



June 7, 2021

Robert Malone
Director, Exempt Organizations
Tax Exempt & Government Entities
Internal Revenue Service
1111 Constitution Ave., NW
Washington, DC 20224

Re: Comments on Form 990, *Return of Organization Exempt from Income Tax*, Form 990-T, *Exempt Organization Business Income Tax Return*, and Form 990-PF, *Return of Private Foundation*, and Related Instructions

Dear Mr. Malone:

The American Institute of CPAs (AICPA) is pleased to provide comments on Form 990, *Return of Organization Exempt from Income Tax*, Form 990-T, *Exempt Organization Business Income Tax Return*, and Form 990-PF, *Return of Private Foundation*, and the related instructions. Our matrices include comments and recommendations while indicating the priority level of each recommendation.

The letter is submitted in a matrix format as the comments are meant to match up line-by-line with Forms 990, 990-T, and 990-PF. Each page of the respective matrix has a title at the top of the page, which indicates to which part of the form or instructions it is applicable. Underneath the form header is detail about the specific section and line item on the form on which the AICPA is commenting.

The AICPA would like to highlight the following recommendations:

1. Starting with tax year 2020, the IRS requires that the person who signs the business return provide their SSN as a part of his or her signature. Inputting an officer's SSN input into the software could pose a security threat to the signing officer even though the personal ID information is not printed on the return. Usually, the signing officer is not the same person who coordinates the filing of the return and having multiple users handle the SSN is not a good practice. We recommend removing Business Rule R0000-223 from TY2020 XML Schemas and Business Rules for Exempt Organizations - the requirement to use SSN of signing officer in order to e-file Forms 990, 990-T, 990-PF Series with the IRS.
2. In the AICPA letter¹ to the IRS on September 9, 2020, the AICPA recommended that the IRS provide examples in the final regulations or the Form 990-T instructions to guide taxpayers on applying charitable contribution deductions, including the provisions under

¹ AICPA letter, "[AICPA Comments on Proposed Regulations \(REG-106864-18\) Regarding Unrelated Business Taxable Income Separately Computed for Each Trade or Business Pursuant to Section 512\(a\)\(6\)](#)" September 9, 2020.

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section 170(d)(1)(B) and 170(d)(2)(B). The AICPA provided examples in the September 9, 2020 letter beginning on page 29 of the letter.

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The AICPA is the world's largest member association representing the accounting profession, with more than 431,000 members in the United States and worldwide, and a history of serving the public interest since 1887. 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 our recommendations and welcome the opportunity to further discuss our comments. If you have any questions, please contact Jennifer Becker Harris, Chair, AICPA Exempt Organizations Taxation Technical Resource Panel, at (425) 709-6664, or JHarris@clarknuber.com; or Irina Petrashkevich, Senior Manager – AICPA Tax Policy & Advocacy, at (202) 434-9273, or irina.petrashkevich@aicpa-cima.com; or me at (601) 326-7119, or janlewis@haddoxreid.com.

Sincerely,



Jan Lewis

Chair, AICPA Tax Executive Committee

FORM 990

Form 990, Part IV		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part IV, Line 2	Is the organization required to complete Schedule B, Schedule of Contributors See instructions?"	Medium	The placement of the question mark and the general question within the Form 990 are confusing.	Move the question mark and change the question from "Is the organization required to complete Schedule B, Schedule of Contributors See instructions?" to "Is the organization required to complete Schedule B, Schedule of Contributors? See instructions."
Part IV, Line 15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV.	Medium	The reporting requirement for grants is outdated for larger organizations. The current reporting threshold is \$5,000.	Similar to Schedule B (under the special rule), allow larger organizations to report only grants that are the greater of 2% of total Sch. I grants versus the \$5,000 threshold and/or the amounts reported on Part IX of Form 990. Consider updating the question to: "Is the organization required to complete Schedule F, Statement of Activities Outside the United States? See instructions."
Part IV, Line 21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II.	Medium	The reporting requirement for grants is outdated for larger organizations. The current reporting threshold is \$5,000.	Similar to Schedule B (under the special rule), allow larger organizations to report only grants that are the greater of 2% of total Sch. I grants versus the \$5,000 threshold and/or the amounts reported on Part IX of Form 990. Consider updating the question to: "Is the organization required to complete Schedule I, to report Grants and Other Assistance to Organization and Governments in the United States? See instructions."
Part IV, Line 22	Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III.	Medium	The reporting requirement for grants is outdated for larger organizations. The current reporting threshold is \$5,000.	Similar to Schedule B (under the special rule), allow larger organizations to report only grants that are the greater of 2% of total Sch. I grants versus the \$5,000 threshold and/or the amounts reported on Part IX of Form 990. Consider updating the question to: "Is the organization required to complete Schedule I, to report Grants and Other Assistance to Individuals in the United States? See instructions."
Part IV, Line 29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M.	Medium	The threshold of \$25k is too low to be meaningful, especially with regard to larger organizations. The \$25,000 currently includes the FMV of donations, gifts, grants, or other contributions of property other than cash.	Consider updating the threshold for non-cash contributions to be the greater of 5% of total contributions or \$25,000.

FORM 990

Form 990, Part VI		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part VI, Section A, Line 1b	<p>Enter the number of voting members included on line 1a, above, who are independent</p> <p>INSTRUCTIONS:</p> <p>...The member didn't receive total compensation exceeding \$10,000 during the organization's tax year (including a short year, regardless of whether such compensation is reported in Part VII) from the organization and related organizations as an independent contractor, other than reasonable compensation for services provided in the capacity as a member of the governing body. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a director of the organization doesn't cease to be independent merely because he or she also receives payments of \$7,500 from the organization for other arrangements.</p>	Medium	<p>See tab Sch. L, line L, Part IV, Business Transactions:</p> <p>The threshold for loss of independence due to compensation of a family member is too low. A trustee of a large, multi-state organization can be deemed "not independent" because a great-grandchild living hundreds of miles away receives compensation of \$10,001.</p> <p>The current reporting threshold for family members of interested persons is \$10,000.</p>	<p>See tab Sch. L, line L, Part IV, Business Transactions:</p> <p>Increase the compensation threshold from \$10,000 to \$100,000 or to a percentage of total revenue or total compensation expense.</p>
Part VI, Section A, Line 5	<p>Did the organization become aware during the year of a significant diversion of the organization's assets?</p> <p>INSTRUCTIONS:</p> <p>...For this purpose, a diversion is considered significant if the gross value of all diversions (not taking into account restitution, insurance, or similar recoveries) discovered during the organization's tax year exceeds the lesser of (1) 5% of the organization's gross receipts for its tax year, (2) 5% of the organization's total assets as of the end of its tax year, or (3) \$250,000.</p>	High	<p>The diversion of asset reporting threshold is increasingly inadequate for large organizations.</p> <p>The current threshold for reporting is the lesser of \$250,000 or 5% of total assets.</p>	<p>Increase the minimum threshold for reporting to the lesser of \$1,000,000 or 10% of total assets.</p>
Part VI, Section B, Lines 15a & b	<p>Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?</p> <p>A. The organization's CEO, Executive Director, or top management official.</p> <p>B. Other officers or key employees of the organization.</p> <p>If "Yes" to line 15a or 15b, describe the process in Schedule O.</p>	Medium	<p>The instructions require an organization that does not compensate any officers or key employees to check the box "No," which may be misleading to readers of the form.</p>	<p>Update the instructions to allow Lines a and b to be left blank if the individuals listed are not compensated by the filing organization or compensated by the related organization.</p>

FORM 990

Form 990, Part VII		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Instructions, pg. 26 & 29	<p>p.26 Order of reporting. List the persons required to be included in Part VII, Section A, in order from highest to lowest compensation based on the sum of columns (D), (E), and (F) for each person. When the amount of total compensation is the same, list the persons in the following order: individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons.</p> <p>p. 29 Column (A). For each person required to be listed, enter the name on the top of each row and the person's title or position with the organization on the bottom of the row. If more than one title or position, list all. List persons in the following order: individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons. List each person on only one line.</p>	High	New Part VII, Section A, Instructions require reporting of persons in order of the amount of their compensation. However, the Instruction for Section A, Column (A), is inconsistent, which states that directors should be reported first, followed by officers, then KEs, then HCEs.	Revise to correct the inconsistency.

FORM 990

Form 990, Part VII		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part VII, Section A, Instructions, page 29	<p>Management companies. Management companies, as independent contractors, are reported on Form 990, Part VII (if at all) only in Section B. <i>Independent Contractors</i>, and aren't reported on (Form 990), Part II. If a current or former officer, director, trustee, or key employee has a relationship with a management company that provides services to the organization, then the relationship may be reportable on Schedule L (Form 990 or 990-EZ), Part IV. A key employee of a management company must be reported as a current officer of the filing organization if he or she is the filing organization's top management official or top financial official or is designated as an officer of the filing organization. However, that person doesn't qualify as a key employee of the filing organization solely on the basis of being a key employee of the management company. If a current or former officer, director, trustee, key employee, or highest compensated employee received compensation from a management company that provided services to the organization and was a related organization during the tax year, then the individual's compensation from the management company must be reported on Form 990, Part VII, Section A, columns (E) and (F). If the management company wasn't a related organization during the tax year, the individual's compensation from the management company isn't reportable in Part VII, Section A. Questions pertaining to management companies also appear on Form 990, Part VI, line 3, and Schedule H (Form 990), Part IV.</p>	Medium	State law currently controls whether an individual is an employee of the filer and has caused confusion.	The paragraph within the instructions addresses employees of a management company as potentially required to be treated as employees of the filer if they would be considered such under state law. However, the header of the paragraph within the instructions only references employee leasing companies and PEOs. The preceding paragraph (on management companies) should also include the following sentence: "The organization should treat employees of an employee leasing company, a professional employer organization (whether or not certified under the new Certified Professional Employer Organization), or a management company as the organization's own employees if such persons are common law employees of the filing organization under state law." Alternatively, the above sentence should be moved to a stand-alone paragraph.
Part VII, Section A, Line 1a	<ul style="list-style-type: none"> • List the organization's five current highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations. • List all of the organization's former officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations. 	Medium	<p>The highest compensated employee reporting threshold is increasingly inadequate for large organizations.</p> <p>The current reporting threshold for the highest compensated employees is \$100,000.</p>	<p>Increase the reporting threshold for the highest compensated employees to \$200,000.</p> <p>Alternatively, the reporting threshold could be indexed to section 414(q) for each taxable year. For 2019 the amount would be \$125,000.</p>

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Form 990, Part VII			AICPA	
Section of the Form	Item	Priority Level	Comment	Recommendation
Part VII, Section A, Line 4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual.	Medium	<p>The reporting threshold for Schedule J reporting is increasingly inadequate for large organizations.</p> <p>For most of the reporting requirements, the current reporting threshold for Sch. J is \$150,000.</p>	<p>Increase the reporting threshold for reporting on Schedule J to \$200,000.</p> <p>Alternatively, the reporting threshold could be indexed to section 414(q) for each taxable year plus \$50,000. For 2019 the amount would be \$175,000 (\$125,000 plus \$50,000).</p>
Part VII, Section B, Line 1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.	Medium	<p>The independent contractor reporting threshold is increasingly inadequate for large organizations.</p> <p>The current reporting threshold is for independent contractors that received more than \$100,000.</p>	<p>Increase the reporting threshold for independent contractors that received more than \$200,000.</p> <p>Alternatively, the reporting threshold could mirror the key employee compensation amount.</p>
Part VII	Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors.	Medium	The reporting compensation has a new format in tax year 2020.	Readers of Form 990 find new ordering very confusing and it makes Part VII more difficult to read. Report compensation by "rank."

FORM 990

Form 990, Parts II, VIII, IX, X, XI & XII		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part II, Signature	<p>TY2020 XML Schemas and Business Rules for Exempt Organizations Modernized e-file, Business Rule R0000-223: 'SSN in 'SigningOfficerGrp' in the Return Header must have a value.</p> <p>Neither the Form 8453-EO NOR the Form 8879-EO were changed in 2020 to require the "signing officer's SSN." This has only changed in the software fields that will be transmitted to the IRS.</p>	High	<p>Beginning with tax year 2020, the IRS is recommending that the person who signs the business return provide their SSN as a part of his or her signature.</p> <p>Inputting an officer's SSN input into the software could pose a security threat to the signing officer even though the personal ID information is not printed on the return. Usually, the signing officer is not the same person who coordinates the filing of the return. Therefore, multiple users handle the SSN which is not a good practice.</p>	Remove Business Rule R0000-223 from TY2020 XML Schemas and Business Rules for Exempt Organizations - recommendation to use SSN of signing officer in order to e-file Forms 990 Series with the IRS.
Part VIII, Line 1(e)	<p>Governmental contributions vs Governmental contracts INSTRUCTIONS p. 38</p> <p>Whether a payment from a governmental unit is labeled a "grant" or a "contract" doesn't determine where the payment should be reported on Part VIII. Rather, a grant or other payment from a governmental unit is reported here if its primary purpose is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the governmental unit. In other words, the payment is recorded on line 1e if the general public receives the primary and direct benefit from the payment and any benefit to the governmental unit is indirect and insubstantial as compared to the public benefit.</p>	Medium	<p>It is difficult to distinguish between grants and contracts that benefit the public versus those payments that serve the needs of a governmental unit. The 2015 Advisory Committee on Tax Exempt and Government Entities (ACT) report highlighted this problem, finding that it can result in "inconsistent reporting among seemingly comparable organizations" as well as errors in the computation of some organizations' public support test on Schedule A.</p>	<p>Clarify the Distinction Between Government Transfers (Grants) and Private Charitable Contribution and Program Service Revenue and Market Sales:</p> <p>Clarify what constitutes government grants/contracts that are treated as contributions in line 1e by providing additional examples beyond those listed in the current instructions to lines 1 and 2.</p> <p>Possible examples include:</p> <ul style="list-style-type: none"> • Example 1: A state department of social services enters into a contract with a child welfare agency to provide a variety of services to children in need within the state. Since the contract benefits the general public, not the government agency, it is considered a contribution and is reported on line 1e. • Example 2: A government housing agency enters into a contract with a nonprofit community development organization to construct moderate-income housing. The housing is for local residents, not government employees, so the funding should be noted as a contribution in line 1e. • Example 3: A city council contracts with a nonprofit organization for services related to proper wastewater management at a city office building. Since the direct benefit of the funding is for the local government, not the general public, it does not count as a contribution.

FORM 990

Form 990, Parts II, VIII, IX, X, XI & XII				AICPA
Section of the Form	Item	Priority Level	Comment	Recommendation
				<ul style="list-style-type: none"> • Example 4: In a city, there are thousands of government-held, vacant lots. The government provides a grant to a nonprofit to transform several of the vacant lots into community gardens. The grant should be considered a contribution on line 1e because the beneficiaries are community members who will use the garden.
Part VIII, Line 1(e)	<p>Government grants (contributions)</p> <p>INSTRUCTIONS p. 39</p> <p>The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established the Paycheck Protection Program (PPP) to provide loans to small businesses as a direct incentive to keep their workers on the payroll. The loans are forgiven if all employee retention criteria are met and the funds are used for eligible expenses. Amounts of PPP loans that are forgiven may be reported on line 1e as contributions from a governmental unit in the tax year that the amounts are forgiven.</p>	High	<p>There is confusion if a book/tax difference is created in terms of whether the PPP funds are treated initially as a conditional grant (revenue up front but official forgiveness in year 2) or initially as a loan with conditions met for forgiveness at the end of year 1, but forgiveness in year 2.</p>	<p>The instructions should state that the recognition of revenue is consistent with the financial statement timing of forgiveness.</p>

FORM 990

Form 990, Parts II, VIII, IX, X, XI & XII		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part VIII, Line 2	<p>Governmental Contracts vs. Private Payments INSTRUCTIONS, p. 39</p> <p>Program service revenue includes income earned by the organization for providing a government agency with a service, facility, or product that benefited that government agency directly rather than benefiting the public as a whole. Program service revenue also includes tuition received by a school, revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; interest income on loans a credit union makes to its members; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; insurance premiums received by a fraternal beneficiary society; and registration fees received in connection with a meeting or convention.</p>	Medium	<p>Due to modifications of the form, the Form 990 Part VIII Statement of Revenue lacks sufficient clarity with respect to the reporting of government revenue, confusing users of the form, and likely resulting in inaccurate reporting. In particular, two of the largest sources of government support to the nonprofit sector—voucher-type reimbursements such as Medicare and Medicaid, and government contracts—are buried in the “program service revenue” line along with private payments for services.</p> <p>For example, since 2008, when the Form 990 was modified, nonprofits were not required to separately report their revenue from Medicare, Medicaid and other reimbursement payments. These payments, which reach a broad array of nonprofits beyond hospitals, are now generally aggregated with other “program service revenue,” obscuring the largest form of government support to the nonprofit sector.</p> <p>We understand that Medicare and Medicaid are captured for hospitals on Schedule H, Part III. However, this schedule is only for hospitals, and Medicare and particularly Medicaid are available to many other health and human service providers. As Congress considers prospective changes in government programs, such as Medicare and Medicaid, transparent and proper reporting of how these funds are being distributed and utilized across the nonprofit sector becomes more important.)</p> <p>Similarly, despite the fact that government contracts are a major and common source of nonprofit revenue, they are not separated on the Form 990, leading to additional confusion, particularly because contracts may fall either under Part VIII, line 1(e) (government grants), if they benefit the public as whole, or within Part VIII, section 2 (program service revenue), if the contract primarily benefits a government agency. The totality of government support is not reported. Nor can it be computed from elements of it that are reported.</p>	<p>Clearly Label Government Revenue & Modify Instructions:</p> <ol style="list-style-type: none"> 1. Insert “Government Reimbursements (e.g., Medicare/Medicaid/ and Contracts)” on existing line 2(a) of Part VIII of the current Form 990. This change could be made without adding any further lines to the form since five (5) blank lines are already included on the existing form for organizations to list their “program service revenue.” 2. The first sentence of the Form 990 Instructions, Part VIII, line 2, could be replaced with the following sentences: <p>If applicable, on line 2a enter any revenue received from government reimbursement programs such as Medicare or Medicaid, fees and contracts from government agencies that primarily benefit the agencies, and any other similar government payments. On lines 2b through 2e, enter the organization’s four other largest sources of program service revenue.</p>
Part X, Lines 10 - PPE and 16 - Other Assets	<p>PPE and Other Assets ASC 842 and reporting operating leases and financing leases not addressed in Form 990 instructions.</p>	Medium	<p>All leases are on the balance sheet after adoption of ASC 842. Financing leases were previously capitalized within PP&E under ASC 840. The lease asset line items are separate on the AFS and not within the PP&E footnote. Operating ROU assets do not report amortization separately.</p>	<p>Provide clarification on which line should be used for reporting operating leases and financing leases after implementation of ASC 842.</p>

FORM 990

Form 990, Parts II, VIII, IX, X, XI & XII		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part XII, Line 3a	<p>As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? INSTRUCTIONS p. 50</p> <p>Line 3a. Single Audit Act and OMB Circular A-133. Answer "Yes" if, during the year, the organization was required under the Single Audit Act of 1984, as amended in 1996, and OMB Circular A-133 to undergo an audit or audits because of its receipt of federal contract awards. The Single Audit Act requires states, local governments, and nonprofit organizations that spend \$750,000 or more of federal awards in a year to obtain an annual audit according to the Act.</p> <p>Per instructions on p. 2 "Unless otherwise specified, information should be provided for the organization's tax year. For instance, an organization should answer "Yes" to a question asking whether it conducted a certain type of activity only if it conducted that activity during the tax year." In addition to this instructions to Part XII, line 3a confirming: "Answer "Yes" if, during the year..."</p>	Low	<p>The question asks if the organization is required to undergo a single audit. Clarification is needed related to the year the reporting applies, which is the year the single audit requirements are triggered (greater than \$750K of federal awards), or the year the audit occurs (the year following receipt of the funding).</p>	<p>Consider adding clarity as to when the question is triggered. For instance, would the question align with Part XII, Line 2, where in the reporting period of the return there is a financial statement audit; or does the question align with the year the single audit should be performed (which is the following year of the receipt of funds).</p> <p>The question could be restated as follows: "As a result of a federal award <i>during the reporting year</i>, was the organization required to undergo an audit..."</p>

Form 990

Form 990, Schedule A		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Schedule A, Part II, Line 9 & Schedule A, Part III, Line 11	<p>Schedule A INSTRUCTIONS Part II, Line 9 Enter the organization's net income from conducting unrelated business activities, whether or not the activities are regularly conducted as a trade or business. See sections 512 and 513 and the applicable regulations. Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that is an unrelated business. Net income and net losses from all of the organization's unrelated business activities should be aggregated. If a net loss results, enter "0" on this line.</p> <p>Part III, Line 11 Enter the organization's net income from conducting unrelated business activities not included on line 10b, whether or not the activities are regularly conducted as a trade or business. Don't include net income from conducting trades or businesses acquired or commenced by the organization prior to July 1, 1975. See sections 512, 513, and 514, and the applicable regulations. Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that is an unrelated business not included on line 10b. Net income and net losses from all of the organization's unrelated business activities should be aggregated. If a net loss results, enter "0" on this line.</p>	High	Unrelated business income based upon books and records vs. section 512(a)(6).	<p>Provide clarification in the instructions that the suspension of losses netting against gains is for tax purposes only on Form 990-T. Form 990 reports gains and losses from unrelated business income on a book basis, which allows the netting of gains and losses within an accounting period. This netting of gains and losses from unrelated business activities whether regularly carried on is the rule which will apply for Schedule A Part II, Line 9 and Part III, Line 11.</p> <p>Provide clarification in the instructions that the tax exempt organization can either use UBTI or not consider section 512(a)(6) pursuant to TD 9933 (page 110-112 and the preamble).</p>

FORM 990

Form 990, Schedule C		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Schedule C, Part I-C, Line 5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.	High	Many politicians provide their social security number as the tax identification number.	The instructions should clarify that social security numbers should not be reported on Schedule C. The instructions should state that a 527 organization must have a separate EIN, and that if it does not have one, it should apply for one.

FORM 990

Form 990, Schedule F		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Schedule F, Part II	Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" on Form 990, Part IV, line 15, for any recipient who received more than \$5,000.	Medium	The reporting requirement for grants is outdated for larger organizations. The current reporting threshold is \$5,000.	Similar to Schedule B (under the special rule), allow larger organizations to report only grants that are the greater of 2% of total Sch. I grants versus the \$5,000 threshold and/or the amounts reported on Part IX of Form 990.
Schedule F, Part IV	INSTRUCTIONS p.4 All Schedule F (Form 990) filers must complete Part IV, lines 1–6. If the organization answers "Yes" to any of lines 1–6 because it engaged in the activities described on that line during the tax year, it may need to file the form referenced on that line. To determine whether an organization is required to file any of the IRS forms referenced on lines 1–6 (Form 926, 3520, 3520-A, 5471, 5713, 8621, or 8865), see the instructions for those forms. Don't attach Form 3520, 3520-A, or 5713 to Form 990.	High	Since the enactment of the TCJA (Tax Cuts and Jobs Act), it is unclear when certain foreign filings are required.	Consider updating the trigger questions for the foreign filings and the instructions to provide additional clarification when foreign filings are required for exempt organizations. Also, add a question related to Schedule F to include Form 8858 - <i>Information Return of U.S. Persons With Respect to Foreign Disregarded Entities (FDEs) and Foreign Branches (FBs)</i> . Form 8858 was revised in 2018 to include Foreign Branches.
Schedule F, Part II and III Reconciliation on Part IV	Use Part V to provide narrative information required to supplement responses in: <ul style="list-style-type: none"> • Part I, line 2, regarding the organization's procedures for monitoring the use of its grants and other assistance outside the United States; • Part I, line 3, column (f), regarding the method used to account for expenditures on the organization's financial statements; • Part II, line 1, regarding the method used to account for cash grants and noncash assistance on the organization's financial statements; • Part III, regarding the method used to account for cash grants and noncash assistance on the organization's financial statements; and • Part III, column (c), regarding the estimated number of recipients. Provide other narrative explanations and descriptions, as needed. Identify the specific part and line(s) that the response supports.	Medium	It is difficult to reconcile the amounts reported on Part II of Schedule F with the information reported on Form 990, Part IX, Line 3.	Consider requesting a reconciliation in the form instructions to be provided in Schedule F, Part V. Consider adding a line to Schedule F, Parts II & III: "Other grants below \$5,000" and line "Total" to make sure the totals tie to Form 990, Part IX, line 3.

FORM 990

Form 990, Schedule H		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Schedule H, Part I, Line 3 and Part V, Section B, Line 13	<p>Schedule H, Part I, Line 3: Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year:</p> <p>a. Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care.</p> <p>b. Did the organization use FPG as a factor in determining eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care.</p> <p>c. If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.</p> <p>Schedule H, Part V, Section B, Line 13 Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care?</p> <p>a. Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of ___% and FPG family income limit for eligibility for discounted care of ___%</p> <p>b. Income level other than FPG (describe in Section C)</p> <p>c. Asset level</p> <p>d. Medical indigency</p> <p>e. Insurance status</p> <p>f. Underinsurance status</p> <p>g. Residency</p> <p>h. Other (describe in Section C)</p>	Medium	Part I, Line 3 and Part V, Lines 13a and 13b are redundant.	Consider removing the Part I, Line 3 question as it is also addressed in Part V, Line 13. Part V, Line 13 contains more financial assistance information than Part I, Line 3. Therefore, Part V, Line 13 is more useful to a reader of the return.

FORM 990

Form 990, Schedule H		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Schedule H, Part III, Section A, Line 1	<p>Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?</p> <p>INSTRUCTIONS: Line 1. Indicate if the organization reports bad debt expense in accordance with Statement 15. Note. Statement 15 hasn't been adopted by the American Institute of Certified Public Accountants (AICPA). The IRS doesn't require organizations to adopt Statement 15 or use it to determine bad debt expense or financial assistance costs. Some organizations may rely on Statement 15 in reporting bad debt expense and financial assistance in their audited financial statements. Statement 15 provides instructions for recordkeeping, valuation, and disclosure for bad debts.</p>	Medium	Hospital organizations adopting ASU (Accounting Standards Update) 2014-09 (Topic 606) and return preparers may not understand the interaction between HFMA Statement 15 and Topic 606.	Schedule H instructions should include clarification that the HFMA Statement 15 was updated in June 2019 to include issues addressed in Topic 606; primarily implicit price concessions. Therefore, hospital organizations may answer "Yes" to Line 1, post-adoption of Topic 606.
Schedule H, Part III, Section A, Line 2	<p>Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount</p> <p>INSTRUCTIONS: Line 2. Use the most accurate system and methodology available to the organization to report bad debt expense. If only a portion of a patient's bill for services is written off as a bad debt, include only the proportionate amount attributable to the bad debt. Include the organization's proportionate share of the bad debt expense of joint ventures in which it had an ownership interest during the tax year.</p> <p>Describe in Part VI the methodology used in determining the amount reported on line 2 as bad debt, including how the organization accounted for discounts and payments on patient accounts in determining bad debt expense.</p>	Medium	Topic 606 is expected to cause significant reductions in bad debt expense reported for GAAP purposes.	Consider more flexibility in the amount reported on this line. Allow hospital organizations to include both bad debt expense as defined under Topic 606 and implicit price concessions on Line 2. If the latter is not identifiable, organizations may report only bad debt expense on Line 2.
Schedule H, Part III, Section A, Line 4	<p>Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.</p>	Medium	Organizations adopting Topic 606 no longer have a bad debt expense footnote in the GAAP financial statements. This question becomes obsolete for most Schedule H filers.	Revise the instructions for this line to address the absence of a bad debt expense footnote. Alternatively, request the content of, or reference to, the financial statement footnote addressing Topic 606.
Schedule H, Part III, Section C, Lines 9a and b	<p>Line 9a. Did the organization have a written debt collection policy during the tax year? Line 9b. If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.</p>	Medium	This section requests information on a written debt collection policy as well as whether the debt collection policy that applied to the largest number of patients during the year contain provisions on collection practices to be followed for patients known to qualify for financial assistance.	The requested information is slightly redundant to Part V: Billing and Collections questions on Lines 17-20. While we realize Part V is structured to monitor compliance with section 501(r) policies, perhaps the questions and descriptions on this line could be combined with those on Part V to simplify reporting and review.

FORM 990

Form 990, Schedule H		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Schedule H, Part V	Section A. Hospital Facilities Section B. Facility Policies and Practices Section C. Supplemental Information for Part V, Section B	Medium	The required listing of other health care facilities is time consuming, voluminous, and does not add value to the Form 990 user.	Consider substantially limiting or eliminating this disclosure. Alternatively, allow organizations to provide a web link to a list of non-hospital facilities in order to significantly reduce the amount of time hospitals put into preparing this separate list for Schedule H purposes.
Schedule H, Part V, Section B, Lines 4 and 9	Line 4. Indicate the tax year the hospital facility last conducted a CHNA. Line 9. Indicate the tax year the hospital facility last adopted an implementation strategy.	Medium	Electronically filed returns do not allow for a future year to be entered on these lines causing difficulty for Fiscal year filers. For example, a June 30, 2019 return is filed on a 2018 form. If the hospital organization completed its CHNA by June 30, 2019, '2019' cannot be entered on line 4.	Provide clarification in the Schedule H instructions for fiscal year filers on which years may be entered on lines 4 and 9. Consider suggesting a Part V, Section C narrative to explain the actual date of the CHNA and implementation policy, if the year entered on lines 4 and 9 does not provide clarity as to the actual dates the reports were completed (see example at left).
Schedule H, Part V, Section B, Line 22	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care. a. The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service during a prior 12-month period. b. The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period. c. The hospital facility used a look-back method based on claims allowed by Medicaid, either alone or in combination with Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period. d. The hospital facility used a prospective Medicare or Medicaid method.	Medium	This section used to contain an option for an organization to describe the methodology used for determining the maximum amount charged to FAP eligible individuals for emergency and medically necessary care. The options now are limited to the four provided.	Add an "other" option as is provided in the other Part V questions.

FORM 990

Form 990, Schedule I		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Schedule I, Parts I and II	Complete if the organization answered "Yes" on Form 990, Part IV, line 21 or 22.	Medium	The reporting requirement for grants is outdated for larger organizations. The current reporting threshold is \$5,000.	Similar to Schedule B (under the special rule), allow larger organizations to report only grants that are the greater of 2% of total Sch. I grants versus the \$5,000 threshold and/or the amounts reported on Part IX of Form 990.
Schedule I, Part II and III Reconciliation on Part IV	Part IV. Supplemental Information Use Part IV to provide narrative information required in Part I, line 2, regarding monitoring of funds, and in Part III, column (b), regarding how the organization estimated the number of recipients for each type of grant or assistance. Also use Part IV to provide other narrative explanations and descriptions, as needed. Identify the specific part and line(s) that the response supports. Part IV can be duplicated if more space is needed.	Medium	It is often difficult to reconcile the amounts reported on Part II of Schedule I with the information reported on Form 990, Part IX, Line 1.	Consider requesting a reconciliation in the form instructions to be provided in Schedule I, Part IV. Consider adding a line to Schedule I, Parts II & III: "Other grants below \$5,000" and line "Total" to make sure totals tie to Form 990, Part IX, lines 2 & 3.
Schedule I, Part III, Column (d) Non-Cash Assistance	Schedule I, Instructions: Columns (d) and (e). Enter the fair market value of noncash property. Describe the method of valuation. Report property with a readily determinable market value (for example, market quotations for securities) at its fair market value. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices or the average between the bona fide bid and asked prices, on the date the property is distributed to the grantee. When fair market value can't be readily determined, use an appraised or estimated value. Column (f). For noncash grants or assistance, enter descriptions of property. List all that apply. Examples of noncash assistance include medical supplies or equipment, pharmaceuticals, blankets, and books or other educational supplies.	Medium	There are no clear instructions for educational institutions reporting tuition discounts/reduction as grants to individuals of how to report it - cash or non-cash grant.	Consider clarifying the instructions by adding an explanation of proper reporting of tuition discount as cash or non-cash assistance.

FORM 990

Form 990, Schedule L		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Schedule L, Instructions	Is the "founder/creator" subject to the disclosures of Schedule L Part II when the taxpayer files the Form 990-EZ?	Medium	<p>It appears there are gaps in the Sch. L instructions related to the Form 990-EZ; however, the instructions may be intentionally silent. Categories of interested persons (IP) are enumerated for the Form 990-EZ as follows (in relevant part):</p> <ol style="list-style-type: none"> 1) Is limited to the current officers, directors, trustees, and key employees listed on Part IV, which matches the Form 990-EZ definition. 2) Is silent with regard to the 990-EZ regarding whether the founder/creator is an interested person. 3) Specifically includes substantial contributors on which the Form 990-EZ instructions were silent. 4) III and IV are N/A for the Form 990-EZ. 5) Family member of above. 6) 35% controlled entity of above. 7) Employee of a substantial contributor if the employee or their child received a grant award. 	<p>Provide clarification whether "founder/creator" is a classification of IP that Treasury intended to exclude or whether the intent was to have this individual subject to the disclosures of Sch L Part II when the taxpayer files the 990-EZ. Currently, it is not clear whether including transactions with a founder/creator who has no other relationship with the Form 990-EZ filing organization is required.</p>
Schedule L, Part IV, Business Transactions	<p>INSTRUCTIONS p.4: In general, an organization must report business transactions on Part IV with an interested person if: (1) all payments during the tax year between the organization and the interested person exceeded \$100,000; (2) all payments during the tax year from a single transaction between such parties exceeded the greater of \$10,000 or 1% of the filing organization's total revenue for the tax year; (3) compensation payments during the tax year by the organization to a family member of a current or former officer, director, trustee, or key employee of the organization listed on Form 990, Part VII, Section A, exceeded \$10,000; or (4) in the case of a joint venture with an interested person, the organization has invested \$10,000 or more in the joint venture, whether or not during the tax year, and the profits or capital interest of the organization and of the interested person each exceeds 10% at some time during the tax year.</p>	Medium	<p>The threshold for loss of independence due to compensation of a family member is too low. A trustee of a large, multi-state organization can be deemed "not independent" because a great-grandchild living hundreds of miles away receives compensation of \$10,001.</p> <p>The current reporting threshold for family members of interested persons is \$10,000.</p>	<p>Increase the compensation threshold from \$10,000 to \$100,000 or to a percentage of total revenue or total compensation expense.</p>

FORM 990

Form 990, Schedule R		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Schedule R, Part V,	<p>Line 1. Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.</p> <p>Line 2. If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.</p>	High	<p>The listing of transactions between related entities is often lengthy and time consuming to prepare while adding minimal usable information to the Form 990 user.</p> <p>Completion of Line 2 is time consuming, especially when multiple entities are involved. It is complicated to cross check all Schedule R, Schedule B, Schedule I transactions between related entities.</p>	Consider eliminating Line 2. At a minimum, remove the requirement to disclose the amount of the transactions and report instead only the name of the related organization and the type of transaction.

Form 990-T

Form 990-T, General			AICPA	
Section of the Form	Item	Priority Level	Comment	Recommendation
Overall comment, Form and Instructions	Section titled "Net Operating Loss (NOL) Deduction Arising in Tax Years Beginning On or After January 1, 2018" of the Instructions on page 21.	High	Final regulations discussed the coordination of pre-2018 and post-2017 NOLs and indicated pre-2018 NOLs are taken against the total Unrelated Business Taxable Income (UBTI) as determined under paragraph (g) of this section in a manner that allows for maximum utilization of post-2017 NOLs in a taxable year.	As discussed in the AICPA letter to the IRS of September 9, 2020 RE: Comments on Proposed Regulations (REG-106864-18) Regarding Unrelated Business Taxable Income Separately Computed for Each Trade or Business Pursuant to Section 512(a)(6), examples of how these calculations could be done should be included as an Appendix to the Form 990-T instructions. (NOTE: The AICPA provided examples in the September 9, 2020 letter beginning on page 29 of the letter). https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/20200909-aicpa-comment-letter-proposed-regulations-reg-106864-18.pdf
Overall comment, Form and Instructions	Part I, Line 4 on page 9 and Appendix B. Charitable Contribution Deduction on page 30.	High	As discussed in the AICPA letter to the IRS of September 9, 2020 RE: Comments on Proposed Regulations (REG-106864-18) Regarding Unrelated Business Taxable Income Separately Computed for Each Trade or Business Pursuant to section 512(a)(6), clarifying guidance on charitable contributions should be included in the Form 990-T instructions.	Include examples of applying charitable contribution deductions, such as the provisions under section 170(d)(1)(B) and 170(d)(2)(B), in an Appendix to the Form 990-T instructions. (NOTE: The AICPA provided examples in the September 9, 2020 letter beginning on page 29 of the letter). https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/20200909-aicpa-comment-letter-proposed-regulations-reg-106864-18.pdf
Instructions, page 4	Section titled "Other Forms That May Be Required?"	Medium	Forms 5471 and 8858 may also apply to exempt organizations. However, they are not listed in the instructions under "Other Forms That May Be Required"	Add clarifying language to the instructions under "Other Forms That May Be Required" that Form 5471 or Form 8858 may also be required to be filed by an exempt organization. Also, clarify that filings may be attached either to Form 990 or Form 990-T.
Instructions, page 5	Section titled "Other Forms That May Be Required?"	Medium	If a Passive Foreign Investment Corporation (PFIC) was debt-financed then a Form 8691 would need to be filed with the Form 990-T.	This scenario is a rare occurrence; however, we recommend adding this filing to the form instructions with clarifying language that the form is required to be filed if the overall investment was subject to section 514. Adding this information would clarify the information reported on page 18 of the instructions.
Instructions, page 5 and 6	Section titled "Other Forms That May Be Required?"	High	Forms 965, 8991, and 8993 will likely be rare filings for an exempt organization.	Clarify in the instructions when Forms 965, 8991 and 8993 must be attached to Form 990-T and if they should only reflect amounts subject to unrelated business income.
Instructions, page 9	Line 6. Deduction for Net Operating Loss Arising in Tax Years Beginning Before 2018.	High	Line 6-Deduction for Net Operating Loss Arising in Tax Years Beginning Before 2018 - The instructions do not mention attaching a statement showing the computation of the NOL deduction and therefore many software providers have eliminated the ability to print this statement.	The instructions should require a statement to be attached for line 6 similar to line 17 of Schedule A to improve compliance and record-keeping.

Form 990-T

Form 990-T, General		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Instructions, page 17	Section titled "Partnerships."	High	Some filers sign confidentiality agreements with certain investment partnership managers. Disclosing the name of partnership(s) by a section 501(c)(3) filer on a public document could violate the confidentiality agreements.	The current instructions do not state that each partnership has to be named. As most tax preparation software includes the input of the name of each partnership, we recommend that the IRS add a declarative statement that partnership names do not need to be provided on the return.
Instructions, page 6 and p 31	Sections titled "Other Forms That May Be Required?" and "What schedules and attachments to Form 990-T must be made available for public inspection?"	Medium	It is our understanding that Form 8975 does not apply to exempt organizations.	Either remove Form 8975 from the instructions or clarify when this filing would apply to exempt organizations (for example, if the organization has more than \$850 million in gross unrelated business income activity). If the filing should be included by an exempt organization, please clarify if Form 8975 should be attached to the Form 990T, Form 990, or Form 990-PF.
Instructions, page 14-15	Section titled "Passive loss and at-risk limitations".	Medium	The at-risk limitation rules are only applicable to trusts and not to corporations.	Add clarifying language to the instructions that Form 6198 is only applicable if the entity was organized as a trust.

Form 990-T

Form 990-T, Heading		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Line B	Exempt under section.	Medium	There is not a checkbox available for state colleges and universities that are not exempt under section 501(c)(3), but are required to file Form 990-T.	Add a checkbox for organizations described in section 511(a)(2)(B).

Form 990-T

Form 990-T, Part II		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part II, line 17	Deduction for net operating loss.	Medium	The final regulations on section 512(a)(6) indicate that after offsetting any gain resulting from the termination, sale, exchange, or disposition of a separate unrelated trade or business, any NOL remaining is suspended. However, the suspended NOLs may be used if that previous separate unrelated trade or business is later resumed or if a new unrelated trade or business that is accurately identified using the same NAICS 2-digit code as the previous separate unrelated trade or business is commenced or acquired in a future taxable year.	Detailed guidance on the treatment of NOLs upon the termination, sale, exchange or other disposition of a separate unrelated trade or business should be included in the instructions to Form 990 -T.

FORM 990-T

Form 990-T, Part V		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part V, Signature	<p>TY2020 XML Schemas and Business Rules for Exempt Organizations Modernized e-file, Business Rule R0000-223: 'SSN in 'SigningOfficerGrp' in the Return Header must have a value.</p> <p>Neither the Form 8453-EO NOR the Form 8879-EO were changed in 2020 to require the "signing officer's SSN." This has only changed in the software fields that will be transmitted to the IRS.</p>	High	<p>Starting with tax year 2020, the IRS is recommending that the person who signs the business return provide their SSN as a part of his or her signature.</p> <p>Inputting an officer's SSN input into the software could pose a security threat to the signing officer even though the personal ID information is not printed on the return. Usually, the signing officer is not the same person who coordinates the filing of the return and having multiple users handle the SSN is not a good practice.</p>	Remove Business Rule R0000-223 from TY2020 XML Schemas and Business Rules for Exempt Organizations recommendation to use SSN of signing officer in order to e-file Forms 990-T Series with the IRS.

Form 990-PF

Form 990-PF, Various Parts				AICPA
Section of the Form	Item	Priority Level	Comment	Recommendation
Part II, Line 10(a)-10(c)	(a) Investments—U.S. and state government obligations (b) Investments—corporate stock (c) Investments—corporate bonds	High	Unlike Form 990-PF, the Form 990 permits the grouping of securities together into natural classifications. The legislative language requires an "Itemized listing of investments" but does not define what constitutes an itemized listing or what level of itemization is required.	It is the recommendation that the 990-PF follow the same methodology on Part II that is followed on Part IV and require only a high level or itemization by broad category and not a detailed listing by individual security. This level of itemization makes the new e-filing requirement difficult to administer and is impractical for the IRS to provide proper oversight to and consistent compliance over all taxpayers. In addition, the detail is not useful to a reader as the information is only a snapshot in time, and makes the returns excessively large to access electronically. The taxpayer can maintain all the detail and provide to the IRS upon examination.
Part IX-A	Summary of direct charitable activities - inconsistency of parts IX-A and IX-B.	Low	Part IX-B includes a "total" line for program related investments.	Consider adding a line for total direct charitable activities on Part IX-A.
Part XII, Line 4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8; and Part XIII, line 4.	Low	This item is referenced in the instructions and therefore the text can be removed on the form.	Remove the form text stating to enter the qualifying distributions on Part V, Line 8.
Part XII, Line 5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b. See instructions.	Low	This line item is not applicable for 2020 and subsequent tax years now that there is a single tax rate of 1.39%.	Remove this line item on the Form 990-PF.
Part XII, Line 6	Adjusted qualifying distributions. Subtract line 5 from line 4.	Low	This line item is not applicable for 2020 and subsequent tax years now that there is a single tax rate of 1.39%.	Remove this line item from the Form 990-PF.
Part XIV, Line 2	Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed.	Low	The Form 990-PF does not currently include a check for the income test after line 2(e).	Provide similar guidance to the following: A Yes/No to state that the income test was met (2(e) is greater than or equal to 2(b)).
Part XIV, Line 3(a)	"Assets" alternative test—enter: (1) Value of all assets; (2) Value of assets qualifying under section 4942(j)(3)(B)(i).	Low	It is unclear if the asset test is being met.	Under the asset test, add a line to calculate 65% of the value of all assets between the current lines 3(a)(1) and 3(a)(2).
Part XIV, Line 3(b)	"Assets" alternative test clarification.	Low	It is unclear if the asset test is being met.	Include a check for the asset test after line 3(a)(2). For example, Yes/No dropdown to state that the asset test was met (see above).
Part XIV, Line 3(b)	"Endowment" alternative test—enter 2/3 of minimum investment return shown in Part X, line 6, for each year listed.	Low	It is unclear if the endowment test is being met.	Include a check for the endowment test after line 3(b). For example, a Yes/No to state that the endowment test was met (3(b) is less than or equal to 2(e)).

Form 990-PF

Form 990-PF, Various Parts			AICPA	
Section of the Form	Item	Priority Level	Comment	Recommendation
Part XIV Line 3(c)	"Support" alternative test clarification between the current Lines 3(c)(1) and 3(c)(2).	Low	It is unclear if the support test is being met.	Add a line to calculate 85% of the support (excluding investment income) between the current Lines 3(c)(1) and 3(c)(2) to make it easier to determine if prong 1 of the support test is being met 3(c)(2) is greater than or equal to 85% of 3(c)(1).
Part XIV, Line 3(c)	"Support" alternative test clarification between the current Lines 3(c)(2) and 3(c)(3).	Low	It is unclear if the support test is being met.	Add a line to calculate 25% of the support (excluding investment income) between the current Lines 3(c)(2) and 3(c)(3) to make it easier to determine if prong 2 of the support test is being met 3(c)(3) is less than or equal to 25% of 3(c)(1).
Part XIV, Line 3(c)	"Support" alternative test clarification between the current Lines 3(c)(3) and 3(c)(4).	Low	It is unclear if prong 3 of the support test is being met.	Add in a line to report total support (including investment income) and also add a line to calculate 50% of the total support between the current Lines 3(c)(3) and 3(c)(4) to make it easier to determine if prong 3 of the support test is being met 3(c)(4) is less than or equal to 50% of total support).
Part XIV, Line 3(c)	"Support" alternative test clarification for individuals in Column 2.	Low	It is unclear what type of relationship disclosure the IRS requires in this section (i.e. the level of detail that should be provided). The guidance provides that the recipient is related to a manager or substantial contributor if he or she is a member of such person's family (i.e., a spouse or ancestor; a child, grandchild, or great grandchild by blood, adoption, or marriage; or a spouse of a child, grandchild, or great grandchild), a partner of such person, or an employee of such person or entity effectively controlled by such person.	Include in the instructions further detail regarding the reporting of the relationship in Column 2 if the recipient is an individual.
Part XVII, Signature	<p>TY2020 XML Schemas and Business Rules for Exempt Organizations Modernized e-file, Business Rule R0000-223: 'SSN in SigningOfficerGrp' in the Return Header must have a value.</p> <p>Neither the Form 8453-EO NOR the Form 8879-EO were changed in 2020 to require the "signing officer's SSN." This has only changed in the software fields that will be transmitted to the IRS.</p>	High	<p>Starting with tax year 2020, the IRS is recommending that the person who signs the business return provide their SSN as a part of his or her signature.</p> <p>Inputting an officer's SSN input into the software could pose a security threat to the signing officer even though the personal ID information is not printed on the return. Usually, the signing officer is not the same person who coordinates the filing of the return and having multiple users handle the SSN is not a good practice.</p>	Remove Business Rule R0000-223 from TY2020 XML Schemas and Business Rules for Exempt Organizations - recommendation to use SSN of signing officer in order to e-file Forms 990-PF Series with the IRS.

Form 990-PF

Form 990-PF, Instructions				AICPA
Section of the Form	Item	Priority Level	Comment	Recommendation
Part I, column (b), (c), and (d)	Analysis of revenue and expenses: (b) Net investment income (c) Adjusted net income (d) Disbursements for charitable purposes (cash basis only)	Medium	The instructions limit the deduction in columns (b) and (c), but do not provide guidance that the excess deductions may be qualifying distributions on a cash basis in column (d).	Consider updating the instructions for Treas. Reg. § 53.4940-1 and § 53.4942(b)-1, which limits expenses to income from charitable income and allows excess expenses to be taken as a qualified charitable distribution in column (d) and not be used to reduce other investment income under section 4940 from other sources or reduce ANI from other sources. Add to the existing instruction on Page 14 column (b) to allow the excess expenditures to be reported in column (d) similar to the instruction in column (c).
Part I, Instruction for reporting K-1 income received from S-Corporations	Reportable S-corporation income in "TIP" instructions on page 2 of the Form 990-PF instructions.	High	The "TIP" provided in the instructions indicate that pertinent items of income, gain, loss, etc.....Form 1065 or 1120-S generally should be reported in column (b) or (c).	Update the instructions to exclude 1120-S as statutorily S-Corporation income would be subject to UBIT and therefore only reportable in column (a).
Part I, Line 13	Compensation of officers, directors, trustees, etc.	Low	This change is similar to the Form 990, Part IX, Line 5 reporting.	Consider making it explicit in the instructions whether the compensation of officers should or should not include benefits.
Part I, Line 25 and Part XV, Line 3(a)	Contributions, gifts, grants paid during the year or approved for future payments.	Low	Part I, Line 25 instructions suggest grouping grants by category; however, the Part XV, Line 3(a) instructions do not address this presentation.	With mandatory e-filing eliminate Part I, line 25 instruction, and reference to Part XV grants listing only.
Part IV	Capital gains and losses for tax on investment income.	Medium	Taxpayers should follow the recommendation for reporting investments on Part II according to natural categories.	Expand the aggregated reporting of transactions for publicly traded securities to include other investment types such as alternative investments.
Part V	Qualification under section 4940(e) for reduced tax on net investment income.	Medium	Part V could now be used for another purpose.	Remove Part V now that there is a single excise tax rate.
Part VII-A, Line 16	At any time during the calendar year ____, did the foundation have an interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for FinCEN Form 114. If "yes", enter the name of the foreign country.	Medium	The question on the face of the Form 990-PF could be rewritten to improve compliance. ISSUE: Similar to the Form 1040 "if you are then required to file" should be added so that if the foundation does respond "yes" to the question, it does not have to report the countries name if the aggregate balance at any time is below \$10K. As written, the foundation with any offshore account responds "yes", even if it was below the threshold. This generates unnecessary correspondence and becomes a red flag.	Change the second part of the instruction to read "See the instructions for exceptions and filing requirements for FinCEN Form 114. If you are then required to file, enter the name of the foreign country where the financial account is located."

Form 990-PF

Form 990-PF, Instructions		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part VII-B, Line 1(b) & 5(b)	<p>Line 1(b): If any answer is “Yes” to 1a(1)–(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance? See instructions.</p> <p>Line 5(b): If any answer is “Yes” to 5a(1)–(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance? See instructions. Organizations relying on a current notice regarding disaster assistance, check here.</p>	Medium	The wording of this question is complex.	<p>Line 1(b): Restructure the question to ask if the organization qualifies for an exception from self-dealing as provided in Treas. Reg. §53.4941(d). Also, summarize the exceptions in the instructions.</p> <p>Line 5(b): Restructure the question to ask if the organization qualifies for an exception from a taxable expenditure described in Treas. Reg. §53.4945 or in a current notice regarding disaster assistance. Also, summarize the exceptions in the instructions.</p>
Part VII-B, Line 3(a)	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	Medium	The excess business holding exception for independently operated philanthropic businesses is not addressed on the return.	Insert another exception into the instructions for 4943(g) if certain requirements are met.
Part VIII, Lines 1 and 2	Privacy concern about the information related to officers, directors, trustees, foundation managers, highly paid employees, and contractors.	Medium	Unlike Form 990-PF, the Form 990 does not have the requirement to enter an address for each officer/director and highest paid employee, and this could cause a privacy concern if personal addresses are used in these lines.	Remove the requirement to enter an address for each officer/director and highest paid employee. Until the form can be modified, add to the instructions, it is permissible to use the organization's address.
Part VIII Lines 2 and 3	Threshold on the compensation of five highest-paid employees and highest-paid independent contractors for professional services.	Medium	The Form 990-PF requires a \$50,000 reporting threshold.	Raise the reporting threshold to \$100,000 to be consistent with the threshold on the Form 990.
Part VIII, Line 3	Information about officers, directors, trustees, foundation managers, highly paid employees, and contractors	Medium	Instructions to clarify if the professional services reported here should be on a cash or accrual basis? Is this tying to column (a) or column (d) for accrual basis taxpayers?	While an agreement can be made to come into alignment with the 990 instructions and report based upon Form W-2, which is generally on the cash basis of accounting, we recommend the IRS provide guidance that Part VIII follow the general Form instructions and because it is not otherwise specified Part VIII should be prepared based upon the organization's books and records and tie to Part I, column (a).
Part IX-A	Summary of direct charitable activities - Statement of Functional Expenses.	Low	The instructions require the inclusion of related administrative and indirect expenses for DCA activities.	Align program related expenses for audit purposes and direct charitable expenses as all audited tax exempt organizations must prepare a Statement of Functional Expenses.

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Part X	Minimum Investment Return	Medium	Valuation of other assets. Provide additional information on assets other than land is preferable.	Alternative Investments: Clarify if the valuation date is the last day of the year or the last day the investment was owned by the organization. This is then pro-rated by the number of days owned by the number of days in the tax year. A foundation would not use a value of zero for this asset because it was sold during the tax year. Provide illustrations to aid private foundations with more diversified investment portfolios in properly calculating the minimum investment return. For example: a private foundation is on a calendar year, values alternative assets on the last day of the year, and sells a significant investment November 30th, the value of this investment reported on Part X, line 1c is not zero. The value is the fair market value on the last day it was held multiplied by 334/365; the number of days held/the number of days in the tax year. Treasury Regulation 53.4942(a)-2(c)(4)(vii).
Part XIV, POF Tests	Instructions for the private operating foundation (POF) tests on page 34 of the Form 990-PF Instructions.	Low	The instructions are very brief regarding the four tests (especially the income test, asset test, and support test) as compared to the guidance provided under section 4942.	Expand the instructions in general for this section. The instructions should also clarify that the same test must be used for purposes of determining if the organization meets the test for any 3 of 4 periods.
Part XIV POF Tests	Instructions for POF income test on page 34 of the Form 990-PF instructions.	Low	The instructions related to the income test are unclear.	Expand the instructions related to the income test to explain that foundations may not take the lower of minimum investment return (MIR) or ANI if MIR is lower, unless there are other factors that are met. Reference to the Treasury Regulations or expand the instructions to include the extra requirements.
Part XV, Line 1 and 2	Supplementary information on the page 35 of the Form 990-PF instructions.	Low	The instructions related to these line items are currently unclear.	Consider expanding the instructions related to these line items in order to further clarify the requirements to respond to the questions. For example, clarify if a link to the online grant application is accepted on Line 2(b).
Part XV, line 3(a)	Privacy concern about the information related to the requirement to disclose names and addresses.	Low	There are privacy concerns related to this section of the form.	Consider ending the requirement to disclose names and addresses for individuals receiving grants. Alternatively, consider redacting names and addresses of individual grant recipients on a public disclosure copy of the Form 990-PF. This is especially a concern for foreign grantees.

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Form 990-PF, Instructions		AICPA		
Section of the Form	Item	Priority Level	Comment	Recommendation
Part XVI-A	Analysis of income-producing activities.	Medium	This section of the Form 990-PF requests the unrelated business income (UBI) amounts and the book amount. The book amount must be a plug figure to tie-out the total for the line because UBI is often not booked. If there is no UBI and no contributions then this is a duplicate of Part I. It is unclear if this section is trying to relate back to the Form 990, Part VIII, columns of excluded, unrelated, and related and causes confusion for foundations.	Provide a section revision or even a possible exclusion for private non-operating foundations.