



Not-for-profit

TaxAlert

IRS releases "Frequently Asked Questions and Tips" for tax-exempt organizations on the Form 990

The IRS has recently published "Frequently Asked Questions and Tips" for tax-exempt organizations on the Form 990, Part VI – the Governance, Management and Disclosure section of the 2008 redesigned form.

This section of the 2008 Form 990 has been referred to as the IRS's "crown jewel" with respect to the new Form 990, as the IRS believes that there is a strong relationship between good governance practices and tax compliance. Therefore, it is clear the IRS will use this section to assess risk of noncompliance by tax-exempt organizations. It is also likely that charity watchdog agencies will utilize these questions in their evaluations and ratings of charities.

The IRS's Frequently Asked Questions and Tips address many of the questions that tax-exempt organizations have as they have been preparing to answer the much discussed governance questions.

Some of these FAQs for governance include:

- Are all the policies and practices described in Part VI required by the Internal Revenue Code? If not, what happens if an organization reports that it does not have such policies in place?
- If an organization adopted a policy or practice after the close of its tax year, but before it filed the Form 990 for such year, may it report that it had such policy or practice in place for purposes of answering Part VI?
- Is an organization required by federal tax law to provide a copy of Form 990 to its board or governing body, or have its board or governing body review the form, before it is filed with the IRS?
- Question 1b asks for the number of independent voting members of the governing body. May an organization use its own definition of independence to

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- answer this question?
- How hard do we have to look for the information requested in Questions 1 and 2 of Form 990, Part VI regarding independent directors and business and family relationships among Board members, officers, and key employees? What if we are unable to obtain and report all the reportable information?

Following is the link to the complete list of FAQs and Tips on the [IRS's website](#).

This is part of a series of filing tips issued by the IRS for tax-exempt organizations as they prepare to file the 2008 Form 990. Previous tips on the new Form 990 can be found on [Form 990 Filing Tips Archive](#).

The IRS invites questions and intends to provide additional guidance to the tax-exempt sector, indicating that "as a part of the IRS' on-going effort to obtain input from the tax-exempt sector" it is accepting comments on the redesigned 2008 Form 990, Return of Organization Exempt From Income Tax.

You may submit comments to the IRS at Form990Revision@irs.gov. The IRS is considering such comments for making future revisions to the Form 990, schedules, and instructions, and to identify areas where they may provide taxpayers with additional assistance and FAQs.

Questions?

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