



Tax Exempt Advisory

IRS Issues Final Instructions for Redesigned Form 990

The redesigned Form 990, which most not-for-profits will be required to file this year, requires more detailed reporting for compensation and other financial data, as well as information on an organization's compensation policies, compliance, and recordkeeping practices.

New Form Required for 2008 Fiscal Year

The redesigned Form 990, released by the Internal Revenue Service in December 2007, is effective for the 2008 tax year (for returns filed in 2009). The new form consists of an 11-part "core" form, and many not-for-profits will be required to complete a number of supplemental schedules, particularly those with officers, directors or key employees who are provided more than \$150,000 per annum in compensation. Accordingly, it is now more important than ever for not-for-profits to establish and document a regular process to ensure the compensation they provide is reasonable and not subject to "intermediate sanctions".

Overview of Key Form 990 Changes

- The new Form requires documentation for process and data used to establish *CEO and other officer/key employee compensation*, including whether the organization uses:
 - A compensation committee;
 - A compensation study or survey;
 - Review and approval by independent persons; and
 - Current documentation of this process.
- More *detailed disclosure* is required for *cash compensation and other forms of compensation* such as first class travel, personal assistants, discretionary expense accounts, as well as organizational assets/liabilities and policies.
- Although there are currently no requirements for *conflict-of-interest, whistleblower, or recordkeeping policies*, the new Form asks if such policies exist.

Supplemental Schedules

Depending on the information reported in the "core" form, not-for-profits will now have to complete one or more of 16 new supplemental schedules. Of particular interest from an intermediate sanctions perspective are **Schedule J** and **Schedule O**.



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The new Schedule J reporting requirements include more detailed information on officer, director, and key employee compensation. Beginning this year, organizations will be required to report:

- Base salaries
- Bonuses and/or incentives
- Other compensation (“perks”)
- Deferred compensation
- Nontaxable benefits
- Total compensation reported in prior Form 990.

While, Schedule O asks organizations to describe the process they use for determining compensation for officers, directors, and key employees. Schedule O is designed so that organizations may provide narrative responses to clarify the series of governance questions (a checklist, yes/no format) which are now a part of the new “core” form. However, it is important to note that “O” should not be interpreted as “optional”, and not-for-profits should complete Schedule O regardless of how they answered the governance questions on the core form.

About PRM Consulting Group

PRM is a professional services firm committed to assisting the not-for-profit sector on compensation and other human resource-related issues. We specialize in advising not-for-profit organizations on executive and board compensation levels and practices, including independent advice and market research required to ensure compliance with IRS rules. Our consultants are nationally recognized compensation experts who are knowledgeable and experienced in consulting with diverse types of not-for-profits on executive compensation. We would welcome the opportunity to answer your questions about the new IRS Form 990 reporting requirements or other issues of interest to your organization.

HOW TO CONTACT US:

Phone: 202.745.3700

Fax: 202.745.3701

Online: <http://www.prmconsulting.com>

PRM Consulting Group ■ 1814 13th Street, NW ■ Washington D.C. 20009