

who received the assets distributed in liquidation or termination, the kinds of assets distributed to each one, and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets except transfers for full consideration or distributions from current income.

A *major disposition of assets* is any disposition for the tax year that is:

1. At least 25% of the fair market value of the organization's net assets at the beginning of the tax year; or
2. One of a series of related dispositions begun in earlier years that add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions depends on the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

Line 80. Relation To Other Organizations

Answer "Yes" if most (more than 50%) of the organization's governing body, officers, directors, trustees, or membership are also officers, directors, trustees, or members of any other organization.

Disregard any coincidental overlap of membership with another organization; that is, when membership in one organization is not a condition of membership in another organization. For example, assume that a majority of the members of a section 501(c)(4) civic organization also belong to a local chamber of commerce described in section 501(c)(6). The civic organization should answer "No" on line 80a if it does not require its members to belong to the chamber of commerce.

Also, disregard affiliation with any statewide or nationwide organization. Thus, the civic organization in the above example would still answer "No" on line 80a even if it belonged to a state or national federation of similar organizations. A local labor union whose members are also members of a national labor organization would answer "No" on line 80a.

Line 81. Expenditures For Political Purposes



Political organizations described in section 527 are not required to answer this question.

A *political expenditure* is one intended to influence the selection, nomination, election, or appointment of anyone to a federal, state, or local public office, or office in a political

organization, or the election of Presidential or Vice Presidential electors. It does not matter whether the attempt succeeds.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

All section 501(c) organizations. An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under section 527(f)(1).

If a section 501(c) organization establishes and maintains a section 527(f)(3) separate segregated fund, it is the fund's responsibility to file its own Form 1120-POL if the fund meets the Form 1120-POL filing requirements. Do not include the segregated fund's receipts, expenditures, and balance sheet items on the Form 990, or Form 990-EZ, of the section 501(c) organization that establishes and maintains the fund. When answering questions 81a and 81b on its Form 990, this section 501(c) organization should disregard the political expenses and Form 1120-POL filing requirement of the segregated fund.

However, when a section 501(c) organization transfers its own funds, to a separate segregated section 527(f)(3) fund for use as political expenses, the 501(c) organization must report the transferred funds as its own political expenses on its Form 990 or Form 990-EZ.

Section 501(c)(3) organizations. A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

A section 501(c)(3) organization must pay a section 4955 excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization who knowingly agrees to a political expenditure must pay a section 4955 excise tax, unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

When a section 501(c)(3) organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures:

- Remuneration to such individual (a candidate or prospective candidate) for speeches or other services;
- Travel expenses of such individual;
- Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by such individual;
- Expenses of advertising, publicity, and fundraising for such individual; and
- Any other expense that has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of such individual.

An organization is effectively controlled by a candidate or prospective candidate only if such individual has a continuing, substantial involvement in the day-to-day operations or management of the organization.

A determination of whether the primary purpose of an organization is promoting the candidacy or prospective candidacy of an individual for public office is made on the basis of all the facts and circumstances. See section 4955 and Regulations section 53.4955.

Use Form 4720 to figure and report the excise taxes.

Line 82. Donated Services or Facilities

Because Form 990, or Form 990-EZ, is open to public inspection, the organization may want the return to show contributions the organization received in the form of donated services or the use of materials, equipment, or facilities at less than fair rental value. If so, and if the organization's records either show the amount and value of such items or give a clearly objective basis for an estimate, the organization may choose to enter this optional information on line 82b. The IRS does not require any organization to keep such records. However, do not include the value of such items in Part I or II, or in the expense column in Part III. The organization may indicate the value of donated services or use of materials, equipment, or facilities in Part III in the narrative description of program services rendered. See the instructions for Part III.

Line 83a. Public Inspection Requirements

Answer "Yes" only if the organization complied with its public inspection obligations described in *General Instruction M*.

Line 83b. Disclosure Requirements For *Quid Pro Quo* Contributions

See *General Instruction L*.