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# ***EOTS NewsFlash***

Exempt Organizations Tax Services

January 9, 2012

## *IRS releases 2011 Form 990 draft instructions emphasizing changes to joint venture and partnership investment reporting, foreign activities, and compensation*

On January 5, 2012, the IRS released draft instructions for the core form of the 2011 Form 990. Although these instructions are not yet final, the draft suggests significant changes from 2010 reporting in a number of key areas, including joint venture and partnership investments, activities and investments directed towards foreign countries, and reportable compensation.

A complete list of what the IRS has determined to be significant changes to the 2011 core form instructions can be found beginning on page 1 of the draft instructions. We have highlighted several of these changes below, including some that appear to raise new reporting burden concerns or possible nonconformity with financial statement reporting.

- **Joint Venture and Partnership Investments**

- The instructions for Part X, line 12 clarify that the organization should report on its balance sheet its distributive share of assets in any entities treated as partnerships for federal tax purposes according to its ending capital account in the partnerships as reported on Schedule K-1.
- The instructions for Part VII clarify that the organization should report on its statement of revenue its distributive shares of investment income, royalties, and rental income from joint ventures on lines 3, 5, and 6, respectively.

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- **Foreign Activities**

- The instructions to Part IV, line 14b state that the organization must complete Schedule F, Part I if it had foreign investments during the tax year valued at \$100,000 or more.
- The instructions to Part IV, lines 15 and 16 clarify when the organization should complete Schedule F, Part II or III based on grants outside the United States and inside the U.S. for foreign activity.

- **Compensation**

- The instructions to Part VII, Section A clarify that reportable compensation for officers and employees includes compensation reported in Form W-2, Wage and Tax Statement, box 1 or 5 (whichever is greater).
- Part VII, Section B, line 1 clarifies that independent contractor compensation should be reported for the calendar year ending with or within the tax year.

Although the instructions were released in draft form, it appears unlikely that the IRS will make further significant revisions before they are released in final form for 2011. In addition to the draft instructions for the 2011 Form 990 core form, the IRS has also released forms and instructions for all accompanying schedules. PwC previously reported on changes to the draft Schedule H and instructions (see link below). When the final 2011 Form 990 and schedules become publicly available, PwC will issue a more comprehensive summary highlighting all of the significant changes.

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Click [here](#) to access the draft 2011 Form 990

Click [here](#) to access the draft instructions to the 2011 Form 990

Click [here](#) to access PwC's NewsFlash on the draft 2011 Schedule H

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*For additional information, please contact a National Tax Services Exempt Organizations Tax Services Practice representative:*

<i>Marci Krause</i>	<i>202-414-1012</i>	<i><a href="mailto:marci.k.krause@us.pwc.com">marci.k.krause@us.pwc.com</a></i>
<i>Rob Friz</i>	<i>267-330-6248</i>	<i><a href="mailto:robert.w.friz@us.pwc.com">robert.w.friz@us.pwc.com</a></i>
<i>Travis Patton</i>	<i>202-414-1042</i>	<i><a href="mailto:travis.patton@us.pwc.com">travis.patton@us.pwc.com</a></i>
<i>Gwen Spencer</i>	<i>617-530-4120</i>	<i><a href="mailto:gwen.spencer@us.pwc.com">gwen.spencer@us.pwc.com</a></i>
<i>Kaye Ferriter</i>	<i>617-530-4063</i>	<i><a href="mailto:kaye.b.ferriter@us.pwc.com">kaye.b.ferriter@us.pwc.com</a></i>
<i>Laura Parello</i>	<i>646-471-2472</i>	<i><a href="mailto:laura.j.parello@us.pwc.com">laura.j.parello@us.pwc.com</a></i>
<i>Howard Schoenfeld</i>	<i>202-414-1717</i>	<i><a href="mailto:howard.schoenfeld@us.pwc.com">howard.schoenfeld@us.pwc.com</a></i>
<i>Ron Schultz</i>	<i>202-346-5096</i>	<i><a href="mailto:ronald.j.schultz@us.pwc.com">ronald.j.schultz@us.pwc.com</a></i>
<i>Caroline Burnicki</i>	<i>267-330-6356</i>	<i><a href="mailto:caroline.n.burnicki@us.pwc.com">caroline.n.burnicki@us.pwc.com</a></i>
<i>Larry Desalvo</i>	<i>267-330-6322</i>	<i><a href="mailto:larry.desalvo@us.pwc.com">larry.desalvo@us.pwc.com</a></i>
<i>John Edie</i>	<i>202-414-1569</i>	<i><a href="mailto:john.edie@us.pwc.com">john.edie@us.pwc.com</a></i>
<i>Michelle Michalowski</i>	<i>202-414-1615</i>	<i><a href="mailto:michelle.g.michalowski@us.pwc.com">michelle.g.michalowski@us.pwc.com</a></i>
<i>Eric McNeil</i>	<i>267-330-6415</i>	<i><a href="mailto:eric.m.mcneil@us.pwc.com">eric.m.mcneil@us.pwc.com</a></i>

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