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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's 990 Deskbook

Twenty-ninth Edition (January 2021)

Highlights of this Edition

The following are some of the important new features of the 2021 Edition of *PPC's 990 Deskbook*:

- **Form 990-T Redesigned.** Form 990-T, Exempt Organization Business Income Tax Return, was redesigned for 2020. Schedule A, which is new for 2020, includes most of the information previously reflected on Parts I and II of Form 990-T, page 1. As a result, many sections of the return have been redesignated, as discussed throughout Chapters 11 through 16.
- **Unrelated Trade or Business Silos.** Final regulations providing additional guidance on identifying and grouping unrelated trades or businesses activities for Form 990-T reporting, including an indication when investment activities can be grouped together as one unrelated trade, qualifying partnership interests, and qualifying S corporation interests, are discussed in Key Issue 12E.
- **Form 1023 Completely Redesigned.** To accommodate electronic filing of Form 1023, the IRS completely redesigned the form and expanded how to report or submit additional information. Many of the items that previously were included as an attachment to the form are now incorporated throughout the form where details can be provided. In addition, one PDF can be submitted for other attachments needed (e.g., governing documents), but there is a size limit for the PDF that can be uploaded. Numerous edits and revisions were made to Chapters 17 through 20 for this revised form and related instructions.
- **Tax Treatment of PPP Proceeds.** The COVID-related Tax Relief Act of 2020 (COVIDTRA) clarifies the proper tax treatment of expenses paid with PPP loan proceeds or the treatment of loans forgiven, as discussed in Key Issues 5A, 8B, 10B, and 15A.

In addition to these featured items, your *Deskbook* includes the following update items.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 General Filing Information—Form 990	1. Clarified discussion on when Form 990-N is required. 2. The discussion on the requirement to electronic file returns is clarified. 3. Added a Law Change Alert for the new requirements to obtain a group exemption letter.	Key Issue 1A Key Issue 1A Key Issue 1E
CHAPTER 2 Highlighting an Organization's Accomplishments	1. Noted that the IRS cannot accept certain returns in electronic format, and paper returns will be accepted until the IRS's system is revised. 2. Provided the fee to obtain a PTIN for the 2021 filing season.	Key Issue 2B Key Issue 2C

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 4 Compensation Reporting	1. Nonemployee compensation is now reported on Form 1099-NEC. References to nonemployee compensation are updated for this new form.	Key Issues 4C, 4E, and 4F
CHAPTER 5 Reporting Revenue	1. Cautioned that net income from fundraising may be negatively impacted by the COVID-19 pandemic.	Key Issue 5F
CHAPTER 6 Reporting Functional Expenses	1. Added an Observation about how charity watchdog groups react to the improper reporting of fundraising expenses.	Key Issue 6A
CHAPTER 8 Other Schedules That May Be Required	1. Advised when and how changes to an organization's programs or to its Business Master File should be communicated to the IRS. 2. Clarified the discussion of providing a school's nondiscriminatory policies.	Key Issue 8A Key Issue 8E
CHAPTER 9 Political Campaign and Lobbying Activities	1. Clarified example illustrating when providing a newsletter to members is not engaging in direct lobbying.	Key Issue 9C
CHAPTER 10 Preparing Form 990-EZ	1. Updated the coverage provided in IRS Notice 2020-23 for the postponed filing deadline for annual returns due to COVID.	Key Issue 10A
CHAPTER 11 Filing Form 990-T	1. Added topics to cover the new items in the heading of Form 990-T.	Key Issue 11B
CHAPTER 12 Unrelated Business Income	1. Discussed the completion of new Schedule A (Form 990-T), detailing an organization's activity for an unrelated trade or business.	Key Issue 12R
CHAPTER 13 Debt-financed Income	1. Added a brief discussion on the revisions to the NOL rules under the CARES Act.	Key Issue 13D
CHAPTER 14 Income from Advertising	1. Clarified the discussion on reporting income from two or more periodicals on a consolidated basis.	Key Issue 14E
CHAPTER 15 Deductions Allowed in Determining Unrelated Business Taxable Income	1. The discussion on calculating the nondeductible portion of qualified parking is updated for the final regulations. 2. Guidance on the deductibility of food and beverage expenses is updated based on the final regulations. 3. Revised and clarified the discussion on the business interest limitation based on final regulations. 4. Clarified the discussion on identifying qualified real property eligible for the Section 179 deduction. 5. Added a list of property that is not eligible for bonus depreciation.	Key Issue 15A Key Issue 15A Key Issue 15B Key Issue 15C Key Issue 15C
CHAPTER 16 Form 990-T Tax Calculation	1. Added a discussion on IRC Sec. 1294. 2. Revised the discussion on using tax credits to reflect current credits available. 3. The guidance on filing Form 990-T solely to claim the small employer health insurance tax credit is revised as a result of a new checkbox on Form 990-T.	Key Issue 16A Key Issue 16B Key Issue 16B

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	4. Explained that an exempt organization may be required to include any tax that relates to partnership audit adjustments pushed out to it by the partnership.	Key Issue 16E
	5. Reminded filers that an organization's estimated tax may need to be recalculated during the year.	Key Issue 16G
CHAPTER 17 Determining How and When to File for Exemption	1. Updated and expanded the group exemption application discussion for new procedures proposed by the IRS.	Key Issue 17D
	2. Added a discussion on the attachments that are now allowed to be submitted with Form 1023.	Key Issue 17E
	3. Added information about how to check on the status of an exemption application.	Key Issue 17E
	4. Clarified how to reapply for exemption following an automatic revocation for failure to file for three years.	Key Issue 17F
CHAPTER 18 Providing Information about the Organization and Its Activities and Operations	1. Updated throughout for the revised Form 1023 (now required to be filed electronically) and revised instructions.	Throughout chapter
CHAPTER 19 Determination of Public Charity versus Private Foundation Status	1. Updated guidance for reporting contribution sources for the revised 2020 Form 1023 and instructions.	Key Issue 19I
CHAPTER 21 Form 990-PF Filing Requirements	1. Updated for Part V of Form 990-PF no longer being required to be completed due to the repeal of the reduced tax on net investment income.	Introduction
	2. Updated the discussion of PTIN fees for recently released proposed regulations.	Key Issue 21B
	3. Enhanced the discussion of reporting requirements of private foundations undergoing a liquidation, dissolution, termination, or substantial contraction.	Key Issue 21B
	4. Updated the exceptions for the Form 990-PF e-filing requirement.	Key Issue 21B
	5. Updated the discussion for the required electronic payment of any tax (i.e., can no longer mail a paper check).	Key Issue 21B
CHAPTER 22 Revenue and Expenses	1. Added a Preparation Pointer about how to report loan forgiveness under the Paycheck Protection Program.	Key Issue 22B
CHAPTER 23 Net Investment Income and Adjusted Net Income	1. Updated the discussion, examples, and illustrations for the changes in the net investment income excise tax rates.	Throughout chapter
	2. Clarified the electronic payment requirements.	Key Issue 23I

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 26 Private Foundation Excise Taxes and Statements Regarding Its Activities	1. Added a discussion of the recent IRS Snapshot regarding examiner guidance for self-dealing transactions.	Key Issue 26C
	2. Clarified the permitted holdings related to excess business holdings for unincorporated business enterprises.	Key Issue 26E
CHAPTER 28 Income Distribution Requirements	1. Updated the qualifying distribution discussion for changes to the Form 990-PF related to the repeal of the Section 4940 reduced tax rate.	Key Issue 28D
CHAPTER 32 Retaining the Organization's Exempt Status	1. Added discussion of several recent private letter rulings that reflect the IRS's current application of the statutes to exempt organizations.	Throughout chapter
CHAPTER 34 Penalties and Excise Taxes	1. Revised the discussion on the penalty for late filing, including clarification of the date a return is deemed filed, after the requirement that returns must be electronically filed.	Key Issue 34A
	2. Modified the discussion on the excise tax for excess compensation based on the final regulations released.	Key Issue 34N
Roadmap	1. Several sections are renamed, added, or deleted because the form was redesigned.	RM-2 and RM-3a
Checklists	1. Questions have been added about an organization's requirement to electronically file a return or application.	C101, C102, C103, C106
	2. Questions have been added for identifying separate unrelated trades or businesses.	C104
	3. Many of the questions have been revised for the requirement to electronically submit Form 1023.	C106
Tables	1. Revised the list of mailing addresses because of the electronic filing requirements for many returns and applications.	T104
	2. Updated for the trust tax rates for organizations with tax years beginning in 2021.	T203
	3. Revised table of credits for provisions provided in the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (TCDTRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act.	T204
	4. Added a new table providing the two-digit NAICS codes that are used when preparing Form 990-T to determine separate unrelated trades or businesses.	T205
	5. Return preparer penalty rates are updated for returns required to be filed in 2021.	T303
	6. Updated the quarterly interest rates charged in 2020 by the IRS on overpayments and underpayments.	T306
	7. Updated resource for the requirement to electronically file Form 990.	T406
Worksheets	1. Updated the calculation of alternative minimum tax for trusts for the 2020 exemption amounts.	W402

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
Other Resources	<ol style="list-style-type: none">1. The organizer is updated for new Form 1099-NEC.2. Updated the resource for meal expenses that are deductible without limitation after the Tax Certainty and Disaster Tax Relief Act of 2020 (TCDTRA).3. Added COVID-19 related credits available to organizations.4. Revised for credits available to employers filing Form 990-T that were extended under the Taxpayer Certainty and Disaster Tax Relief Act of 2020.	R102 R302 R507 R507

