



Preparing Form 990-EZ and Related Topics

Presented by:
Max Dunlap, CPA
mdunlap@doeren.com

Topics

Handout Materials

- Filing requirements
- W-9- Request for Taxpayer Identification Number and Certification
- Form 1099 – Miscellaneous Income
- Donation receipts
- Form 8282 – Donee Information Return
- Individual Accounts
- Disqualified person
- Donor Advised Fund
- Form 990-T- Exempt Organization Business Income Tax Return (Unrelated Business Income – UBI)
- Conflicts of Interest
- Vehicle Donations

Filing Requirements for IRC 503(c)(3) Organizations

Returns are due by the 15th day of the fifth month after organization's year end. For example, if year end is June 30, 2025, return due by November 15, 2025. Form 990 and Form 990EZ can file one six-month extension using Form 8868. There is no extensions for Form 990N.

Form 990N – Gross receipts normally less than \$50,001 must file online with IRS at <http://epostcard.form990.org>. There is no paper form.

- Form 990N Information
- Organization's employer identification number
- Organization's legal name
- Any other names the organization uses
- Organization's mailing address
- Name and address of principal officer of the organization
- Organization's year end
- Verify that organization's annual gross receipts are less than \$50,001
- Some indication the organization has not ceased operations or terminated

Form 990EZ – Gross receipts less than \$200,000 and total assets less than \$500,000.

Form 990 – Gross receipts greater than \$199,999 or total assets greater than or equal to \$500,000.

FAILURE TO FILE FORM 990-N, 990-EZ OR 990 FOR THREE CONSECUTIVE YEARS, THE ORGANIZATION'S STATUS AS AN EXEMPT ORGANIZATION UNDER IRC 503(C)(3) WILL AUTOMATICALLY BE REVOKED. FROM THE DATE OF REVOCATION, THE ORGANIZATION WILL BE A TAXABLE CORPORATION OR ASSOCIATION AND WILL OWE INCOME TAXES ON ITS NET INCOME. REVENUE PROCEDURE 2014-11 GIVES STEPS NECESSARY FOR ORGANIZATION TO REGAIN EXEMPT STATUS THE ORGANIZATION WILL HAVE TO RE-FILE FORM 1023 AND APPLY FOR 501(C)(3) STATUS WITHIN 15 MONTHS OF THE DATE OF REVOCATION.

Form W-9

Form W-9, Request for Taxpayer Identification Number and Certification, should be obtained from all vendors, donors of property of \$500 or more and prize winners of \$600 or more.

Form 1099-MISC

Report rents and non-employee compensation (i.e. payments to vendors) on a calendar year of \$600 or more. Report name, address and federal identification number (i.e. social security number or employer identification number) and amount paid to such person/entity. Generally payments to corporations are not reportable, payments to all other persons or entities are reportable. Exception, all payments to attorneys/law firms of \$600 or more are reportable.

Form 1099 is also required for prizes of \$600 or more awarded to an individual.

- Penalties for failure to file Form 1099
- \$50 per Form 1099 if filed within 30 days of due date (January 31 for Form 1099-MISC, Box 7) (February 28 for other Form 1099)
- \$100 per Form 1099 if filed after 30 days of due date and before August 2
- \$260 per Form 1099 if filed after August 1 or not filed as required

Donation Receipts

Organizations must provide written receipts to the donor for donations of property and cash.

1. For the purposes of acknowledging the receipt of property donations, the term “property” does not include services (I.R.C. section 1.170A-1(g)). As a general rule, for a “donation” to be considered a charitable contribution, the donated property must have some cost basis in the hands of the donor. Donations such as coupons for services or discounts on services or goods have no such cost basis in the hands of the donor and therefore do not qualify as a charitable contribution and should not be acknowledged as such (Rev. Rul. 79-431, 1979-2 CB 108).
 - a. Donation receipt is required for donations of \$250 or more of cash or property received during the year.
 - b. Under the quid pro quo rules the organization must provide a receipt if it receives a payment of more than \$75 that is partly for goods or services and partly a contribution.

Donation of Cash

(Donor Name)

(Donor Address, if known)

Thank you for your contribution of \$_____ in cash on [Date]. Your gift will be devoted to our organization’s objectives and we will not provide benefits or services required to be valued in consideration for this gift.

(Organization’s Name)

Authorized Signature

Donations from Fundraisers

Organizations use various fundraising events (ie golf tournaments, galas, raffles, etc) to raise money during the year. In each case, except raffles, there probably is a quid pro quo element to the fundraising event. It is the organization's responsibility to determine the fair market value of the non-charitable benefits received by the participants and disclose the charitable and non-charitable portion of each fundraiser to the participants.

1. Use best estimate to determining the fair market value of non-charitable benefits of a fundraiser.
2. If donated property is auctioned or given as a prize the donor should provide a reasonable estimate of its fair market value.
3. No part of the purchase of a raffle ticket is considered a charitable contribution.

Quid Pro Quo Donations (payment of \$75.01 or more)

(Donor Name)

(Donor Address, if known)

Thank you for your contribution of \$_____ in cash and/or [Describe Property] on [Date]. We estimate the fair market value of the benefits we provided to you consideration for this donation was \$_____. We are a I.R.C. section 501(c)(3) organization and you may claim a donation deduction for the difference between the cash and/or property given to the organization and the value of the benefits you received. The organization assumes no responsibility for determining the fair market value of the donated property.

(Organization's Name)

Authorized Signature

Form 8282 – Disposal of Donated Property

If the organization within three years of receipt, disposes of donated property (ie sells, transfers or assigns) with a fair market value of \$500 or more, the organization is required to complete Form 8282 and file the form with IRS within 125 days of the disposal of such property and send a copy to the donor.

1. Does not apply to marketable securities or cash.
2. Does not apply if the donated property is consumed or distributed in fulfilling exempt purpose. For example, athletic booster club receives donated football equipment and distributes such equipment to high school athletes.
3. In some cases, Form 8282 may be required for dispositions of donated property of \$500 or more.

Individual Accounts

The IRS generally does not like individual accounts within a charitable organization. An example of an individual account is Johnny sells more coupon books than the rest of the kids in the organization and for this Johnny gets a \$100 credit to his account than he can use to pay for the next field trip. This can be considered an individual receiving a personal benefit from a charitable organization, which is contrary to the general purpose of a charitable organization. Therefore, IRS does not condone "Individual Accounts" and can assess penalties on the organization for maintaining such accounts.

Disqualified Person

A disqualified person is any officer, director or trustee of the organization and any person who donates more than \$5,000 to the organization provided such donation exceeds 2% of the organization's total donations. In the example, Schedule A, Part III, Section A, line 1 total donations are \$118,020, 2% of the total donations is \$2,360. Thus, a donor who donates more than \$5,000 would be a disqualified person. Family members of the aforementioned persons are also considered disqualified persons.

Donor Advised Fund (Ask LB)

Form 990EZ, Part V, line 44a asks if the organization maintains any "donor advised funds." If the organization answers yes, it cannot file Form 990EZ but must instead file Form 990, the long form. The IRS describes "Donor Advised Fund" as a fund in which the donor has or reasonably expects to have advisory privileges in the disbursement of the fund because of the donor's status as a donor. Example, a donor donates \$500 to the organization and stipulates the organization has to buy student John football equipment with the funds. Donor advised funds do not include the following:

- Fund directed to be disbursed to a single identifiable organization or government entity ie a school

- All grants, disbursements from the fund are made on an objective and nondiscriminatory basis following procedures approved in advance by the board of directors. For example, a donor donates to be disbursed exclusively for scholarship and the organization has an established procedure for awarding such scholarship, these are not donor advised funds.
- The above two exceptions are applicable only if the donors do not control the board of directors or committee that awards or disburses such funds.

Unrelated Business Income (UBI)

UBI arises if an organization engages in a trade or business that is regularly carried on and the activity is not substantially related to the performance of the organization's exempt purpose. Unrelated business income (UBI) is subject to income taxes at the corporate tax rates and is reported on Form 990-T.

1. Advertising.
2. Travel tours (non-educational).
3. Sales of mailing lists.
4. Subscription revenue for publications (i.e. journal, periodicals, directories, etc.).
5. Rental of personal property.
6. Rental of real property when the organization provides significant services to the lessee.
7. Any activity that is "regularly" carried on can potentially be considered UBI.

IRC Section 513 defines "unrelated trade or business" but states unrelated trade or business income does not include income "in which substantially all the work in carrying on such trade or business is performed by the organization without compensation."

This most common issue in this area is advertising revenue received in publishing sports programs or yearbooks. If the organization hires a third party to solicit advertising for its yearbook and/or sport programs, this would probably make this advertising revenue "unrelated business income" subject to income taxes.

Local booster clubs and PTO's generally do not have income that can be considered unrelated business income from fundraisers for example because the officers and members are not paid compensation. Thus the selling of programs, concessions, school supplies, etc is not unrelated to business income as no one the organization receives compensation.

Conflicts of Interest

Officers, directors and large contributors are generally considered "disqualified" persons and any transactions or business dealings with these individuals, their family members or their related entities are subject to disclosure and scrutiny by the IRS.

1. Compensation and benefits.
2. Purchase of assets.
3. Leasing transactions.
4. Payments for goods or services.
5. Grants or scholarships.

Vehicle Donations

Special rules apply beginning after December 31, 2004, regarding the donation of vehicles to charitable organizations if the vehicle has a fair market value of more than \$500 or is sold for more than \$500.

- Generally, the donation amount is limited to the sales price of the vehicle by the organization, not its "fair market value."

- The organization must file Form 8282 if the vehicle is disposed of within three years.
- Organization must provide the donor Form 1098-C within 30 days of the disposal of the vehicle and with the IRS by February 28 of the next year.