

How to Make the Most of Your Annual Form 990 Filing

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Form 990 (Return of Organization Exempt from Income Tax) is an information return open to public inspection. Nonprofit organizations also use it as a marketing tool to attract donors. To get the most out of Form 990, you'll want to not only comply with IRS regulations, but also take into account the organization's marketing and operating objectives. Here are some things to consider:

- ✓ **Involve the organization's marketing professional or grant writer.** Ask him or her to write or update the program descriptions. This is a great opportunity for the organization to showcase their accomplishments. If appropriate, change the mission statement to make it more compelling yet still in alignment with the organization's exempt purpose. Ensure that the board approves any changes.
- ✓ **Watch the public support percentage reported on Schedule A** (Public Charity Status and Public Support). In most instances, the IRS requires it to be at least 33.3 percent. Savvy donors look at this percentage when deciding which organizations to support. Since it is a five-year average, increasing this percentage takes time. Often it can be raised by securing numerous smaller donations instead of relying on a few large donors.
- ✓ **Encourage detailed record keeping of fundraising events.** Revenues and expenses for each event should be recorded separately to allow for the proper presentation on Schedule G (Supplemental Information Regarding Fundraising or Gaming Activities). In-kind donations of auction items, room rentals, catering or other items must also be accounted for. Ideally, these requirements should be discussed up front so that the chart of accounts can be adjusted to capture the necessary information.
- ✓ **Take an in-depth look at the need to disclose transactions with interested persons on Schedule L** (Transactions

With Interested Persons). In 2014, the IRS expanded the definition of interested persons to include the creator or founder of the organization and substantial contributors. However, the trigger questions on Form 990, Part IV, have not yet been updated. When considering if such disclosures are needed, refer to the Schedule L instructions instead of the trigger questions.

- ✓ **When a nonprofit organization has a "Donate Now" button on their website, the organization must consider the possibility of additional state filings.** An organization may need to register in a state if it: 1) encourages residents of a certain state to give or 2) receives contributions from a state on an ongoing, repeated or substantial basis. This concept, called the Charleston Principles, was released in 2001 by the National Association of State Charity Officials. These principles are guidelines for states to follow, not law. Some states follow the principles while others do not.

BE PROACTIVE

Before new programs, projects, rentals or business agreements begin, discuss in detail if unrelated business taxable income (UBTI) could be an issue. A little planning can go a long way. For example, agreeing to lease 20 percent of the organization's building could create UBTI, while leasing 10 percent of the building might not create any tax. Other potential UBTI triggers include merchandise sales, sponsorship income and advertising income. Involve the organization's tax professional during the decision-making process so that any tax consequences are considered from the outset.

WHAT'S NEW?

For taxable years starting after December 31, 2015, Form 990 extension will be a single automatic six-month extension instead of two three-month extensions.



In January 2017, the IRS released a new online version of Form 990-EZ. This new version has pop-up information to help filers provide more accurate information on their annual return.

LOOKING TO THE FUTURE

Since 1954, the Johnson Amendment has prohibited 501(c)(3) organizations from participating directly or indirectly in any political campaign on behalf of, or in opposition to, any candidate. On May 4, 2017, President Trump signed an Executive Order directing the IRS to exercise discretion in the enforcement of the Johnson Amendment. Look for additional developments in the reporting of political and lobbying activities. ■

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