



Not-for-Profits/today

The new Form 990 – More than a change in design

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In December 2007, the IRS issued the final redesigned Form 990, Return of Organization Exempt From Income Tax, which will require new and enhanced information reporting. The instructions are currently in draft format pending review of public comments. Although the new Form 990 is effective for the 2008 tax year (years beginning in 2008), in many cases tax-exempt organizations will need to act soon in order to comply with its reporting requirements and to be able to demonstrate good governance practices. (Reporting changes for smaller non profits will be phased in over three years through 2010.)

Since the form's last major revision in 1979, the tax-exempt sector has undergone tremendous growth and experienced significant change in virtually all aspects of operations. The current form has not kept pace with the changes in the sector and with new laws, such as whistleblower laws. The IRS says that the new Form 990 is designed to enhance transparency and promote tax compliance.

The new Form 990 has been expanded to 11 pages with 16 possible schedules, depending on the type of organization and its activities. The most notable changes include required disclosures on governance, executive compensation and transactions with related parties. Detailed information may be required on governance and management policies and practices depending upon the responses to certain questions. In addition, the Statement of Program Service Accomplishments now requires disclosure of revenues, grants and expenses for the largest three program services, determined by total expenses.

Those charged with governance within a tax-exempt organization are responsible for the accurate completion of the form. They will need to review the organization's

design, implementation and maintenance of processes and practices in order to gather and report the required information. This is a public relations opportunity to promote your organization as these forms are available to the public on websites such as guidestar.org.

In order to be able to complete the form in an efficient manner with the least possible cost, we suggest that each tax-exempt organization designate a suitable individual within the organization to this task. We recommend that the designated individual review the new Form 990, along with its schedules and instructions in order to determine what additional data, policies and practices will need to be gathered and documented. In addition they should read through the questions in the governance section of the redesigned Form 990, Page 6, Part VI. While the policies questioned, such as those regarding "conflicts of interest" and "compensation of key employees," are not required by the IRS itself, the IRS believes that an organization that adopts some or all of these practices is more likely to be successful in earning public support and pursuing its exempt purpose.

According to the IRS, the changes should not increase the time it takes to prepare Form 990; however, we expect most organizations will see a significant increase in the amount of time it takes to gather the information, document it and complete the form, particularly in the initial year of the new form.

In our effort to assist in this transition, we have established a link on our website (www.gtreilly.com) directly to the new Form 990 and the draft instructions.

Please take some time to learn more about the new Form 990 and its requirements by accessing the link in our website, and call us with your questions or to discuss your particular needs. ❖

Around the firm ...

- ❖ G. T. Reilly & Company was ranked 23rd on the 2008 list of the area's 50 Largest Accounting Firms published by the *Boston Business Journal*. The firm moved up from its ranking of #28 in the annual rankings.
- ❖ Two recent graduates of Stonehill College will join the firm as staff accountants this summer and a current student will be an intern. Alana Hanley of Westwood and Steve Rollins of Beverly (an intern last summer) both obtained bachelor's degrees in business administration with majors in accounting. Kevin Bonnett has started his internship and will be entering his senior year at Stonehill this fall.
- ❖ Bill Hurley, Director of Taxes, co-hosted a Sunday morning radio program on a variety of financial and professional service topics on WATD 95.9 FM this past winter and he will be co-hosting additional programs during the course of the year.
- ❖ Gina Weinstock of the Reilly Small Business Group presented QuickBooks accounting and training seminars to members of the South Shore and Neponset Valley Chambers of Commerce over the winter. Gina is available for in-house QuickBooks training and seminars and can design a customized training program for any business.