

May 11, 2010

R. Joseph Durbala
Internal Revenue Service
Room 6129
1111 Constitution Avenue, NW
Washington, DC 20224

RE: Instructions for Form 990, *Return of Organization Exempt from Income Tax*

Dear Mr. Durbala:

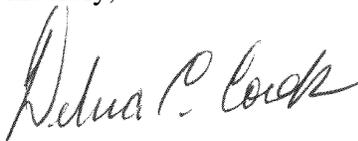
The American Institute of Certified Public Accountants (AICPA) is pleased to provide comments on Instructions for Form 990, *Return of Organization Exempt from Income Tax*. The comments were developed by our Form 990 Task Force made up of practitioners who serve tax-exempt organizations and are experienced with both the nuances of the Form and the challenges that arise for taxpayers in trying to complete the Form. The comments were approved by our Exempt Organizations Tax Technical Resource Panel.

Please note that we submitted comments on Form 990 under a separate cover letter on March 31, 2010. These comments are also included in this submission with “Form” indicated in the relevant tabs of the workbook.

The AICPA is the national, professional association of CPAs, with approximately 360,000 members, including CPAs in business and industry, public practice, government, and education; student affiliates; and international associates. Our members provide audit and tax services to thousands of not-for-profit organizations.

We look forward to working with you in the future on this matter. We stand ready to discuss and explain our comments with you at any time. If you have any questions, please contact me at (405) 552-3827 or dcook@kpmg.com or Melissa Labant, AICPA Technical Manager, at (202) 434-9234, or mlabant@aicpa.org.

Sincerely,



Debra C. Cook
Chair, AICPA Exempt Organizations Tax Technical Resource Panel
Chair, AICPA Form 990 Task Force

cc: Lois Lerner, Director
Stephen Clarke, Tax Law Specialist

Section of the Form	Importance	Urgency	Comment	Recommendation
All	High	High	Add Thresholds throughout the instructions at the top of any schedule, part or line that has a specific threshold for reporting. For example, Schedule H, Part IV asks for a list of Management Companies and Joint Ventures. You have to go to the Instructions to find that Part IV should be filled out ONLY if the named persons owned more than 10% of the management company or joint venture (and that the services provided have to do with medical care). The title in Part IV should mention this >10% requirement and then refer to the instructions.	This would be extremely helpful for preparers, readers, and reporting organizations to have an easy reference so they know right away if disclosure is required. For example, add to the title of Schedule H, Part IV, "More than 10% ownership required: See Instructions".
Group Return requirements	Medium	Medium	Group return instructions don't address why a parent return also has to be filed.	Please explain why a parent return has to be filed in addition to the group return.
Form 990, Part I	Low	Low	Similar to 2008, in most cases page 1 of the return will not foot as in prior years and looks odd if the organization isn't required to complete the reconciliation sections of Schedule D.	Please explain in the instructions that this is OK and/or to be expected.
Block H(c)	Medium	Medium	IF all entities filing their own 990 who are subordinates -- in other words, exempt -- under group ruling are to enter the Group's Ruling Number -- instruction for this line should be inserted to say so (right now there IS NOT any instruction at all)	Add an instruction for subordinates who file their own 990 to enter the Group's Ruling Number.

Part VI, Line 1a	Medium	Medium	The form does not reference the need for a comment on Schedule O regarding Board delegated authority to a Committee of the Board of Directors.	The form should clarify a comment is necessary as a disclosure on Schedule O if the Board has delegated powers to a Committee of the Board of Directors.
Part VI, Line 11	Medium	Medium	It is not clear whether the filing organization needs to provide a copy of the Schedule B with the donors listed to the Board Members in order to Answer "Yes." The instructions state that the organization needs to provide a complete copy of the Form 990.	They should address whether Schedule B should be provided in the instructions.
Part VI, Line 16	Medium	Medium	The instructions currently do not define "taxable entity." If a non-profit enters in a partnership with another non-profit, the instruction should say that this situation does not involve a "taxable entity."	The instructions need to define the term "taxable entity."
Part VI, Line 15a&b	Medium	Medium	The instructions do not clarify whether a "compensation committee" is a subset of the governing body, and/or independent of management.	Instructions should clarify independence of "compensation committee" from management, as some taxpayers are interpreting this term as including top management (especially with regard to their response to Question 15b).
Part VI, Line 1	Medium	Medium	Reference should be made to Schedule O for discrepancies between Line 1a and Line 1b.	Instructions should clarify that if a discrepancy exists between Line 1a and Line 1b, the discrepancy should be discussed as a disclosure on Schedule O.
Part VI, Line 1a	Medium	Medium	The form does not reference the need for a comment on Schedule O regarding the Board delegated authority to a Committee of the Board of Directors.	The form should clarify a comment is necessary as a disclosure on Schedule O if the Board has delegated powers to a Committee of the Board of Directors.

<p>Page 25, Common paymaster or payroll/reporting agent</p>	<p>HIGH</p>	<p>HIGH</p>	<p>COMMON PAYMASTER-The instructions on page 25 provide that amounts paid by a common paymaster for services performed for the organization are to be reported as if paid directly by the organization. Similarly, amounts paid by the common paymaster for services performed for a related organization are to be treated as if paid directly by the related organization. Although not specifically stated in the instructions, it is not unreasonable to assume that the basis for such reporting would be the hours of service provided to each related organization. However, in the absence of time records upon which to base the hours provided to each entity, any such allocation would have to be subjective and , in many instances, not accurate. Furthermore, depending on the amount of reportable compensation, it is more likely than not that there would be a distortion in the average hours reported relative to reportable compensation entered in Part VII, Column (D) for the filing organization. This method of reporting imposes additional burden and time to produce allocations which are not necessarily accurate, nor productive of transparency.</p>	<p>Since all reportable compensation from the filing and related organizations Column (E)) are reflected in Part VII, the total reportable compensation is reflected in Part VII for all related organizations. Accordingly, it is recommended that compensation paid by a common paymaster should be reported on such organization's Form 990 in Column (D) and in Column (E) of all the related organizations. The average hours entered in Column (B) should be the total average hours provided to all entities, filing and related as reflected in Schedule R. Schedule O could be utilized to provide a narrative that sets forth an overview of the compensation practices.</p>
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<p>Page 23, Members of the Clergy</p>	<p>MEDIUM</p>	<p>MEDIUM</p>	<p>The instructions correctly point out that certain members of the clergy not subject to social security and Medicare can receive compensation not reportable in Box 5, and in such cases the amount to be reported is the amount in Box 1. In many instances such persons receive a parsonage allowance which is not reportable in Box 1.</p>	<p>Because in many instances such persons receive a parsonage allowance that is not reportable in Box 1, the instructions should make reference to that. In addition, the compensation matrix on pages 27-29 should have a line added (for clergy) to the ones provided for taxable and nontaxable housing provided by an employer that could be referenced from page 23 of the instructions.</p>
<p>PART VII, SECTION A, QUESTION 5 (PAGE 30)</p>	<p>MEDIUM</p>	<p>MEDIUM</p>	<p>The instructions provide that for purposes of line 5 disregard "2. payments from a common paymaster". The instruction is intended to result in a no answer to line 5 and the reporting of compensation in accordance with the common paymaster instruction on page 25. However, as phrased the question can result in the belief that such compensation is not to be reported at all in Part VII.</p>	<p>The instructions should make specific reference to the common paymaster reporting instructions on page 25.</p>
<p>Part VII, SECTION A, Line 2</p>	<p>HIGH</p>	<p>HIGH</p>	<p>If the recommendation with respect to common paymaster reporting is adopted the number of persons to be reported on line 2 would be limited to the persons paid directly by the filing entity, and would not include those paid by the common paymaster.</p>	<p>The instructions should provide that the number of persons to be entered are only those paid directly by the filing organization.</p>

Compensation Table Page 27	MEDIUM	MEDIUM	Compensation table on page 27 of the instructions explains that no reporting is required for "qualified or nonqualified plan investment earnings." [second cell from the bottom of page 27]. However, on page 28, the instructions indicate that an "increase in earnings of nonqualified plan" is to be included in other compensation.	Clarify what is meant by the "increase in earnings of nonqualified plan." These two instructions appear inconsistent.
Part VII	High	High	Currently, if the filing organization is a fiscal year filer and it acquires another non-profit during the fiscal year, it needs to list compensation paid to officers, trustees and key employees, made during the prior year before the acquisition. This means the filing organization is reporting compensation paid or accrued when it was not in control of the organization.	The instructions need to address how compensation is to be reported if a related organization is acquired during the fiscal year and the form is asking for prior year compensation. Would it be possible to not have to report this kind of compensation?
Chart	Low	Low	The chart does not address cash balance plans	Address in the chart
Chart	Low	Low	The chart does not address losses in value from defined benefit plans	Address in the chart
Part VII, Section 1A	High	High	The "current" vs. "former" rules are very confusing, both for practitioners and taxpayers. For example, a "former" officer is determined by reference to a taxpayer's fiscal year, while a "former" key employee or 5HP is determined by reference to the calendar year ending within the fiscal year. Much time is spent on sorting current and former officers and employees, for little additional useful information.	Conform the rules for "formers" such that the taxpayer's fiscal year is the determining factor. Make a determination of "current" or "former" status for officers, Key Employees and 5HPs based solely on fiscal year service. Calendar year compensation may then be used to determine reporting threshold and amounts reported in Part VII.

<p>Part VII, Line 1a</p>	<p>High</p>	<p>High</p>	<p>The Form 990 instructions for Part VII do not address what to do in the instance of a Professional Employer Organization (PEO) arrangement. A PEO arrangement usually involves a type of co-employment agreement in which both the PEO and the client company have an employment relationship with a worker. The PEO and the client company contractually allocate some and share other traditional employer responsibilities and liabilities. The PEO usually assumes responsibility and liability for the "business of employment" such as risk management, personnel management, Human Resource compliance, and payroll and employee tax compliance. The client company provides direction and control of the employees and manages tasks like product development and production, marketing, sales and service. The IRS generally recognizes the PEO as the employer for federal income and unemployment taxes. In the context of persons reportable in Part VII, it seems to us that persons employed by a PEO are not full employees of the organization, but are also not full employees of the PEO.</p>	<p>Provide guidance with regard to the following:</p> <ol style="list-style-type: none"> 1. Would officers' compensation have to be reflected in Part VII, or would the PEO arrangement be regarded more like a unrelated management company arrangement – with "-0-" shown for compensation in Part VII (and a full explanation of the arrangement in Schedule O)? 2. Would key employees, and 5 highest-paid (and their compensation) have to be listed in Part VII, and Schedule J, if applicable? 3. Would PEO co-employees have to be listed in Schedule J if they met the reporting requirements, even though their employer of record, for income and employment tax purposes, is the PEO? 4. Would the PEO be an "independent contractor" for purposes of listing the 5 highest-paid independent contractors in Part VII?
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<p>Core, Part IX</p>	<p>Medium</p>	<p>Medium</p>	<p>In the instructions for Column B and Column D, there are paragraphs relating to the expenses to secure a grant. This is the last paragraph in program expenses (Col (B)) and the first paragraph in the fundraising expenses (Col(D))</p>	<p>Provide additional clarity for when the expenses related to proposal writing can be considered as program expenses. Further, if a professional fundraiser (including a grant writer not on staff as an employee) is used for this purpose, and the expenses qualify as program expenses, note that Line 11g should be used.</p>
<p>Core, Part VIII</p>	<p>Medium</p>	<p>Medium</p>	<p>In the instructions for line 8(c), the example provided is unclear as it relates to the donative element of the auction item sold.</p>	<p>The example should be written to read as follows: If an organization receives a donation of a painting appraised at \$5,000 at the time of donation, sells it for \$7,500 at an auction, and incurs \$500 in costs related to selling the painting at auction, it should report \$5,000 on line 1f and on line 1g (at the time of donation). The \$7,500 gross proceeds from the auction should be reported as \$5,000 on line 8a with the \$2,500 excess reported on line 1(c), the \$5,000 contribution value and \$500 in auction costs on line 8b. If the painting sold at auction for \$2,500, the organization would report a net loss of \$3,000 (\$2,500 – \$5,500) on line 8c. The organization would also need to report this contribution of art on Schedule M, line 1 if it received over \$25,000 in noncash contributions during the filing year.</p>

Hospital Definition	High	High	Hospitals definition under state law can be very broad including such things as a dental clinic and urgent care clinics	Add to hospital definition "Is regulated as a hospital by a state Department of Health or its equivalent; and/or holds itself out to the public as a hospital or provider of hospital based services which means a place which is devoted primarily to the maintenance and operation of facilities for the diagnosis, treatment or care over a period exceeding twenty-four hours of two or more nonrelated individuals suffering from illness, injury, or deformity or a place which is devoted primarily to the rendering over a period exceeding twenty-four hours of obstetrical or other medical or nursing care and/or files a state and/or Medicare cost report CMS 2552 intended to be filed by hospitals.
Principal Officer Definition	High	High	Definition begins "For purposes of Part II, Signature Block"	The definition should say, "For purposes of Heading, Item F"
Person Definition	High	High	No definition for "Person" as used in the instructions.	Add a definition for "Person" as defined in IRC Sec. 7701(a)(1) noting who and what is encompassed under the definition.
Non Cash Contributions Definition	High	High	No definition for "Non Cash Contributions" as used in the instructions.	Add a definition for Non Cash Contributions. Indicate items not to be included such as discounts on equipment and materials, and donated services.

Schedule A, Part II	High	High	The instructions to the last line of Part II and Part III (listed in each case as a TIP) informs the organization completing that section, that if it does not pass the test as listed it may still qualify as a publicly supported organization. The TIP informs the organization to try the other test (either Part II or Part III).	Add a line at the top of Part II as follows: If the organization fails to qualify under the tests listed below, please complete Part III. Add a line at the top of Part III as follows: If the organization fails to qualify under the tests listed below, please complete Part II.
Schedule A, Part III, Line 7(b)	Medium	Medium	The instruction is confusing whether a charity is subject to the \$5,000 or 1% excess test for inclusion in the numerator of the public support test for 509(a)(2) organizations. This is spelled out in the Reg 1.509(a)-3. We believe that it is not the type of organization that distinguishes, but the use of the funds. The key is if the funds were properly classified as a grant or program service. That is determined by whether the donor received a direct benefit or if the general public received the benefit.	Add the word "or organization" to the instructions so the preparer knows that if the filing organization received money from a private school then that money could be subject to the excess test if the school received a direct benefit. Also, add "See Reg. 1.509(a)-3(f) and (g)." so the preparer can quickly find help. The revised instructions would read as follows: "Line 7b. For any gross receipts included in lines 2 and 3 from related activities from a person or organization, or from a bureau or similar agency of a governmental unit, other than a disqualified person, that exceed the greater of \$5,000 or 1% of the amount on line 13 for the applicable year, enter the excess on line 7b. See Reg. 1.509(a)-3(f) and (g). The organization should..."
Schedule A, Year Headings	Medium	Medium	Instructions do not provide for the situation where organizations have short period returns	Provide in the instructions that organizations should use the current year and four (4) preceding tax year filings.



Schedule D, Part V, Line 2a	High	High	Net Asset Classes for Endowment Funds should agree with financial statement GAAP reporting. GAAP reporting uses Unrestricted, Temporarily Restricted and Permanently Restricted.	Use the same net assets classes as GAAP financial statements (Unrestricted, Temporarily Restricted and Permanently Restricted).
Schedule D, Part V, Line 3	Medium	Medium	The instructions do not define what is meant by "administered by others".	The instructions should provide a definition of "administered". For example, if a partnership holds the endowment for many organizations for investment purposes only but does not decide or have any part in distributing the endowment, it should not be considered "administered" simply due to pooling of investments in a large entity in order to generate better returns.
Schedule D, Part V	Medium	Medium	There has been much confusion amongst some taxpayers as to the definition of "endowment funds" for purposes of this section. The reference in the instructions to SFAS 117 apparently is not sufficient to clarify that endowment funds reported in this section should comport with what is reported in taxpayer's audited financial statement "endowment" footnote.	Specifically state in the instructions that taxpayers with audited financial statements should report only those funds noted as "endowment" in their audited financial statements, rather than all of their temporarily and permanently restricted funds. See suggested language below:

Suggested Language:

Schedule D, Part V, Line 1: An "endowment" is a fund intended to generate income for use in a project or activity, rather than a mere set-aside of principal for future use. An endowment may be a Board-designated fund ("quasi-endowment"), a temporarily restricted fund, or a permanently restricted fund. Its status as an endowment is dependent upon the intent with which it was set up, rather than on its restrictions. For example: funds designated as a reserve fund are not set aside for the purpose of generating income, as the principal is intended to be used be used as a "rainy day" fund. This type of fund, regardless of its classification, is not an endowment. Funds designated by an organization's Board of Directors that are set aside for the purpose of generating income each year, with the income used to fund annual operations, would

be a Board-designated (or quasi) endowment.

Examples:

Example 1: Charity X has on its books Temporarily Restricted Fund A, that has been restricted for use in Program B. It is the intent of the donor that the principal of the fund be spent on Program B. Because the fund is not set up to generate income to used for Program B, Temporarily Restricted Fund A is a not an endowment.

Example 2: Charity Y has on its books Permanently Restricted Fund C, which was set up via donor bequest. The donor's intent was that Charity Y preserve the principal of the fund in perpetuity, with earnings from the fund spent on Program D. Because this fund was set up with the intent to generate operational income, Permanently Restricted Fund C is a permanent endowment.

Example 3: Charity Z has on its books Board-Designated Fund E, which has been designated by Charity Z's Board of Directors to help fund its operations. It was the intent of the Board, in setting up the fund, that the principal amount of the fund be left intact. Income from the fund would be used to help fund operation of Charity Z's Program F. Because this fund was set up with the intent to generate operational income, fund E is a quasi-endowment.

If an organization has received a set of GAAP audited financial statements for the tax year, its endowments are already laid out in its "Endowment" footnote. Accordingly, the organization's endowment disclosure for Part V of Schedule D will be the same as its disclosure in its audited financial statements.

Schedule D, Part V, Line 2: Under GAAP, there are 3 types of endowments: *board designated (quasi-endowment)* ; *permanent* ; and *term* . Each type can have different net asset classes. The name of the endowment type refers to the restriction placed on the principal of the endowment, as outlined in the chart below:

		A	B	C
Type	Who Restricts?	Net Asset Class of <u>Principal Balance</u>	Net Asset Class of <u>Accumulated Income Balance</u> (Above water)	Net Asset Class of <u>Accumulated Loss Balance</u> (Under water)
Permanent	Donor Restricted	Permanently Restricted	Temporarily Restricted	Unrestricted

(Traditional)			(Time Restricted)	(Designated)
Term	Donor Restricted	Temporarily Restricted (Time Restricted)	Temporarily Restricted (Time Restricted)	Unrestricted (Designated)
Board-Designated	Board Designated	Unrestricted	Unrestricted	Unrestricted
(Quasi)		(Designated)	(Designated)	(Designated)

The total endowment balance for *each fund* equals A + B or A – C. For permanent and term endowments, a temporarily restricted balance and an unrestricted balance on accumulated income/loss may not exist simultaneously - it is either one or the other. Furthermore, each individual fund must be analyzed separately. Accordingly, an organization's total permanent endowment balance might have all three net asset classes, if some individual permanent endowment funds are above water and some funds are under water.

Schedule F, Part-I, Line 3, Column (d)	HIGH	High	The instructions provide that investments are to be reported in Columns (a) and (d) but the Column (d) heading refers to other types of activities but not to investments.	The parenthetical in the heading of (d) should include a reference to investments.
Schedule F, Part-I, Line 3, Columns (b) and (c)-	HIGH	High	The Instructions provide that the details for each type of activity conducted at any time during the tax year in each region is to be reported on a separate line. Since different activities may be conducted by a particular office, the totals for the number of offices and number of employees or agents in a region may very well be misleading.	To preclude misinterpretation stemming from the totaling of offices and personnel engaged in multiple activities the total lines for Columns (b) and (c) should be blacked out.

<p>Schedule H, Part IV</p>	<p>Medium</p>	<p>Medium</p>	<p>Schedule H, Part IV asks for a list of Management Companies and Joint Ventures. You have to go to the Instructions to find that Part IV should be filled out ONLY if the named persons owned more than 10% of the management company or joint venture (and that the services provided have to do with medical care). The title in Part IV should mention this >10% requirement and then refer to the instructions.</p>	<p>Add to the title of Schedule H, Part IV, "More than 10% ownership required: See Instructions".</p>
<p>Schedule H, Part I, Lines 3(a) & 3(b)</p>	<p>High</p>	<p>High</p>	<p>Many hospitals have a charity care policy for free and/or discounted care - that uses multiple factors - both Federal Poverty and/or Assets or other measures.</p>	<p>Question 3(a) should read "Does the organization use Federal Poverty Guidelines (FPG) "as a factor" to determine eligibility for providing free care to low income individuals? Question 3(b) should read "Does the organization use FPG "as a factor" to determine eligibility for providing discounted care to low income individuals? Question 3(c) should read "If the organization uses FPG as a factor, or does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care.</p>

Who must file	High	High	Hospitals definition under state law can be very broad including such things as a dental clinic and urgent care clinics	Add to hospital definition "Is regulated as a hospital by a state Department of Health or its equivalent; and/or holds itself out to the public as a hospital or provider of hospital based services which means a place which is devoted primarily to the maintenance and operation of facilities for the diagnosis, treatment or care over a period exceeding twenty-four hours of two or more nonrelated individuals suffering from illness, injury, or deformity or a place which is devoted primarily to the rendering over a period exceeding twenty-four hours of obstetrical or other medical or nursing care and/or files a state and/or Medicare cost report CMS 2552 intended to be filed by hospitals.
Schedule I, Part IV	Medium	Medium	Part IV Instructions do not provide sufficient guidance on what additional explanations should be included as disclosures.	Part IV Instructions should be expanded to identify disclosures required (i.e.: accounting methods, etc.) similar to the instructions on Schedule F, Part IV.
Part II, Line 12	Medium	Medium	There is no instruction as to how to answer the question if it is Not Applicable due to there being no final allocation of proceeds yet.	Include in the instructions how to answer if the final determination is Not Applicable.

Schedule L, Part IV	High	High	<p>With respect to the definition of Interested Person for purposes of Part IV, the third bullet in the definition is too complicated to apply. The wording of the third bullet is as follows: An entity (other than a tax-exempt organization under section 501(c) or a governmental unit or instrumentality) of which a current or former officer, director, trustee, or key employee listed in Form 990, Part VII, Section A was serving at the time of the transaction as (1) an officer, (2) a director, (3) a trustee, (4) a key employee, (5) a partner or member with a direct or indirect ownership interest in excess of 5% (including ownership by a family member) if the entity is treated as a partnership, or (6) a shareholder with a direct or indirect ownership interest in excess of 5% (including ownership by a family member) if the entity is a professional corporation.</p>	<p>This piece of the definition of Interested Person needs to be simplified in order for filers to be able to comply with it. Bullet points might be helpful.</p>
Schedule M, Part I	Medium	Medium	<p>It is not clear how to report items that are simply "dropped off" at the filing organization such as stuffed animals, food products etc. The instructions say to report the number of contributions but the filing organization may not keep track of the number.</p>	<p>The instructions need to clarify how to report such items.</p>

<p>Schedule M, Part I</p>	<p>Medium</p>	<p>Medium</p>	<p>The instructions say not to report "services." If the filing organization receives a certificate for a hotel stay, airplane ticket, restaurant gift certificate etc., would these items be reported as "goods" or are they "services?"</p>	<p>The instructions need to clarify how to report such items. Add an example for "right to use" property (e.g., vacation condo) as falling within category of intangible property (and thus within the definition of noncash property) would be helpful. Example could also note that were such opportunity directly provided to the organization that would NOT be a gift of an intangible property right but rather a contribution of discounted services/use of facilities. Providing the right to use the vacation villa for transfer to a third party (e.g., via sale at a charity auction) does equate to contribution income even though not deductible by the donor</p>
<p>Schedule N, Part II</p>	<p>High</p>	<p>High</p>	<p>Although the analysis in this example follows the reading of the instructions, it is contrary to the regulations. Reg. Section 1.6043-3 defines substantial contraction as any partial liquidation or any other significant disposition of assets, other than transfers for full and adequate consideration or distributions out of current income.</p>	<p>Add a bullet to the list of items that do NOT require reporting on Part II, "Distributions out of current income." Modify the Asset sales made in the ordinary course such as gross sales of inventory to also include "transfers for full and adequate consideration" as this is the language in the regulations.</p>

Schedule R, Part IV	Medium	Medium	It is not clear how the filing organization should report charitable remainder trusts or other trusts where the filing organization is merely a beneficiary. The filing organization may find it difficult to assess how much interest it has.	The instructions should clarify how to report in this situation.
Parts I-II col (F) & III-IV (D)	Medium	Medium	The form is misleading in that "Direct controlling entity" makes a reader think it's always correct to insert an entity name here.	Change heading to "Direct controlling entity through indirect control", and explain more fully in the instructions
Part III	High	High	Part III needs clarification regarding the reporting of indirect partnership interests. The reporting of K-1 information from the actual partner on a return of an organization who has only indirect control seems misleading and does not seem to provide the user/reader sufficient information regarding the partnership interest.	Schedule R Part III instructions should be greatly clarified with numerous examples and perhaps Schedule R Part III should be redesigned to capture direct and indirect partnership interests separately with appropriate detail provided regarding the indirect partnership interest.
Part V	High	High	Line 2 column (b) instructions say "If the organization reports a controlled entity in column (a) but did not engage in any transactions with the controlled entity during the tax year, leave column (b) blank for that controlled entity" Line 2 instructions say "If the answer to any of the above is "yes", see the instructions for information on who must complete this line, including covered relationships and transaction thresholds."	It would appear that if no transactions are listed on Line 1, the organization would not even be listed on Line 2. Instructions should clarify when an organization needs to be listed on Line 2.