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# Nonprofit Strategies



SAN LUIS OBISPO COUNTY COMMUNITY FOUNDATION

## Get ready for the new IRS Form 990

By Barry VanderKelen

For the first time in 30 years, the annual informational IRS filing required of most nonprofit groups, IRS Form 990, has been overhauled.

The new form must be used for nonprofit organizations that completed their 2008 tax year and are filing with the Internal Revenue Service in 2009. According to the IRS, the redesign is based on three guiding principles: enhancing transparency, promoting tax compliance, and minimizing the burden on the filing organization.

The new form certainly enhances transparency, but, unfortunately, the burden on the filing organization will likely be greater.

The new form is more than double the size of the old form, and accountants estimate that it will take between twice to three times as much time to complete.

I predict that the cost of preparing the 990 will increase for nonprofit groups for two reasons.

First, organizations that had staff prepare the return will now hire a professional to do it. Second, fewer accountants will donate their time to complete the form.

The new form consists of a core form, of 11 pages and 11 sections that all nonprofit organizations with annual revenue of \$25,000 or more must complete.

There are up to 16 supporting schedules, one or more of which charities would be required to complete, depending on their type and activities.

By comparison, the old form consisted of a nine-page, two-section core form and 36 possible attachments.

Organizations must now disclose whether they follow specific management and governance practices and policies. Do they have policies on conflicts of interest, whistleblowers and how long to keep documents?

Penalties will likely not be imposed on charities that do not have these policies, but the IRS does say that their lack could get the tax agency's attention and increase the likelihood of being audited.

Smaller nonprofit groups, those with annual revenue less than \$25,000, will continue to be able to file Form 990N, a simple form completed online. This threshold increases to \$50,000 in tax year 2010.

The penalties for not submitting the form are severe. If an organization does not file any return for three con-

secutive years, it will automatically lose its tax-exempt status.

In the first few years, many larger nonprofit organizations will be able to file Form 990-EZ, but after tax year 2010 that form will be available only to organizations that have revenue between \$50,000 and \$200,000 and have assets less than \$500,000.

Information collected by the new form will create a more accurate picture of the nonprofit sector and allow better comparisons between agencies.

The questions about operations will identify which activities are tax-exempt and which ones are subject to taxing.

Fortunately, the Nonprofit Support Center is offering a workshop Jan. 22, "The New 990: Are You Ready," that will explain the new form.

Information and registration can be found at [ww.supportcenter.org](http://ww.supportcenter.org).

On a closing note, I wish everyone involved with nonprofit organizations a prosperous and healthy new year. The financial turmoil of 2008 was traumatic for everyone, and now we must do what we do best — improving the lives of those we serve.

### Resource Use

- Support nonprofit leadership
- Board development/training
- Strategic planning

### Nonprofit Business Column of The Tribune

The San Luis Obispo Tribune publishes a column every other week in the Business section dedicated to the business practices of nonprofit orgs. Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes the bi-

weekly column to help strengthen nonprofit organizations in the community. Each column is reprinted here as a one-page handout for use by local organizations. Barry can be reached at 543-2323 or by e-mail at [barry@slocf.org](mailto:barry@slocf.org).