

Compensation Reporting Requirements of the New Form 990

The new Form 990 includes significant changes to compensation reporting requirements. One primary reason for the changes is to ensure that organizations are using reasonable compensation practices. The IRS defines reasonable compensation as the value that would ordinarily be paid for like services by like enterprises under like circumstances. Visit, www.irs.gov/eo and click on the 2008 Forms 990 and 990-EZ Available link for a full list of forms, schedules, instructions (with glossary of terms) and informational resources.

Part VII and Schedule J

- Organizations may need to report compensation information in Part VII of the core form and on Schedule J. See the following table on the next page for information regarding the reporting requirements. For both Part VII of the core form and Schedule J: Organizations must use the calendar year ending with or within the organization's tax year to determine reportable compensation and total compensation.
- In addition to compensation from the organization, compensation from related organizations must also be taken into consideration when determining a person's reportable compensation and total compensation.
- Total compensation includes deferred compensation and certain non-taxable or tax-deferred benefits such as retirement plans, actuarial value of a qualified defined plan, value of health benefits provided by the employer (rather than actual benefits paid) excluding disability or long-term care premiums or benefits, and contributions to a non-qualified defined contribution plan. See the instructions to the Form 990, page 24 for details on the \$10,000-per-item exception, and pages 25–27 for the Compensation table for reporting in Part VII, Section A or Schedule J, Part II.

Is Compensation Reasonable?

You can avoid private inurement and excess benefit transactions resulting in penalty taxes by understanding the applicable definitions, engaging board and committees, and establishing reasonable justification for compensation practices. For detailed information on Section 4958 Excess Benefit Transactions, see Appendix G in the 2008 Instructions for Form 990 Return of Organizations Exempt from Income Tax, by visiting www.irs.gov/eo. To ensure that your organization is providing reasonable compensation, you may wish to consult the Colorado Nonprofit Association's *2008 Colorado Nonprofit Salary & Benefits Survey* by visiting, www.ColoradoNonprofits.org/SalarySurveyNew2008.cfm. Questions or comments? Contact us at info@ColoradoNonprofits.org, or (303) 832-5710/ 800 333-6554.

	Part VII of the Core Form	Schedule J
Who should file?	All nonprofits filing the Form 990 must fill out Part VII of the core form.	When reportable compensation (generally W-2, box 5 and Form 1099-MISC, box 7) or total compensation exceeds certain thresholds as defined for the Core Form Part VII with some exceptions.
What persons should be reported?	List former (5 year look-back period) officers, directors, trustees, key employees and up to five highest compensated employees and current independent contractors , and reporting of certain compensation information relating to such persons. Report officers, directors, and trustees that served at any time during the fiscal year.	Generally pertains to all officers, directors, trustees and employees of the organization listed on Form 990, Part VII
Reporting thresholds and helpful details.	<ul style="list-style-type: none"> • Current officers, directors, and trustees (no minimum compensation threshold.) <i>Note:</i> The top management official and top financial official of the organization are to be treated as officers rather than key employees for purposes of the Form 990. • Current key employees (over \$150,000 of reportable compensation.) <i>Note:</i> Must meet all three specified tests. Limited to the top twenty highest compensated employees. • Current five highest compensated employees other than officers, directors, trustees, or listed key employees (over \$100,000 of reportable compensation.) • Former officers, key employees, and highest compensated employees (over \$100,000 of reportable compensation.) • Former directors and trustees (over \$10,000 of reportable compensation.) • Independent Contractors (over \$100,000 in compensation for services) • See instructions for the core form for rules on disregarded entities. 	<ul style="list-style-type: none"> • Part I requires reporting on the compensation practices of both the filing organization and any related organizations. Refer to the instructions for Schedule J to determine if a specific question is asking about one, the other, or both. • Part II requires detailed compensation information for individuals for whom the organization answered "Yes" on Form 990, Part VII line 23. Not all persons listed will necessarily be listed in Schedule J, Part II. • Part III is used to provide explanations of answers as required in Parts I or II.