

# Forms 990-PF

## Practical Considerations

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## PF Compliance versus PC

- Organizational documents of a private foundation (PF) and a (PC) Public Charity must both contain prohibition against spending for benefit of insiders, referred to as disqualified persons, and permanent dedication of assets to charitable purposes listed in IRC § 501(c)(3).
- Differences are illustrated in the very different front pages and distinctive schedules reporting data to monitor adherence to specific restraints.

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# PF Compliance versus PC

## Enhanced Tax Code Provisions Imposed on PFs

Excise Tax on Investment Income	§4940
Self-Dealing with Disqualified Persons	§4941
Minimum Distribution Requirement	§4942
Excess Business Holdings	§4943
Jeopardizing Investments	§4944
Taxable Expenditures	§4945

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## Practical Considerations

The Form 990-PF contains many parts with data and disclosures that allow one who knows the “Hard Don’t” that apply by statute to spending and practices of a private foundation to identify potential violation of the “Don’ts.”

- The same opportunities for data mining discussed by Eve for public charities certainly exist for a PF.
- Additionally advance IRS approval for some activities is required for a PF.

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## **Practical Considerations**

The XVII (27) Parts of Form 990-PF present facts and figures to allow the reader and IRS :

- to calculate any excise tax on investment income,
- to report transactions that reflect failures to meet standards of conduct, and
- to evaluate satisfactory compliance with applicable rules.

## **Recommendations**

- Consider using cash basis for tax purposes to simplify conversion of accrual basis financial reports to cash for mandatory payout purposes.
- Design listing of grants paid (Part XV) and description (Part IX-A) of direct charitable activities (DCAs) to inform grant-seekers of PF's mission and intended beneficiaries to avoid overload of requests. Invest in good software!

Also available as part of the eCourse

[2021 Nonprofit Organizations eConference](#)

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38<sup>th</sup> Annual Nonprofit Organizations Institute session

"Forms 990 and 990-PF: Practical Considerations"