Tax Insights
from Exempt Organization
Tax Services

Few changes to 2025 Form 990 with supporting organization regulations reflected in Schedule A

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In brief

What happened?

The 2025 Form 990, *Return of Organization Exempt from Income Tax,* contains relatively few substantive changes from the 2024 version, apart from minor stylistic revisions and updated references to IRS guidance.

One notable change appears in the Schedule A instructions, which have been modified to reflect final Treasury regulations that were issued in October 2023 addressing Type I and Type III supporting organizations. The 2025 instructions clarify the annual notification and responsiveness requirements owed to each supported organization, implement the final rules for functionally integrated organizations that support governmental entities, and revise the parent-of-supported-organizations test. For non-functionally integrated Type III organizations, the instructions also refine which expenditures qualify as distributions, including the limited treatment of fundraising expenses.

PwC is pleased to make available our annotated versions of the 2025 Form 990, accompanying schedules, and instructions. The documents include PwC's highlights and comments on key changes for 2025, and they are fully searchable and bookmarked for ease of navigation.

Actions to consider

Failure to timely file a complete and accurate Form 990 can result in adverse consequences, including penalties and, in certain cases, loss of tax-exempt status. Organizations should take steps to avoid nonconforming or incomplete responses on Form 990 that could invite additional IRS scrutiny.

In detail

Effective October 16, 2023, the IRS issued final regulations affecting Type I and Type III supporting organizations and their supported organization. The regulations implement statutory changes made by the Pension Protection Act of 2006 (PPA), which:

- Established a mandatory distribution requirement for non-functionally integrated Type III supporting organizations to ensure a significant amount is paid to supported organizations;
- Required Type III supporting organizations to annually provide to each supported organization (1) written notice describing the type and amount of support provided; (2) a copy of the most recently filed Form 990; and (3) a copy of governing documents; and
- Prohibited certain gifts or contributions to Type I and Type III supporting organizations from persons who control a supported organization.

The final regulations clarify certain aspects of these PPA changes, including the definition of "control" for purposes of contributions from controlling donors. For Type III supporting organizations, the regulations clarify the annual notification requirement, mandate responsiveness to *each* supported organization, and refine the integral part test. The regulations also provide guidance for organizations that support governmental entities and for parent-of-supported organizations.

Changes to the 2025 Instructions for Form 990, Schedule A

- **Part IV, Section D** — A supporting organization's written notice to each of its supported organizations describing the type and amount of all support now must specify the amounts that count toward the distribution requirement.
- **Throughout** — References to "a supported organization" have changed to "each of its supported organizations."
- **Part IV, Section E, Line 1** — A less restrictive "substantial part" test now applies to supporting organizations of governmental organizations, rather than the general "substantially all" requirement.
- **Part IV, Section E, Line 3** — To qualify as the parent of each of its supported organizations, the supporting organization must be part of each integrated system and must direct the overall policies, programs, and activities of each supported organization, in addition to appointing or electing their officers, directors, or trustees.
- **Part V, Section D** — The instructions clarify the types of expenses that count toward a supporting organization's distribution requirement, excluding investment income or expenses incurred in the conduct of fundraising activities, except certain expenses incurred to solicit contributions received directly by a supported organization.

Corresponding changes to Schedule A of the Form 990

- **Part IV, Section E, Lines 3a and 3b** — A parent of supported organizations must now indicate whether it and its supported organizations are part of an integrated system, and whether it directs the policies, programs, and activities of each supported organization.
- **Part V, Section D** — Line 6 (“other distributions”) has been eliminated. All distributions must be reported on lines 1 through 5.

Let’s talk

For a deeper discussion of how these developments may affect your organization, please reach out to your PwC engagement team or a member of our Exempt Organization Tax Services practice:

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