



Stay Exempt

Course 4 Summary: Form 990

Recordkeeping

Records show that your organization complies with tax rules. Those tax rules govern your exempt status. Therefore, if you don't maintain adequate records, you can't show that your organization is entitled to its tax-exempt status.

By law, income tax regulations require an exempt organization to show specific items of gross income, receipts, and disbursements or expenditures.

Your organization should keep four categories of records:

- Money Coming In
- Money Going Out
- Employment Tax Records
- Asset Records

Generally, you must keep records that support an item of income or deduction on a return until the three-year statute of limitations for that return runs out.

Form 990 Basics

The Form 990 series is unique because:

1. The main purpose of the return is not to report and pay taxes, but to provide information on your organization's programs and activities;
2. Almost all of the information reported on the return is open to public inspection; and
3. Many state agencies that regulate exempt organizations have chosen to use it to satisfy their filing requirements, rather than come up with their own form.

With certain exceptions, tax-exempt organization with gross receipts greater than \$25,000 must file Form 990 or 990-EZ depending on its gross receipts and total assets. Remember, gross receipts reflect the total income received, not income less expenses.

Organizations with gross receipts under the \$25,000, with limited exceptions must file the "e-Postcard," Form 990-N, beginning in 2008.

Form 990 and 990-EZ are due by the 15th day of the 5th month after the organization's accounting period ends. For example, May 15 would be the due date for an organization with a calendar tax year end of December 31.

Using Form 8868, organizations can request a 90-day extension to file. Generally, no more than 90 days is granted.

Your organization can face penalties if it does not file a complete return, files late, or can't show reasonable cause for not filing.

Form 990 Step by Step

Form 990 has been substantially redesigned for tax year 2008 (filed in 2009 and 2010) and beyond. To help you learn how to prepare to file the redesigned Form 990 we have developed a four part mini-course that will walk you through the new form and some of its schedules and provide guidance and tips to help you complete a complete and error-free return.

Undergoing Audits

The Exempt Organizations Examinations Office conducts audits. Its goal is to promote voluntary compliance of the tax laws.

There are three types of audits:

- Correspondence examinations,
- Office examinations, and
- Field examinations.

In addition to audits, there are also compliance checks. These determine:

- Whether an organization is adhering to recordkeeping and reporting requirements and
- Whether an organization's activities are consistent with its stated tax-exempt purpose.

There are five steps in the audit process:

1. Contact is made by the IRS,
2. Records are requested,
3. An initial interview takes place,
4. The audit is conducted, and
5. A conference concludes the process.

If the examiner and the organization disagree with the outcome of an audit, the organization may request a meeting with the examiner's manager to discuss the disagreement. If the manager cannot resolve the differences, the organization must pursue its case through the IRS appeals process.