



American Institute of CPAs
1455 Pennsylvania Avenue, NW
Washington, DC 20004-1081

June 17, 2015

Ms. Tamera Ripperda
Director, Exempt Organizations
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

RE: Comments on Form 990, *Return of Organization Exempt from Income Tax*, and Instructions

Dear Ms. Ripperda:

The American Institute of Certified Public Accountants (AICPA) is pleased to provide comments on Form 990, *Return of Organization Exempt from Income Tax*, and instructions. Our matrix includes comments and recommendations for the 2015 forms and instructions, while indicating the importance and urgency of each recommendation.

The comments were developed by the AICPA Exempt Organizations Taxation Technical Resource Panel (TRP) and approved by the AICPA Tax Executive Committee. The Exempt Organizations TRP is comprised of practitioners who serve tax-exempt organizations and are experienced with both the nuances of the form and the challenges that arise for taxpayers in trying to complete it.

The AICPA is the world's largest member association representing the accounting profession, with more than 400,000 members in 145 countries and a history of serving the public interest since 1877. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

We appreciate your consideration of these recommendations and welcome the opportunity to discuss these items with you further. If you have any questions, please feel free to contact me at (801) 523-1051, or tleywis@sisna.com; or you may contact Jeanne Schuster, Chair, AICPA Exempt Organizations Taxation Technical Resource Panel, at (617) 585-0373, or jeanne.schuster@ey.com; or Ogochukwu Anokwute, AICPA Lead Technical Manager, at (202) 434-9231, or oanokwute@aicpa.org.

Sincerely,

Troy K. Lewis, CPA
Chair, AICPA Tax Executive Committee

Section of the Form	Importance	Urgency	Comment	Recommendation
All	High	High	Add thresholds throughout the instructions at the top of any Schedule, Part or Line that has a specific threshold for reporting. For example, Schedule H, Part IV asks for a list of Management Companies and Joint Ventures. The preparer of the Schedule would have to go to the instructions to determine that Schedule H, Part IV should be filled out ONLY if the named persons owned more than 10% of the management company or joint venture (and that the services provided are related to medical care). The title in Schedule H, Part IV should mention this >10% requirement and then refer to the instructions.	It would be extremely helpful for preparers, readers, and reporting organizations to have an easy reference so they know right away if disclosure is required. For example, add to the title of Schedule H, Part IV, "More than 10% ownership required: See Instructions".
Instructions, Glossary	High	High	<p>Some organizations are misinterpreting the definitions of “control” in the case of a non-stock corporation. In the case of multiple, affiliated non-stock organizations with nearly identical board members, the organizations argue that “notwithstanding overlapping composition of boards of trustees, the trustees of X Charity, acting in that capacity, have no authority to remove, replace, or appoint a majority of the governing bodies of the other affiliates. The board of trustees of each affiliate, acting in its own independent capacity, periodically appoints its own new trustees.” We believe the last sentence of the definition of "control" applies as written (and note its parallel expression and result in Treas. Reg. § 1.512(b)-1(l)(4)(b)) and that it imposes “related organization” status between the two organizations regardless of whether parent-subsidary status was intended, as in these cases, a brother/sister relationship exists.</p> <p>Definition of “control”: In the case of a non-stock organization, the term “control” means that more than 50% of the directors or trustees of such organization are either representatives of, or directly or indirectly controlled by, an exempt organization. A trustee or director is a representative of an exempt organization if he or she is a trustee, director, agent, or employee of such exempt organization. A trustee or director is controlled by an exempt organization if such organization has the power to remove such trustee or director and designate a new trustee or director.</p>	<p>Please clarify the definitions of control and related organization (specifically, brother/sister organizations) in the glossary of the instructions.</p> <p>For example, the instructions can read: "Brother/Sister: an organization controlled by the same person or persons that control the filing organization..." followed by one of the possible options below: 1) “The same person or persons are deemed to control each organization simply by being voting members of each board.”, or 2) “When the two or more organizations share a majority of the same individuals, those organizations are deemed related.”</p>
General	Medium	Medium	The IRS continues to change the instructions through various means including actual instruction changes, FAQs, etc.	Make available a red-lined version of the prior year instructions highlighting all changes.
Instructions, Foreign Filings & Public Disclosure	Low	Low	If a foreign form (Form 926, 5471, etc.) is attached to Form 990 instead of Form 990-T, the instructions do not address whether it is open to public disclosure. Currently, GuideStar does not appear to be publishing these forms when they are filed with a Form 990. The instructions make it clear that if the foreign forms are filed with Form 990-T, they should be removed for public disclosure purposes.	Please clarify that foreign forms should be removed from the public disclosure copy of the Form 990.

<p>Instructions, Section E, When to File</p>	<p>Low</p>	<p>Low</p>	<p>It is understood that an organization that has an application for exemption pending must file Forms 990-EZ, 990-PF, or 990 while its application for exemption is in pending status. Currently, it is unclear whether and when an organization that has an application for exemption pending must file a Form 990-N. In addition, if the organization is not yet in the IRS system and cannot file a Form 990-N, the instructions do not address whether or not the organization must file a paper extension until it can get into the IRS system and file a Form 990-N.</p>	<p>Clarify in the instructions whether an organization must file an extension for a Form 990-N. Because the extension period might expire before exemption is granted, allow organizations whose exemption is pending and if granted on a retroactive basis to qualify to file a Form 990-N. An exemption pending box could be added to the Form 990-N. In the alternative, provide guidance regarding the Form 990-N extension process.</p>
<p>Instructions, Section H, Failure to File</p>	<p>Low</p>	<p>Low</p>	<p>If Form 990, 990-EZ, 990-PF, or 990-N has been filed late, but within a three year period, the instructions do not address whether this counts as a filing within three consecutive years for purposes of the automatic revocation provisions.</p>	<p>Clarify in the instructions that one return filed within three consecutive years qualifies as a filed return, even if late, except if the late return is for the third year and no return was filed for the previous two years.</p>
<p>Instructions, Who Must File, Subcategory, Form 990-N</p>	<p>Low</p>	<p>Low</p>	<p>Small organizations need to maintain proper donor records in order to know when they have reached the filing threshold for a Form 990-EZ or full Form 990.</p>	<p>It should be noted in the instructions that all small organizations should keep track of their charitable contributions by donor. Once the filing thresholds have been reached for filing a Form 990-EZ, the organizations will have the appropriate documentation in order to file the Form 990-EZ and related Schedule A.</p>

Section of the Form	Importance	Urgency	Comment	Recommendation
Part IV, Line 32	High	High	The question asks if the organization transferred more than 25% of its net assets (a significant disposition of net assets). If "yes," the organization must complete Schedule N, Part II.	The glossary explains that for the definition of "significant disposition of net assets", if the change of 25% in net assets results from the ordinary course of business (such as, regular grant making), a Schedule N is not required. Please consider revising Form 990, Part IV, Line 32 to ask about a significant disposition of net assets according to the glossary definition in order for the organization to answer "no." Otherwise, the organization should answer "yes" and not file a Schedule N. Most tax software programs do not allow this option.
Part IV, Lines 14-16 Instructions	High	High	The instructions distinguish between partnerships and corporations with respect to taking into account the revenue and expenditures of the entities in determining whether the dollar threshold has been met. Inasmuch as Schedule F reporting is dependent on the form of an organization, and whereas the value of the investment may be the same in corporate and partnership form, reporting on Schedule F should not be dependent on legal structure of the investment entity.	The instructions for Form 990, Part IV, Lines 14-16 should provide a reference to the Schedule F instructions.
Part IV, Line 29	Low	Low	The question posed is whether the organization received more than \$25,000 in non-cash contributions. If the answer is "yes," Schedule M is to be completed. The instructions also provide that contributions of services or use of facilities are not to be included. Line 33 of Schedule M asks to include a description in Part II if the organization did not report an amount in Column (c) for a type of property for which Column (a) is checked. The instructions ask for an explanation of why the organization did not report revenue for the item. Since in many instances, it is likely that organizations will not take into account contributions where no revenue has been recorded, the answer to Form 990, Part IV, Line 29 may be "no" and result in Line 33 of Schedule M to have no response.	To make certain that Schedule M Line 33 contains a response where relevant, Form 990, Part IV, Line 29 presentation on the form, as well as the instructions, should be revised to make it clear that the \$25,000 threshold is regardless of whether amounts were included in the financial statements or in financial statement revenue. This response can be accomplished by including a parenthetical so that the question on the form reads: "did the organization receive more than \$25,000 in non-cash contributions (whether or not included in revenue)?"
Part IV, Line 10	Low	Low	In some cases, the financial statements are consolidated for GAAP purposes, but the consolidating entities consist of the taxpayer and its single member LLCs. Therefore, all of the activity is audited and also reported on Form 990.	Please clarify in the instructions, how the taxpayer should answer the question if the financial statements are consolidated, but only with single member LLCs.

Section of the Form	Importance	Urgency	Comment	Recommendation
Chart	High	High	The chart does not address cash balance plans.	Address cash balance plans in the chart.
Part VII Instructions - Type of Compensation Chart	High	High	The chart is inconsistent where incentive compensation paid is to be reported in Schedule J, Part II, Column B(ii) but contributions to nonqualified plans (substantially vested) which could be the same type of plan suggest reporting the contributions in Schedule J, Part II, Column B(iii).	We recommend adding language to the instructions that if a particular item could qualify as more than one item on the chart, then reporting in accordance with either item on the chart is permissible.

Section of the Form	Importance	Urgency	Comment	Recommendation
Part VIII	High	High	Announcement 2012-19 made it optional to report income from partnership interests using information from Form 1065, Schedule K-1. The instructions to date indicate Schedule K-1 must be used for Form 990 reporting. A number of organizations, particularly those with large endowments, hold partnership investments that are recorded on a "mark-to-market" basis for GAAP accounting purposes. Requiring the use of Schedule K-1 information for Form 990 reporting would generate significant differences between the organization's books and the Form 990. This, in turn, would create significant reconciling items on the Form 990 in order to properly report net asset figures that are consistent with the organization's books and records.	The optional reporting of Announcement 2012-19 should be made permanent.
Part VIII	Low	Low	The Form 990 instructions require the use of the Form 990-T Business Codes for Form 990, Part VIII revenue. There currently is no Business Code for hospital patient revenue or museum entrance fees. Are hospitals and museums to use the catchall Business Code 900099?	Add Business Codes for hospital patient revenue and museum entrance fees.

Section of the Form	Importance	Urgency	Comment	Recommendation
Person Definition	High	High	No definition for "Person" as used in the instructions.	Add a definition for "Person" as defined in section 7701(a)(1) noting who and what is encompassed under the definition.
Non-Cash Contributions	Medium	Medium	Many fundraising organizations have auctions using donated items. Certain non-cash items (ex. vouchers for a dinner, massage/spa treatment and other items) appear to be services rather than goods but the voucher could be interpreted as an item rather than services.	Bolster the glossary definition to explain that donations of the right (transferable by the organization to another) of services or to discounts on the provision of access to equipment or facilities is an intangible property right and thus is a non-cash contribution.

Schedule A

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule A, Part II	High	High	The instructions to the last line of Part II and Part III (listed in each case as a TIP) informs the organization completing that section, that if it does not pass the test as listed it may still qualify as a publicly supported organization. The TIP informs the organization to try the other test (either Part II or Part III).	<p>Add a line at the top of Schedule A, Part II as follows: "If the organization fails to qualify under the tests listed below, please complete Schedule A, Part III."</p> <p>Add a line at the top of Schedule A, Part III as follows: "If the organization fails to qualify under the tests listed below, please complete Schedule A, Part II."</p>
Schedule A, Part II, Line 18 and Part III, Line 20	Medium	Medium	If either of the boxes are checked, an organization is required to file Form 990-PF rather than Form 990. It is very likely that a substantial portion of the Form 990 and Schedules might be prepared prior to becoming aware of the status change.	The core Form instructions should highlight the determination of whether a Form 990-PF instead of Form 990 is required. This should also be reflected in General Instruction C with respect to the sequencing list.
Schedule A, Part III, Line 7(b)	Medium	Medium	The instruction is confusing in terms of whether a charity is subject to the \$5,000 or 1% excess test for inclusion in the numerator of the public support test for section 509(a)(2) organizations. This is spelled out in Treas. Reg. § 1.509(a)-3. We believe that it is not the type of organization that distinguishes, but the use of the funds. The key is if the funds were properly classified as a grant or program service, which is determined by whether the donor received a direct benefit or if the general public received the benefit.	<p>Add the word "or organization" to the instructions so the preparer knows that if the filing organization received money from a private school then that money could be subject to the excess test if the school received a direct benefit. Also, add "See Treas. Reg. § 1.509(a)-3(f) and (g)" so the preparer can quickly find help.</p> <p>The revised instructions would read as follows: "Line 7b. For any gross receipts included in Lines 2 and 3 from related activities from a person or organization, or from a bureau or similar agency of a governmental unit, other than a disqualified person, that exceed the greater of \$5,000 or 1% of the amount on Line 13 for the applicable year, enter the excess on Line 7b. See Treas. Reg. § 1.509(a)-3(f) and (g). The organization should..."</p>
Schedule A, Part I, Line 11g	Low	Low	Does a "Yes" answer to Schedule A, Part I, Line 11g (i), (ii), or (iii) trigger section 509(f)(2) in which the entity is treated as a private foundation? There is currently no instruction for this line.	Add a FAQ for this line to provide clarification on the potential effects of a "Yes" answer.

Schedule B**AICPA**

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule B, Part I Contributors	Low	Low	Schedule B requires a listing of donors as well as grantors. The reader would be greatly assisted if there was a box to check if it was a grantor rather than an ordinary donor.	Add check box "Grantor" and explain to check the box if what was given was a grant rather than an ordinary donation.

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule C, Parts II-A and II-B on Lobbying Expenses	High	High	The instructions do not clearly address whether lobbying indirectly, perhaps through membership in other organizations, is reportable.	The instructions should include language for Schedule C, Line 1f of Part II-B and for Part II-A that indirect lobbying through a portion of membership dues via a separate organization should be reported where the lobbying may benefit the filer.

Schedule D

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule D, Part I, Other Funds	Medium	Medium	Some taxpayers are not including scholarship funds in Column (b) as "funds or other accounts."	Please add an example or clarification to the instructions regarding whether scholarship funds meet the definition of "funds or other accounts." Also, add language to clarify that "funds or other accounts" which are part of the endowments (reported in Part V) should also be reported in Part I.
Schedule D, Part V, Line 3	Medium	Medium	The instructions do not define what is meant by "administered by others".	The instructions should provide a definition of "administered." For example, if a partnership holds the endowment for many organizations for investment purposes only but does not decide or have any part in distributing the endowment, it should not be considered "administered" simply due to pooling of investments in a large entity in order to generate better returns.
Schedule D, Part VII	Medium	Medium	Please provide clarification or a definition for "financial derivatives and other financial products"	Please include a clarification or a definition for "financial derivatives and other financial products" in the instructions or glossary.
Schedule D, Part XII	Low	Low	Line 2a refers only to unrealized gains. Often there are unrealized losses that presumably should be entered as a negative amount. However, in the absence of an appropriate description there is often confusion whether to enter on Line 2a or on Line 4.	To avoid confusion, the description should read "Net Unrealized Gains (Losses) on investments".

Schedule D, Part V	High	High	There has been much confusion among taxpayers as to the definition of "endowment funds" for purposes of this section. The reference in the instructions to SFAS 117 apparently is not sufficient to clarify that endowment funds reported in this section should comport with what is reported in taxpayer's audited financial statement "endowment" footnote.	Specifically state in the instructions that taxpayers with audited financial statements should report only those funds noted as "endowment" in their audited financial statements, rather than all of their temporarily and permanently restricted funds. See suggested language below:
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Suggested Language:

Schedule D, Part V, Line 1: An "endowment" is a fund intended to generate income for use in a project or activity, rather than a mere set-aside of principal for future use. An endowment may be a Board-designated fund ("quasi-endowment"), a temporarily restricted fund, or a permanently restricted fund. Its status as an endowment is dependent upon the intent with which it was set up, rather than on its restrictions. For example: funds designated as a reserve fund are not set aside for the purpose of generating income, as the principal is intended to be used as a "rainy day" fund. This type of fund, regardless of its classification, is not an endowment. Funds designated by an organization's Board of Directors that are set aside for the purpose of generating income each year, with the income used to fund annual operations, would be a Board-designated (or quasi) endowment

Examples:

Example 1: Charity X has on its books Temporarily Restricted Fund A, that has been restricted for use in Program B. It is the intent of the donor that the principal of the fund be spent on Program B. Because the fund is not set up to generate income to used for Program B, Temporarily Restricted Fund A is a not an endowment.

Example 2: Charity Y has on its books Permanently Restricted Fund C, which was set up via donor bequest. The donor's intent was that Charity Y preserve the principal of the fund in perpetuity, with earnings from the fund spent on Program D. Because this fund was set up with the intent to generate operational income, Permanently Restricted Fund C is a permanent endowment.

Example 3: Charity Z has on its books Board-Designated Fund E, which has been designated by Charity Z's Board of Directors to help fund its operations. It was the intent of the Board, in setting up the fund, that the principal amount of the fund be left intact. Income from the fund would be used to help fund operation of Charity Z's Program F. Because this fund was set up with the intent to generate operational income, Board-Designated Fund E is a quasi-endowment.

If an organization has received a set of GAAP audited financial statements for the tax year, its endowments are already laid out in its "Endowment" footnote. Accordingly, the organization's endowment disclosure for Part V of Schedule D will be the same as its disclosure in its audited financial statements.

Schedule D, Part V, Line 2: Under GAAP, there are 3 types of endowments: *board designated (quasi-endowment)*; *permanent*; and *term*. Each type can have different net asset classes. The name of the endowment type refers to the restriction placed on the principal of the endowment, as outlined in the chart below:

		A	B	C
Type	Who Restricts?	Net Asset Class of <i>Principal Balance</i>	Net Asset Class of <i>Accumulated Income Balance</i> (Above water)	Net Asset Class of <i>Accumulated Loss Balance</i> (Under water)
Permanent (Traditional)	Donor Restricted	Permanently Restricted	Temporarily Restricted (Time Restricted)	Unrestricted (Designated)
Term	Donor Restricted	Temporarily Restricted (Time Restricted)	Temporarily Restricted (Time Restricted)	Unrestricted (Designated)
Board-Designated (Quasi)	Board Designated	Unrestricted (Designated)	Unrestricted (Designated)	Unrestricted (Designated)

The total endowment balance for *each fund* equals A + B or A – C. For permanent and term endowments, a temporarily restricted balance and an unrestricted balance on accumulated income/loss may not exist simultaneously - it is either one or the other. Furthermore, each individual fund must be analyzed separately. Accordingly, an organization's total permanent endowment balance might have all three net asset classes, if some individual permanent endowment funds are above water and some funds are under water.

Schedule F

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule F	High	High	Many organizations do not have the necessary systems in place to track all of the activities included herein.	Add a provision for a "reasonable effort" on the part of the organization to comply with the requirements herein.
Schedule F, Part I, Line 3, Columns (b) and (c)	High	High	The instructions provide that the details for each type of activity conducted at any time during the tax year in each region is to be reported on a separate line. Since different activities may be conducted by a particular office, the totals for the number of offices and number of employees or agents in a region may be misleading.	To preclude misinterpretation stemming from the totaling of offices and personnel engaged in multiple activities the total lines for Columns (b) and (c) should be blacked out.
Schedule F, Part II	High	High	<p>The instructions added language requiring the reporting on Schedule F of grants or other assistance to a particular U.S. organization or entity for foreign activity. This will result in possible additional compliance (Expenditure Responsibility) in cases where one domestic public charity makes grants to another domestic public charity for use abroad.</p> <p>The added language is ambiguous by virtue of the omission of any guidance as to what factors are to be taken into consideration in determining whether the grant or assistance will be utilized in a foreign activity. Furthermore, the added language does not reflect the "Conduit Theory" as enunciated in Revenue Rulings 63-252 and 66-79, that preserve the tax deductibility of charitable contributions under section 170 when the U.S. charitable organization exercises control over such funds.</p>	Treas. Reg. § 53.4945-5(A)(6), with respect to certain earmarked grants, provides that a grant shall not be regarded as a grant to a secondary grantee even though the grantor has reason to believe that certain (other) organizations would derive benefits from the grant so long as the original grantee organization exercises control, in fact, over the selection process and actually makes the selection completely independently of the grantor. The Instructions should refer to Treas. Reg. § 53.4945-5(A)(6) and should state that when such variance power exists, the grant should not be reported on Schedule F.
Schedule F, Part IV, Line 1	Medium	Medium	<p>Schedule F, Part IV, Line 1 says: "Was the organization a U.S. transferor of property to a foreign corporation during the tax year? If 'Yes,' the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)."</p> <p>Based on conversations with the IRS, this question should be answered "Yes" if the organization makes grants to foreign organizations that are corporations. We believe that this question should not be answered "Yes" when the organization has made grants to foreign corporations.</p>	The IRS should make it clear in the instructions that the "transfer of property" to a U.S. corporation for these purposes does not include grants. Grants are already disclosed on Schedule F, Part II, and a grant is not the type of transfer that triggers a Form 926 filing. Therefore, this question is redundant for grants. Responding "Yes" for grants will also make it difficult for the IRS to determine whether the organization may have a Form 926 filing requirement.

Schedule F - Big Question	Low	Low	What is it the IRS is looking for? Activity (any activity or ongoing) or expenditure?	Define as under the dominion and control of the organization. Increase the minimum threshold both in terms of time and dollars. Also add a reasonable efforts standard which specifically states the organization may rely on its financial records.
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Schedule G

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Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule G, Part II, Direct Expenses, Instructions	Medium	Medium	The instructions for Form 990, Part VIII, Line 8b were revised in 2013 to indicate that the expenses are “expenses that relate directly to the production of the revenue portion of the fundraising activity, whether incurred before, during, or after the event.” This language is not included in the instructions for Schedule G, Part II.	Provide more clarity to organizations by including the same language into the instructions for Schedule G, Part II, to state that expenses are “expenses that relate directly to the production of the revenue portion of the fundraising activity, whether incurred before, during, or after the event.”

Schedule H**AICPA**

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule H, Part IV	High	High	Schedule H, Part IV asks for a list of Management Companies and Joint Ventures. The preparer of the Schedule has to go to the instructions to find that Part IV should be filled out ONLY if the named persons owned more than 10% of the management company or joint venture (and that the services provided have to do with medical care). The title in Part IV should mention this >10% requirement and then refer to the instructions.	Add to the title of Schedule H, Part IV, "More than 10% ownership required: See Instructions".

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule I, Part IV	High	High	Schedule I, Part IV Instructions do not provide sufficient guidance on what additional explanations should be included as disclosures.	Schedule I, Part IV Instructions should be expanded to identify disclosures required (i.e.: accounting methods, etc.) similar to the instructions on Schedule F, Part IV.
Schedule I, Parts II and III	High	High	Taxpayers continue to be confused as to what qualifies as cash vs. non-cash. The instructions give examples of tangible non-cash items such as equipment and supplies. However, there are many other types of grants being made where the recipient receives a financial benefit but never has access to cash. For example, gift cards are generally considered cash equivalents. However, organizations may receive the benefits from gift cards but never have access to cash.	Please add the following as examples of non-cash contributions for Schedule I purposes: 1) Financial aid, scholarships that are applied against a student's tuition account 2) Gift cards to individuals for necessities such as groceries, household items, etc. 3) Payments to a third party vendor on behalf of an individual (e.g. paying the utility company for a family in need).
Schedule I, Part II	High	High	Schedule I from 2012 and forward does not contain the checkbox that was included on prior versions of the form and could be checked if no one recipient received more than \$5,000 in grants from the organization. If an organization makes many small grants that are below \$5,000, but which meet the threshold to file Schedule I as the overall total was \$30,000 or higher, the schedule will appear incomplete because there is nothing required for listing in Part II.	Please consider a check-the-box option to indicate that no recipient received more than \$5,000 in grants.

Schedule K**AICPA**

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule K, Part II, Line 12	High	High	There is no instruction as to how to answer the question if it is Not Applicable due to there being no final allocation of proceeds by the time the return is filed.	Include in the instructions how to answer if the final determination is Not Applicable.

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule L, Part III	Medium	Medium	Does a public charity now have to have its scholarship program approved by the Secretary in order to not be required to disclose the scholarship on Schedule L? This is a private foundation reference which does not normally apply to non-private foundations.	Allow for the section 4945(g) exception to apply without approval of the program by the Secretary.

Schedule M**AICPA**

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule M, Column C	Low	Low	A "total" line is needed to sum up the amounts in Column C so it is easy to tie the Schedule M contribution detail back to Form 990, Part VIII, Line 1g.	Please add a "total" line to sum up the amounts in Column C.

Schedule R

Section of the Form	Importance	Urgency	Comment	Recommendation
Schedule R, Parts I-II Column (F) & III-IV Column (D)	Medium	Medium	The form is misleading in that "Direct controlling entity" makes a reader think it's always correct to insert an entity name here.	Change heading to "Direct controlling entity through indirect control", and explain more fully in the instructions.
Schedule R, Part III	High	High	Schedule R, Part III needs clarification regarding the reporting of indirect partnership interests. The reporting of K-1 information from the actual partner on a return of an organization who has only indirect control seems misleading and does not seem to provide the user/reader sufficient information regarding the partnership interest.	Schedule R, Part III instructions should be greatly clarified with numerous examples and perhaps Schedule R, Part III should be redesigned to capture direct and indirect partnership interests separately with appropriate detail provided regarding the indirect partnership interest.
Schedule R, Part IV, Column (F)	High	High	The current instructions are not clear on the definition of "total income" for C Corporations. Is this total income amount from the Form 1120, Line 11 or taxable income from the Form 1120, Line 30?	Similar to how the instructions provide detailed line items for a Form K-1, please provide which line of the Form 1120 is used to report "total income."
Schedule R, Instructions	High	High	The definition of control of a nonprofit (as defined in the Glossary to the Form 990) includes the following statement: "also, a (parent) organization controls a (subsidiary) nonprofit organization if a majority of the subsidiary's directors or trustees are trustees, directors, officers, employees, or agents of the parent." This definition of control includes situations where there is coincidental overlap (i.e. there is no right or ability of one organization to appoint or remove board members of the other). While the organizations may be related, there appears to be no element of control in these situations.	<p>At conferences and in conversations with the IRS, IRS personnel have indicated that there is coincidental overlap when each organization is the controlled and controlling entity. With coincidental overlap, there is no control. This presentation on the Form 990 may be confusing to the reader in understanding the true nature of the organizations' relationship.</p> <p>The IRS should modify the instructions to state that in cases where there is coincidental overlap of board members, each organization should report the other entity as "related" using Schedule R. However, neither organization is a controlled or controlling entity.</p>