

IRS Issues Instructions and Background Documents for New Form 990

On August 19, 2008, the Internal Revenue Service (IRS) posted its completed revision of the 2008 Form 990, *Return of Organization Exempt from Income Tax*, instructions along with three new background documents on its website at www.irs.gov/charities. IRS Commissioner Doug Shulman calls the release of the instructions the “final step in a tremendous effort to bring the Form 990 up to date and to reflect the diversity and complexity of the tax-exempt community.”

The instructions, which were revised after the IRS received public comments on the draft released in April 2008, include new tools that aid in answering questions line-by-line and facilitate uniform reporting. The Commissioner of the Tax Exempt and Government Entities Division said that the input of the tax-exempt community helped the IRS to “achieve [their] goal of improving compliance while minimizing burden.”

As part of minimizing the burden, the IRS will implement a three-year transition period that will allow some smaller organizations that could not file Form 990-EZ for 2007 to file that form for 2008. Instructions for the 2008 Form 990-EZ, *Short Form Return of Organizations Exempt from Income Tax*, are expected to be released in the next few weeks.

The three background documents also released are: *Background Paper – Summary of Form 990 Redesign Process*; *Background Paper – Form 990, Moving from the Old to the New*; and *Background Paper – Changes to April Draft Instructions*.

The first of these documents, *Background Paper – Summary of Form 990 Redesign Process*, explains the entire redesigning process, from the June 2007 discussion draft to the August 19, 2008 release of the instructions. It highlights the reasons for the redesign, the public comment process, key changes, what preparers can do to get ready to file the new form, and the transition relief that will be possible for many smaller organizations.

Background Paper – Form 990, Moving from the Old to the New explains the parts and schedules of the new form, the portions that have been significantly changed, and the material differences between the old and new forms and instructions. It also exemplifies how an organization will determine if it needs to complete each schedule of the new form.

Finally, *Background Paper – Changes to April Draft Instructions* features a summary of the significant changes that were made to the April 2008 draft instructions, both in the general instructions and in the specific instructions for each part and schedule of the redesigned form.

If you have any questions concerning the new Form 990, the instructions, or what steps you should be taking now to be prepared for 2008 tax year filing, please do not hesitate to contact us.