



June 4, 2008

Internal Revenue Service
Draft 2008 Form 990 Instructions, SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

Ms. Lois G. Lerner
Director of the Exempt Organizations Division of the IRS

Mr. Ronald J. Schultz
Senior Technical Advisor to the Commissioner of TE/GE

Dear Ms. Lerner and Mr. Schultz,

On behalf of the National Association of College and University Business Officers (NACUBO), and the associations listed below, we submit the following comments on the draft instructions for the 2008 Form 990, *Return of Organization Exempt from Income Tax*. NACUBO is a nonprofit professional organization representing chief business and administrative officers at more than 2,000 colleges and universities. College and universities represent those most dramatically impacted by the increased reporting requirements resulting from the redesign of the Form 990. We are therefore grateful for the opportunity to provide comments with respect to the draft instructions.

General Comments on the Draft Instructions

The filing of the redesigned Form 990 will require a significant increase in data gathering and reporting of information. Many college and university filers have indicated that they will be required to commit additional resources to the Form 990 filing process (which will include expansion of data identification and collection, and increased coordination of information across campus offices) in order to comply with these new requirements. Further, in certain cases, the expanded definitions of terms (e.g., key employee) and the resulting reporting will require certain educational institutions to report an overwhelming amount of information not previously required to be reported on Form 990.

Recommendation: We suggest that the IRS continue its education efforts for the tax-exempt community through Frequently Asked Questions (FAQs) posted on the IRS website, phone forums, and other outreach and education programs. Further, we recommend that the IRS create a Form 990 Advisory Committee that includes representation from the regulated community. The Advisory Committee or task force would facilitate an ongoing conversation between the exempt community and IRS aimed at quality improvement.

We suggest that all terms defined in various parts and schedules appear only once in the consolidated glossary, to avoid repetition and ensure consistency.

Many of the comments included in this letter relate to implementing thresholds or refining definitions of key terms in an effort to provide the necessary information without imposing an undue burden on the filer. The initial portion of this letter will address initially all parts of the draft instructions related to reporting compensation (Core Form and Schedule J), as these areas are the focus of the majority of our concerns and recommendations. Following that is a section on other parts of the Core Form, followed by a section addressing the remaining schedules, in alphabetical order.

Compensation Related Issues – Core Form and Schedule J

Comments on the Draft 990 Instructions related to Compensation (Core Form Part VII and Schedule J)

Key Employees and Former Employees. The combination of the requirement to disclose compensation data of certain former officers, trustees, directors, key employees and five highest paid employees and the expanded definition of key employees will result--in the case of large, complex organizations such as universities-- in an overwhelming number of individuals being reported on Form 990.

These requirements will undoubtedly increase the volume information for the reading public to wade through rather than achieving the purported intent of providing the public and donors with a clean and clear view of meaningful data related to an organization's most highly compensated individuals.

Recommendations:

- We suggest replacement of the five year look-back rule with one that would require the reporting of compensation in years following an officer or key employee's tenure only when that compensation relates to the service as an officer or key employee. A President or a Dean will often step down from that position and return to his or her regular faculty duties. When does the former President's compensation become at all interesting to the public? Only if it is supplemented by additional amounts earned during the tenure as President and Dean and subsequently paid. The public should not be concerned with the ongoing salary earned for faculty duties.
- Key employee status has been broadened well beyond necessity. To have responsibility for 5% of an organization is not the equivalent of an officer or the previously-defined key that has broad institution-wide impact on the organization. The expanded scope of the term key employee could create 10 or 15 such employee listings (together with prior-year listings) that again "crowd" these schedules with too much detail. We suggest increasing the threshold to at least 10% of the organization or higher.

- In addition to reporting compensation of individuals with more than \$150,000 in salary and benefits, Part VII further requires the reporting compensation of the current 5 highest paid employees earning more than \$100,000, with a 5 year look back for former officers, key employees and five highest paid individuals. Particularly on the West and East Coasts and other large urban areas, the \$150,000 threshold is quite low, resulting in some cases, scores of additional individuals being listed on the form who have minimal, if any influence on the overall institution. Reporting of this additional, if not meaningful, information dilutes the purpose for which the question is supposed to serve while unduly increasing the reporting organization's administrative burden. We suggest increasing the thresholds in part VIII to \$200,000 and indexing these amounts to inflation. At a minimum, the Service should index the proposed thresholds for inflation. Additionally, the instructions relating to former listed persons are very confusing. Please state exactly how far back in time filing organizations need to look. There is a hint that the number is five years, but it is not clear.
- Since Part VII will now require the reporting compensation of the current 5 highest paid employees making more than \$100,000, with a 5 year look back, this will make reporting quite onerous. At large institutions, top paid faculty will continue to be paid more than the threshold so they could be reported for another 5 years even if they never are in the top 5 again during that time. This requirement should be eliminated. The requirement should remain as it is currently – reporting the top 5 paid for the current reporting period.

Type of compensation: The compensation table on pages 8-13 treats employee contributions for pension and deferred compensation plans as “other compensation” in the case of the 403(b) plans and “deferred compensation” in the case of 401(k) plans. It is unclear whether “amounts deferred (plus earnings) under 457(b) plan (vested)”, “amounts deferred (plus earnings) under 457(b) plan (non-vested)”, “Contributions to nonqualified plans (vested)” and “Contributions to nonqualified plans (nonvested)” are employee or employer contributions.

Employees make these contributions from base compensation or bonus and incentive compensation. Depending on the plan, amounts deferred by employees will be reported on the W-2 in box 5 if subject to Medicare.

In addition, two items have no indication of how to report. See “Taxable distributions from qualified retirement plan” and “Split-dollar life insurance” (page 10).

Recommendations: Employee contributions are not other compensation or deferred compensation; amounts reported should be total compensation not reduced by employee deferrals. These should not be in the table, but have separate instructions.

As stated above, depending on the plan, amounts deferred by employees will be reported on the W-2 in box 5 if subject to Medicare. The instructions should specify to report any employee deferrals not included in box 5 as either base compensation or bonus and incentive compensation.

Finally, please clarify whether “amounts deferred (plus earnings) under 457(b) plan (vested)”, “amounts deferred (plus earnings) under 457(b) plan (non-vested)”, “Contributions to nonqualified plans (vested)” and “Contributions to nonqualified plans (nonvested)” are considered employee or employer contributions. If they are employee contributions, see recommendation above.

Additional specific comments to Core Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors, Other Compensation (Instruction pages 6-8)

Page 7, 2nd paragraph -“If a person’s compensation does not need to be reported in Schedule J, Part II, then the organization generally is not required to report any other item of “other compensation” (as set forth in the table below) if its total value is less than \$10,000 for the calendar year ending with or within the organization’s tax year.”

Page 7- 3rd paragraph- “The \$10,000 exclusions are to be applied to all individuals in determining whether the individual’s total reportable and other compensation exceeds the thresholds set forth in Form 990, Part VII, Section A, lines 3 and 4. If the total exceeds the threshold, then the \$10,000 exclusions are not applied to the individual’s compensation reported either in Form 990, Part VII or in Schedule J. The \$10,000 exclusions apply separately with respect to each item of other compensation from the organization and from each related organization.”

Core Form 990, Part VII, Line 3 “Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee in Section A? *If yes, complete schedule J for such individual.*”

The 2nd paragraph indicates “total value” of other compensation and the 3rd paragraph indicates apply the \$10,000 to each item of other compensation separately.

Recommendation: Clarify the wording in the aforementioned sections of the two paragraphs to either have the same meaning or to more clearly indicate their difference.

The first sentence in the 3rd paragraph states “The \$10,000 exclusions are to be applied to all individuals in determining whether the individual’s total reportable and other compensation exceeds the thresholds set forth in Form 990, Part VII, Section A, lines 3 and 4.” This sentence is confusing as it relates to Line 3 in that the \$10,000 exclusions relates to Other compensation”, however, only reportable compensation is used as a basis for former officers, directors, or trustees, etc to be listed in Schedule A.

Recommendation: Clarify the wording in the third paragraph of the instructions noted above as to how other compensation relates to Line 3 of the core form. Further, include a decision tree matrix or flow chart for applying the \$10,000 exclusions and for determining whether “Other compensation” is included in Section A of the core form.

Comments on Schedule J, Supplemental Compensation Information.

Schedule J, Part I (Line 1a)

“First-class travel” refers to any travel on a passenger airplane, train or boat with first class seat or accommodations, for which a listed person or his or her companion is availed the first-class accommodations and any portion of the cost above the lower-class fare is paid by the organization. First-class travel also includes any travel on an airplane or boat that is owned by the organization.

Recommendation: The wording here should be modified to expressly state that “first-class travel” does not include “business-class travel.” There should be an exception included for first class travel that results in no additional cost to the organization. Further, the definition of first-class travel should not include travel on a plane or boat owned by the organization to the extent the cost of the institution-provided travel is equivalent to the cost of commercial business class fares to the destination.

“Charter travel” refers to travel on an airplane, train, or boat that occurs under a charter or rental arrangement.

Recommendation: The description of charter travel requires further explanation. We believe that travel that bears no incremental cost to the institution should be excluded from reporting.

Example 1. The President of X University flies with the football team on a chartered aircraft. The practice of the team is to charter an aircraft to fly its players, coaches, supporting staff and occasional guests to the site of its away games. There is no incremental cost to the institution for President to fly on this charter. Such travel is not reported on Form 990.

Example 2. The President of Y University charts a private jet to fly to the site of an important conference at a sizable cost to the institution. The site is well served by public airlines. Such travel is reported on Form 990 as charter travel.

“Travel for companions” refers to any travel of a listed person’s guest that is not traveling primarily for bona fide business purposes of the organization. It also refers to any travel of a listed person’s family members, whether or not for bona fide business purposes.

Recommendation: The instructions are overly broad; the institution should not be required to report ALL travel of a listed person’s family member even if it is bona fide business travel. The foregoing should be deleted from the instructions.

Schedule J, Part I (Line 4a)

Severance or change-of-control payments. Answer “Yes” if a listed person received a severance or change-of-control payment from the organization... Treat as a severance payment any payment to a current or former officer, director, trustee, or employee in satisfaction or settlement of a claim for wrongful termination or demotion.

Recommendation: Payments made in satisfaction or settlement of a claim for wrongful termination or demotion should not be included in this disclosure. Because these payments are adversarial in nature, it would be unlikely that listed persons were being unjustly enriched by such payments.

Schedule J, Part II, Column C. Reporting of Earnings in Excess of 120% AFR for Deferred Compensation Accounts

The instructions require that an institution report as additional compensation the amount of earnings in excess of 120% AFR for deferred compensation accounts.

The reporting of this information is problematic because it presents data that is confusing and potentially ripe for unfounded distortion. Let’s assume that an institution provided a separate investment account that was 100% invested in equity-based assets and the stock market had a very good year and interest rates were low in that year (a not uncommon confluence.) Let’s further assume that the officer has filled the position for several years and has a sizable investment in his/her deferred comp account due to good investment performance and the number of years of contributions. The result might be the reporting of several hundred thousand dollars of investment earnings as “other comp” for a given year. Rather than coming from the institution’s coffers, the earnings were the result of the individual’s prudent investment and tolerance for market risk. And yet they could become unfair fodder for a “hit piece” in a local newspaper.

The reporting of the earning in this way obfuscates rather than elucidates how much institutional money was set aside for the individual’s deferred compensation.

Recommendation: We recommend replacing this requirement with these additional questions:

- Were deferred comp accounts invested in the institution’s endowment or guaranteed a rate of return that would match that of the institution’s endowment?
- Were deferred accounts placed in funds accessible by the institution and not generally available to the general public?
- Explain the nature of such investments.

At a minimum, the 120% AFR standard needs clarification. What AFR? Should we assume the long term AFR as of the month of the institution’s fiscal year end?

Statement of Revenue – Core Form

Comments on Core Form 990, Part VIII- Statement of Revenue - Line 2- Program Revenue and Line 10(a) Gross sales of Inventory, Less Returns and Allowances

Instructions for Line 2- **Program Revenue**- page 5, Sales of inventory by hospitals, colleges, and universities, indicates that “ Hospitals, colleges, and universities may report, as program service revenue on line 2, sales of inventory items otherwise reported online 10(a).

Page 10 of the instructions for Gross sales of Inventory recaps items that should not be included on this line and directs the preparer to the correct line for such items. However, the recap does not include redirecting the preparer to report sales of inventory by hospitals, colleges and universities on Line 2, Program revenues instead of on line 10 (a).

Recommendation: The instructions for Line 10 (a) which lists the items that should not be included on this line should include the sales of inventory by hospitals, colleges and universities and redirect the preparer to include such inventory in program revenues.

Other Schedules

Note: our recommendations to Schedule J are not included in this section of the letter, please see our comments above in the section on Compensation Related Issues.

Comments on Schedule C - Redesigned 990: Political Campaign and Lobbying Activities

Generally, the instructions for Schedule C are poorly organized, confusing, and lengthy (twenty-one pages of instructions for a four-page form). Most of the instructions related to Section 527 organizations.

Recommendation: To enhance clarity and expedite use, the IRS should re-design the instructions so that the preparer can go directly to the subsection in the instructions that apply to his/her organization. For simplicity and clearness, we suggest reformatting the instructions based on type of organization:

Section 1: General instructions

Section 2: Definitions

Section 3: Instructions for 527 organizations

Section 4: Instructions for 501(c)organizations other than 501 (c) (3)

Section 5: Instructions for 501 (c)(3) organizations who have filed Form 5768

Section 6: Instructions for 501 (c)(3) organizations who have not filed Form 5768

Recommendation: It is not mentioned in the form or the instructions for Schedule C, however, the IRS should specify that organizations are not required to report political/lobbying expenses from partnership interests in which the filing organization is a limited partner solely for investment purposes.

Comments on Schedule D, Supplemental Financial Statements

Generally, an organization's financial statements are on a consolidated basis consequently, the financial statements include subsidiaries and affiliates. Only the required FIN 48 footnote disclosure in Part X allows organizations to report based on the consolidated financial statements. The entire Schedule D ought to consider addressing consolidated financial statement matters through the instructions.

Recommendation: Provide guidance in instructions that the 990 reporting entity for these items needs to parallel the organization financial reporting entity and therefore agree with what is reported in the organization's financial statements.

OR

Include a box for the entity to identify in each section whether the response applies only to the organization filing the 990; or only to subsidiaries and affiliates in consolidated financial statements or to both. -- clarify in this box that the entry on the 990 agrees with information reported in the organization's audited financial statements; and the difference is the consolidation of subsidiaries and/or affiliates for financial reporting.

Schedule D, Part II, Conservation Easements. Clarification is needed to distinguish whether something is a Conservation Easement for the preservation of property for historic, education, or recreational purpose (page 3/4) or a Historical Treasure in Part III.

Recommendation: Include examples that illustrate the distinctions between the two.

Schedule D, Part IV, Trusts, Escrow and Custodial Arrangements. Please include instructions stating that charitable giving arrangements such as charitable remainder trusts should be excluded from reporting here.

Schedule D, Part V: Endowment Funds, Lines 1 through 4:

Permanent (true) endowments are endowment funds that are maintained to provide a permanent source of income, with the stipulation that principal must be invested and kept intact in perpetuity, while only the income generated can be used by the organization.

Recommendation: This definition of permanent or true endowments does not reflect either UMIFA (Uniform Management of Institutional Funds Act) or the relatively new UPMIFA (Uniform Prudent Management of Institutional Funds Act) of 2006. Consider noting in the instructions that permanent (true) endowments fall under the definition of donor restricted endowment funds per FASB Statement 117, and FASB Staff Position 117-a. The definition should be modified to indicate that such endowment funds are restricted by the donor in perpetuity, and according the FASB a portion of the fund – usually original gift(s) – is (are) classified as permanently restricted.

Schedule D, Part V: Endowment Funds, Line 1f: *Enter the amount of current year administrative expenses.*

Recommendation: Clarify that current year administrative expenses are those actually charged against the organization’s endowment and not expenses charged by investment administrators.

Schedule D, Part VI: Investments-Land, Building and Equipment:

Including land, buildings and equipment held for investment as separate information on Schedule D is problematic because the instructions also require that the total on Schedule D agree with Balance Sheet land, building and equipment and many filing entities would include land, building and equipment held for investments under investments.

Recommendation: The Schedule D instructions for Part VI must clearly state that Part VI is the portion of line 10 (core form) that are investments. Additionally, the core form instructions for Part X, line 10 should clearly state that line 10 includes **both** property, plant, and equipment (PPE) used for operations **and** PPE that may be held in the organization’s investment portfolio.

Alternatively, the Service should consider revising the core form balance sheet (Part X) to include a separate line item for PPE held for investment (e.g. separate line 10 into line 10a – PPE for operations and line 10b – PPE held for investment). Such a change would need to be accompanied by separate instructions for these balance sheet line items. In addition, such a change would require that Schedule D, Part VI instructions clearly delineate that PPE totals for operations agree with Part X, line 10a, and that PPE held for investment must agree with Part X, line 10b.

We also suggest that a clarification be made for REITs (Real Estate Investment Trusts). Because a REIT is the “interest” in the tangible asset, we suggest that the instructions indicate that REITs are only included in Part VI of Schedule D and not in Part X, Line 10 of the core form.

Schedule D, Part VII: Investments-Other Securities:

The category “other securities” is not as comprehensive as it should be..

Recommendation: Add that ownership interests in flow through entities such as limited partnerships are considered “other securities.” Issue: revise instructions to clarify that ownership interests in flow through entities such as partnerships, LLC’s etc are included as “other securities.”

Schedule D, Part VII: Column (b):

Enter the book value for each investment.

Recommendation: Because book value generally implies “cost” for many users; consider saying “carrying value.” Add a sentence that book value means the carrying value of the investments on the organization’s books and records and not the original cost basis.

Comments on Schedule F, Foreign Activities

Schedule F, Page 1, Definitions. The definition of a foreign government should be changed to also exclude state and local governments in the U.S. as well as the District of Columbia and U.S. territories. The definition of foreign individual says it is a person who lives or resides outside the U.S. including a U.S. citizen or resident. It is imperative that the definition specify the length of time required for an individual to be outside the U.S. in order to qualify as living or residing outside the US.

For example, if a U.S. citizen or resident goes abroad to study for 3 weeks, are they considered to be living or residing outside the U.S.?

Recommendation: We suggest the adoption of one of the following options:

Option 1:

Based on the rules for income earned abroad, the definition would be a U.S. citizen or a U.S. resident alien who is physically present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months.

Option 2:

Based on the rules for tax treaties, generally, persons in a country for less than 183 days in a 12-month period are not considered residents. Therefore, the definition should be modified to say that a foreign individual is a person who lives or resides outside the U.S. for more than 183 days in a 12-month period including a U.S. citizen or resident.

Schedule F, Page 2, Purpose of Schedule: In the draft instructions, activities conducted outside the US include program services.

Recommendation: The duration of the program should be considered. For example, program activities with duration of more than 183 days should be reported. This would reduce the reporting burden by eliminating short-term programs.

The first paragraph states that activities conducted include passive investments other than financial accounts.

Recommendation: Passive investments would be reported elsewhere, Schedule R or the 990-T, so it is either unclear as to what should be reported here or it is redundant reporting, or both. Examples are needed.

It also states that foreign governments do not include a U.S. government agency regardless of where it is located or operated.

Recommendation: It should also specify that state and local governments in the U.S. as well as the District of Columbia and U.S. territories are not to be included.

Schedule F, Part I, column (f), expenditures, filers are instructed to enter the total amount of expenditures for activities conducted in each listed region.

Recommendation: Again, duration should be included so that it would say: enter the total amount of expenditures for activities conducted for more than (for example) 183 days in each listed region.

Also, the instructions say do not report expenditures paid in the US or outside the listed region, even if they are allocable to the listed activity. The current wording, expenditures paid in the US, could be misinterpreted as expenditures paid from the US.

Recommendation: This appears to be referring to overhead costs and would be clarified if it were reworded to say do not report expenditures for activities in the US or outside the listed region, even if they are allocable to the listed activity.

Schedule F, Part II, columns (a) and (b), the instructions say do not complete these. Will these be required in the future? If so, most foreign organizations will not have an IRS code section or EIN.

Comments on Schedule G, Supplemental Information Regarding Fundraising

Part II – Events. In many cases, college and university fundraising events do not require contributions to be made at the time of the event. The contributions would come in on a rolling basis and may or may not be in relation to a specific event. While the events may be part of a capital campaign, the event may have dinner or drinks provided. In these types of events the matching of revenue to expenses incurred to host the event would be difficult.

Recommendation: We suggest additional guidance on matching revenue to event expenses. The instructions should specify that only funds contributed during the actual time of the event is revenue related to the event and should be disclosed. Any contributions made after the event has concluded should not be included in event revenue. All other revenue should be general gifts/contributions. The definition of a fundraising event should be amended to include that the funds must be contributed at the time of the “event” and “event” does not include mere solicitation but solicitation combined with contribution.

Comments on Schedule K, Supplemental Information on Tax Exempt Bonds

Schedule K, Part I, Bond Issues. The instructions require information for “each outstanding tax-exempt bond issue which both had an outstanding principal amount in excess of \$100,000 as of the last day of the tax year and was issued after December 31, 2002”. An issue arises with respect to refunding bonds issued after this date but which apply to bonds issued prior to this date, some of which were issued decades ago. Although

the organization is expected to retain appropriate records oftentimes the records for these older bonds are kept in archaic formats , e.g. microfiche, or stored off-premises, putting an extraordinary burden on the preparer in preparing these tax returns.

Recommendation: We suggest the adoption of one or both of the following:

Option 1:

Apply a threshold of \$100,000 to the refunded bonds issued prior to December 31, 2002, which allows the organization to forgo reporting such information.

Option 2:

Apply a threshold that excludes from reporting or ‘grandfathers’ the bonds issued before December 31, 1998.

These thresholds serve to assuage justifiably the administrative efforts put into collecting and reporting the information on the bonds issued prior to this date.

Schedule K, Part II, Proceeds, Line 8. The instructions require the organization to “provide the year in which the construction, acquisition or rehabilitation of the financed project was substantially completed”. With respect to multiple projects, the organization is required to “provide the latest year in which construction, acquisition or rehabilitation of each of the financed projects was substantially completed.

Recommendation: We suggest that to better understand precisely how this information should be reported that an example or two be provided as an illustration.

Schedule K, Part III, Private Business Use, Line 3c. The form asks whether the organization “routinely engage[s] bond counsel or other outside counsel to review any management or service contracts or research agreements relating to financed property”. The instructions, however, delete reference to the term ‘routinely’. The instructions phrase the question differently, asking “whether the organization requires bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property.”

Recommendation: We suggest that the language read consistently in both the form and the instructions.

Comments on Schedule M, Noncash Contributions

Who Should File: Recommendation: If Schedule M is never required for 990-EZ filers, so state. Currently the instructions merely say required if file 990 and answer XXXX to checklist questions.

Reporting Methods (number of contributions – i.e. donor focus or number of items – i.e. property focus):

- Can entity change method from year to year?
- Can different methods be used for different property?
- Can different methods be used for the same property type?

Methods of Reporting. Systems and processes change from year to year. Not all units involved in acceptance and recording are necessarily at same geographic location, use same contributor relations system and/or follow same process.

Recommendation: Make clear that an organization can change its reporting of “number of contributions” from year to year. Provide clarity on applying different methods for different property and/or for the same property.

Forms 8283. If an institution has an exact count for some 8283’s but does not have an exact count for all, should the entity report a number or leave blank?

Recommendation: Revise instructions to disclose information in three separate categories: actual number; estimated number and basis for estimate; unknown.

Property that lends itself to reporting in more than one category (i.e. certain antiques, etc). **Recommendation:** Revise instructions to recommend that the organization disclose additional information in Part II if they’ve classified an item in one category but they think it might lend itself to another category.

Auctions: Many exempt organizations host charitable fund raising auctions during the year.

Recommendation: We suggest that the Service establish guidelines that permit some aggregation of property sold at charitable auction. For example, if the auction is a charitable fund raising event only for the entity’s benefit and the gift or property auctioned is less than \$500, you can aggregate items under as “charitable auction property” under other.

Comments on Schedule R – Related Organizations and Unrelated Partnerships

Definition of Related Organization:

The definition in the glossary of related organization is incomplete as it does not address relationships by ownership. The instructions for Schedule R have the definition of “control” but do not say whether these are related entities.

Recommendation: We suggest that the definition of related organization in the glossary say, “see definition of control” as this definition is closely related. Also, on page 3 of the instruction to Schedule R under the definition of “control” and in the glossary under “control,” we recommend that the definition be revised to add “ownership of 50% or more in the value of the stock in a corporation.”

IRC Section 509(a)(3) Supporting Organizations:

IRC Section 509(a)(3) supporting organizations are required to be disclosed in Part II of Schedule R. A supporting organization is granted IRC Section 509(a)(3) status without notification to the supported organization.

Recommendation: The instructions should require disclosure of 509(a)(3) supporting organizations to the extent they can be identified by the supported organization.

NACUBO is grateful for the Service's community outreach efforts in redesigning the Form 990. We stand ready to work with you and your staff as you finalize the instructions. If you have any questions, please contact me at 202.861.2509 or Mary Bachinger, director, tax policy, at 202.861.2581 or e-mail mary.bachinger@nacubo.org.

Sincerely,



John D. Walda
President and Chief Executive Officer

Cc: Steven T. Miller, Commissioner, Tax Exempt and Governmental Entities
Clifford J. Gannett, Director, Tax Exempt Bonds

The associations listed below join NACUBO in these comments:

American Association of Community Colleges (AACC)
American Association of State Colleges and Universities (AASCU)
American Council on Education (ACE)
Association of American Universities (AAU)
Association of Catholic Colleges and Universities (ACCU)
Association of Community College Trustees (ACCT)
College and University Professional Association for Human Resources (CUPA-HR)
Council for Advancement and Support of Education (CASE)
Council for Christian Colleges & Universities (CCCU)
Council of Independent Colleges (CIC)
Hispanic Association of Colleges and Universities (HACU)
National Association of Independent Colleges and Universities (NAICU)
National Association of State Universities and Land-Grant Colleges (NASULGC)
National Association of Student Financial Aid Administrators (NASFAA)
National Collegiate Athletics Association (NCAA)