

## **Strategic Implications of the New 990**

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Since the last 990 redesign in 1979, the tax-exempt sector has undergone tremendous growth, bolstered its commitment to governance and transparency and, in many cases, created complex operational structures supported by diverse sources of revenues. The not-for-profit organization of the seventies is not the sophisticated, competitive and transparent not-for-profit organization of the twenty-first century.

In addition to being utilized as the primary tax compliance vehicle for the IRS, the 990 has become the leading source of information for state regulators, the public, the media, policymakers, watchdog groups, donors and staff. The importance of the form has grown exponentially over the last two and a half decades.

The new 990 comprises an 11-page core form, which all filers are required to complete, and 16 schedules that are required based on the responses in the core form.

The redesign of Form 990 is based on three guiding principles:

- enhancing transparency to provide the IRS and the public with a realistic picture of the organization;
- promoting compliance by accurately reflecting the organization's operations so the IRS may efficiently assess the risk of noncompliance; and
- minimizing the burden on filing organizations.

In order to fulfill the goals of the redesign, the new Form 990 requires significantly more disclosure in many areas, including:

- Governance and board activities;
- Compensation;
- Endowments; and
- Tax-exempt bonds.

Meeting the many new requirements makes it essential to determine which schedules may be applicable to your organization with a view toward identifying significant risk areas, information gaps and responses that may have negative implications in this increasingly transparent environment. Achieving this state of preparedness will require education and training at all levels of the organization and a strategic assessment of your existing infrastructure.

Additionally, the confluence of transparency requirements and public access to the 990 should motivate executives and board members to ensure that all narrative sections are thoughtfully and purposefully completed to depict the “story” of the organization in the most accurate and positive light possible, whether describing community benefits, policies and procedures, mission, program achievements or to describe a unique situation.

Notwithstanding the importance of the specific technical issues, we believe that the overarching governance implications embedded in the new 990 need to be understood and managed appropriately by executives and board members beginning immediately. In fact, we believe that the new 990 is one of the most important changes to affect the not-for-profit industry in recent times.