# WHAT YOUR NONPROFIT NEEDS TO KNOW ABOUT THE NEW FORM 990-T

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As we enter the second quarter of 2021, nonprofits should be urgently preparing to file their annual Form 990-T, Exempt Organization Business Income Tax Return. This year, however, not-for-profit organizations will have to navigate a drastically revamped form as they fulfill their routine tax reporting requirements.

If that seems like déjà vu, it's for a good reason; the IRS has revised the form three times in the past three years. This version, however, may be the last for a while; the 2020 Form 990 consolidates a number of adjustments that appeared on previous forms as well as adding a few new tweaks. All three of the latest revisions represent an effort to accommodate and clarify changes relating to the tax treatment of unrelated business taxable income (UBTI) that first appeared in the Tax Cuts and Jobs Act of 2017.

Of the two biggest changes NFP leaders can expect to see in this year's form, the first is by far the most straightforward: Electronic filing is now mandatory, with limited exceptions such as those for amended returns that report changes to a form originally filed before the requirement for electronic filing.

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The other significant revisions to Form 990-T alter how nonprofits report and disclose UBTI, requiring them to further silo information related to individual trades or businesses conducted by a single nonprofit entity with the goal of providing a clearer overall picture.

Rather than reporting UBTI information on Schedule M as they did on 2018 and 2019's tax returns, for each unrelated business activity nonprofit leaders will now need to complete a separate Schedule A that must be attached to the return, along with a list indicating how many such Schedule As are attached. Schedule M is no longer required.

The new system transforms the central reporting tool, Form 990-T, into a summary document that offers a snapshot of the big picture. The attached Schedule A for each trade or business allows the IRS and prospective donors to gain a more detailed understanding of the organization's business activities and the income those activities generate.

The possibility (though not necessarily the requirement) of filing electronically is likely to please many NFP leaders, many of whom have long wanted that option. It is the revised reporting protocol that makes this possible by requiring UBTI to be classified using truncated North American Industry Classification System (NAICS) codes.

Under the new rules, each 'silo' of revenue that gets a Schedule A is reported using only the first two of the possible six NAICS digits. This yields 20 individual categories of business activity that nonprofits can choose from in reporting UBTI. The streamlined categories mean that the entire return becomes more consistent across the nonprofit sector, and also make the revised Form 990-T manageable enough to submit electronically.

Though the net effect is a positive one for donors and nonprofit organizations alike, NFP leaders are understandably less excited about the short-term challenges of adapting to yet another new Form 990-T. This annually filed form offers the opportunity to effectively communicate a nonprofit's efficiency, enhancing its reputation and increasing recognition of the value the organization provides. That said, there's no denying that completing Form 990-T this year will require additional time, effort, and understanding to comply with the updated rules.

Avoid the risk of non-compliance and the stress of rushing to prepare your organization's mandator tax reporting at the last minute. Take action now, by reviewing instructions for completing the new form and gathering relevant records and documentation. For help ensuring full compliance with all IRS rules and maximizing the effectiveness of your Form 990-T as a fundraising tool, turn to the trusted nonprofit advisors at Mauldin & Jenkins.