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NEW FORM 990 ISSUED FOR 2008 – SIGNIFICANT CHANGES IMPLEMENTED FOR TAX-EXEMPT ORGANIZATIONS

The Internal Revenue Service has redesigned Form 990, *Return of Organizations Exempt from Income Tax*, for the 2008 tax year. The redesigned Form 990 reflects changes in the law that have been made in recent years, as well as responds to the increasing size, diversity and complexity of the tax-exempt sector. The new Form 990 places an emphasis on corporate governance policies and compensation matters. Tax-exempt organizations need to ensure that their corporate governance policies are implemented and up-to-date.

Significant Changes Requiring Action

One new requirement of the redesigned Form 990 relates to disclosure of the following types of policies: conflict of interest policies, whistleblower policies, document retention and destruction policies, executive compensation policies, joint venture policies and policies governing the activities of any local chapters, branches or affiliates. Although the new Form 990 addresses all of these policies, they may not all be applicable to every tax-exempt entity. If any of the applicable policies are not in place or are not up-to-date, it is important that they be implemented or updated by the end of the 2008 tax year for reporting and compliance purposes. In addition, the new Form 990 requires tax-exempt organizations to disclose certain information relating to the composition of their respective Boards of Directors or governing bodies and any related-party transactions associated with current and former directors, trustees, officers and employees. The Form 990 governance and accountability sections are especially important for organizations that are subject to prohibitions on private benefit, excess benefit and private inurement.

Effective Date

The new Form 990 is effective for the 2008 tax year (returns filed beginning in 2009). The new form, however, will be phased in over three years, based on gross receipts and total assets tests. Small organizations may file Form 990-EZ instead of Form 990 if they meet the following gross receipts <u>and</u> total assets tests:

May file 990-EZ for:	If gross receipts are:	And total assets are:
2008 tax year (filed in 2009)	< $1 million	< $2.5 million
2009 tax year (filed in 2010)	< $500,000	< $1.25 million
2010 and later tax years	< $200,000	< $500,000

Steps to Take

Between now and the 2008 tax year-end, your organization should review, implement and/or update its corporate governance policies and make any needed changes to related-party compensation matters to enhance compliance with the Form 990 disclosure requirements. Please contact a member of the Reinhart's Hospice and Palliative Care Practice Group or Timothy Reardon (414-298-8227), Lucien Beaudry (414-298-8189), Amy Arndt (414-298-8300) or another member of Reinhart's Tax-exempt Organizations Practice Group for assistance with any Form 990 compliance matters.