 1.170A-9(d)(2)(v) and (vi). Under these tests, value the organization's assets as of any day in its tax year using the same day every year, and value the endowment at fair market value, using commonly accepted valuation methods. See Regulations section 2031.

**Line 5.** Check the box and complete Part II if the organization receives and manages property for and expends funds to benefit a college or university that is owned or operated by one or more states or political subdivisions. The school must be an organization described in the instructions for Line 2.

Expending funds to benefit a college or university includes acquiring and maintaining the campus and its buildings and equipment, granting scholarships and student loans, and making any other payments in connection with the normal functions of colleges and universities.

The organization must meet the same public support test described later for line 7.

**Line 6.** Only a federal, state, or local government or governmental unit that has received an exemption letter recognizing it as exempt from tax under section 501(c)(3) should check this box.

**Line 7.** Check the box and complete Part II if the organization meets one of the section 170(b)(1)(A) (vi) public support tests. See the instructions for Part II regarding how an organization can qualify as a publicly supported organization under section 170(b)(1)(A)(vi).

**Line 8.** Check the box and complete Part II if the organization is a community trust and meets a section 170(b)(1)(A)(vi) public support test. A community trust is a charity that attracts large contributions for the benefit of a particular community or area, often initially from a small number of donors, and is generally governed by representatives of its particular community or area.

**Note**

A community trust claiming it qualifies as a public charity should check the box on line 8 whether it is structured as a corporation or as a trust.

**Line 9.** Check the box if the organization is an agricultural research organization described in section 170(b)(1)(A) (ix) operated in conjunction with a land-grant college or university, or a non-land-grant college of agriculture. Enter the name, city, and state of the college or university. You don't have to complete Part II.