

Income Tax Newsletter

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Tax Exempt Organizations Revised Disclosure Requirements

By Jeffrey D. Moss

On December 20, 2007, the IRS issued an updated version of Form 990, the tax return that tax exempt organizations such as charities, hospitals, and trade associations file with the IRS to report their activities.

According to the IRS, one purpose for the change is to increase transparency and promote additional disclosure to the IRS and the public. One controversial change is a new four page schedule for hospitals and health care systems which require additional information regarding community benefit, joint ventures, and contracts with management companies. The IRS has not yet issued the instructions to the new forms, so it is difficult for hospitals and health care systems to know exactly what data to collect and in what format it will be required. It is anticipated that the new requirements will be burdensome.

The new IRS Form 990 will also contain a new schedule requiring more detailed compensation information for officers and executives earning \$100,000 or more and will also ask new questions regarding use of professional fundraisers, and transactions with insiders.

There is a graduated transition period for use of the new IRS Form 990. For the 2008 tax year (returns filed in 2009) organizations with gross receipts over \$1,000,000 or total assets over \$2,500,000 will be required to file the new form 990 rather than the form 990-EZ, as in the past. For the 2009 tax year (returns filed in 2010) the threshold will again be lowered with organizations having gross receipts over \$500,000 or total assets over \$1,250,000 will be required to file the new form 990 rather than the form 990-EZ. Beginning with the 2010 tax year (returns due in 2011) the filing thresholds will be set at gross receipts over \$200,000 or total assets over \$500,000.

In other non profit news, Michigan has recently passed amendments to the Michigan Nonprofit Act allowing actions to be voted on or approved by electronic means, so long as Articles of Incorporation have been filed or amended to permit it.

While this is just a general discussion of recent developments related to tax exempt organizations, members of the Butzel Long Income Tax Group have experience with respect to the formation, tax qualification, and transaction with tax exempt non-profit organizations including joint ventures, leases, and corporate governance.