
TABLE OF CONTENTS

Introduction	v
Chapter 1: Nonprofits and the IRS	1
What Do We Mean When We Say “Nonprofit”?	1
The Life Cycle of a Nonprofit	4
Ongoing Compliance	7
IRS Audits	11
Chapter 1: Test Your Knowledge	23
Chapter 1: Solutions and Suggested Responses	25
Chapter 2: Annual IRS Filings—Form 990	27
The Nuts and Bolts of the Filing Process	27
The 990-N Postcard Filing—As Simple as It Gets	34
Form 990-EZ: The E-Z Way Out	37
Form 990: Just Hold Your Nose and File It	60
Letting the Public See Your Report Card: Disclosure of Form 990	70
Notifying the IRS If You Terminate, Merge, or Contract Your Nonprofit	73
What to Do If the IRS Has Revoked Your Nonprofit’s Tax-Exempt Status	76
Chapter 2: Test Your Knowledge	81
Chapter 2: Solutions and Suggested Responses	83
Chapter 3: Recordkeeping and Accounting	85
Why Keep Financial Records?	85
What Does the IRS Require?	87
Do You Need an Independent Audit?	105
Minding the GAAP	107
Chapter 3: Test Your Knowledge	111
Chapter 3: Solutions and Suggested Responses	113
Chapter 4: Volunteers, Employees, and Independent Contractors	115
Volunteers—The Backbone Workforce of Nonprofits	115
Reimbursing Your Volunteers—Know the Rules	117
Unreimbursed Volunteer Expenses	124
Benefits and Freebies—How to Show Your Appreciation Tax Free	128
Paid Help: Employees and Independent Contractors	134
Hiring Independent Contractors	143
Hiring Employees	150
Affordable Care Act (ACA) and Nonprofit Employers	156
Chapter 4: Test Your Knowledge	159
Chapter 4: Solutions and Suggested Responses	161
Chapter 5: Charitable Giving—The Basics and Cash Donations	163
Your Role as a Nonprofit	163
Threshold Requirements for Deducting Donations	165

Annual Ceilings on Charitable Deductions	170
What Can a Donor Contribute?	172
When Is a Contribution Made for Tax Purposes?	173
Special Gifts—Earmarked, Restricted, and Conditional	174
If Your Nonprofit Provides Goods or Services	177
Cash Contributions	178
Cash Gifts From IRAs	182
Interest-Free Loans	183
Quid Pro Quo Contributions	184
Charity Auctions	191
Chapter 5: Test Your Knowledge	193
Chapter 5: Solutions and Suggested Responses	195
Chapter 6: Property Donations	199
Annual Deduction Limit for Property Donations	200
Valuing Property Donations—An Art, Not a Science	201
Different Types of Property Donations	203
Documenting Property Donations	221
Chapter 6: Test Your Knowledge	239
Chapter 6: Solutions and Suggested Responses	241
Chapter 7: Excessive Compensation, Sweetheart Deals, and Other Ways to Get in Trouble with the IRS	243
A Nonprofit Isn't a Personal Piggy Bank	243
The IRS Intermediate Sanctions Minefield	244
Transactions with Disqualified Persons—How to Avoid Problems with the IRS	248
Excessive Compensation for Services: The Most Common Excess Benefit	255
Correcting and Reporting Excess Benefit Transactions	266
The IRS's Sentence of Death: Revocation of Tax-Exempt Status	270
Chapter 7: Test Your Knowledge	273
Chapter 7: Solutions and Suggested Responses	275
Chapter 8: Nonprofits That Make Money and UBIT	277
What Is UBIT?	278
Activities Exempt From UBIT	284
Do You Owe UBIT?	293
Calculating UBIT with Multiple Business Activities	295
Filing UBIT Tax Returns	296
Chapter 8: Test Your Knowledge	299
Chapter 8: Solutions and Suggested Responses	301
Chapter 9: Lobbying and Political Campaign Activities	303
Lobbying by Nonprofits—What's Allowed and What's Not	303
Political Campaign Activities—An Absolute Ban	314
Getting Around the Restrictions	325

Chapter 9: Test Your Knowledge	327
Chapter 9: Solutions and Suggested Responses	329
Chapter 10: Tax Credits for Nonprofits	331
Tax Credits for Nonprofits with Employees	331
Energy-Related Tax Credits	333
Chapter 10: Test Your Knowledge	341
Chapter 10: Solutions and Suggested Responses	343
Appendix: Help Beyond This Book	345
Help From the IRS	345
Glossary	349
Index	351
Final Exam Copy	354