

The Most Common (and Costly) Form 990 Mistakes Nonprofits Make — and How to Avoid Them

For many nonprofits, Form 990 is treated as a routine compliance task. In reality, it is one of the most important documents an organization produces each year.

Form 990 is a public document used by the IRS, donors, grant makers, watchdog organizations, and journalists to evaluate a nonprofit's finances, governance, and transparency. Mistakes on the form can lead to IRS inquiries, lost funding opportunities, and reputational harm. Fortunately, many of the most common issues are also the most preventable.

1. Choosing The Incorrect Form

Choosing the right version of [Form 990](#) is crucial for your nonprofit. The IRS has multiple forms based on your nonprofit's revenue, and filing the wrong one can lead to delays and complications. The key forms are:

- [Form 990-N](#): For nonprofits with gross receipts of \$50,000 or less.
- [Form 990-EZ](#): For nonprofits with gross receipts under \$200,000 and assets under \$500,000.
- [Form 990](#): For nonprofits with gross receipts of \$200,000 or more, or assets of \$500,000 or more.
- [Form 990-PF](#): For private foundations.
- [Form 990-T](#): If your nonprofit has unrelated business income (UBI) of \$1,000 or more.

Best Practice: Always verify your nonprofit's financials to ensure you file the correct form. This will save time and prevent unnecessary complications in your filing. [Which 990 form should I file?](#)

2. Not Filing on Time

Filing Form 990 is crucial for maintaining your nonprofit's tax-exempt status. The IRS deadline is the **15th day of the 5th month** after the end of your accounting period. If your organization follows a calendar tax year, the deadline to file your 990 is **May 15th**. Failing to meet the deadline, especially for three consecutive years, will result in the automatic loss of tax-exempt status.

Best Practice: Set a reminder well in advance of the deadline, and if necessary, request an extension using [Form 8868](#), which gives you an additional six months. However, remember that this extension doesn't apply to payments due, so ensure you're up-to-date on any tax obligations.

3. Filing a 990 for the Wrong Tax Year

Filing Form 990 for the correct tax year is essential for smooth processing. The IRS requires nonprofits to file Form 990 for the fiscal year that ends within the specified deadline. Mistakes in selecting the tax year can lead to rejection, delays, or complications in the filing process.

- **Duplicate Filing Rejection:** One common error occurs when an organization inadvertently attempts to file Form 990 for the same tax year more than once. The IRS will reject duplicate filings for the same year, causing delays in your submission and requiring additional steps to resolve.
- **Short Tax Year Scenarios:** If your organization is filing for a short tax year (less than 12 months), the process differs slightly. This can happen if your organization changed its fiscal year or was newly formed during the year. In these cases, you'll need to file Form 990 for the short tax year, ensuring that the dates on the form accurately reflect the shortened period.

Best Practice: Double-check the tax year on the form before filing. If your organization is filing for a short tax year (less than 12 months), ensure that the correct tax year and dates are entered. In cases of duplicate filing, the IRS will reject your return, so always confirm that no prior submission has been made for the same tax year.

4. Inaccurate or Incomplete Financial Reporting

Financial reporting errors are among the most serious problems nonprofits encounter on Form 990. These mistakes often stem from rushed preparation, inconsistent accounting practices, or insufficient review.

Discrepancies frequently appear when Form 990 figures do not reconcile with internal financial statements, when revenue and expenses are inconsistently reported across sections, or when functional expenses are improperly allocated. Confusion on the balance sheet is also common.

Best Practice: Financial data should be reconciled to reviewed or audited statements before the return is finalized, and the same accounting method should be applied consistently throughout the form. Clear documentation of functional expense allocation methods is essential, as is a final cross-check to ensure all financial sections align with one another.

5. Weak, Vague, or Outdated Mission Statements

The mission statement plays a foundational role in Form 990, yet many organizations rely on generic or outdated language that fails to reflect their actual work.

When mission statements are vague or misaligned with program activities, they can make an active organization appear unfocused. This disconnect can raise questions for both the IRS and potential funders.

Best Practice: Nonprofits should take time each year to review their mission statement as part of the Form 990 process. The most effective mission descriptions clearly explain whom the organization serves, what it does, and why its work matters. The language used should align closely with program descriptions and financial reporting elsewhere in the return, creating a consistent narrative about the organization's purpose and impact.

6. Missing or Incorrect Schedules

Form 990 includes numerous supplemental schedules, and missing a required schedule is one of the most common technical errors nonprofits make.

These issues often occur when organizations overlook the connection between certain "yes" answers in Part IV and the schedules those answers require. Missing schedules can result in IRS

follow-up inquiries.

Best Practice: To reduce this risk, nonprofits should carefully review Part IV and treat it as a roadmap for required schedules. Preparation should include a deliberate review of which schedules apply based on the organization's activities, finances, and governance. A second-level review to confirm that all required schedules are included—and fully completed—can significantly reduce filing errors.

Bonus Tip: Tax990 automatically attaches required schedules for you to fill out when you check any boxes in Part IV.

Final Thoughts: Turning Form 990 into a Strategic Asset

Avoiding common Form 990 mistakes requires thoughtful preparation, collaboration, and review. When approached strategically, the return becomes more than a compliance requirement. It becomes a powerful tool for transparency, accountability, and trust.

By aligning financial reporting, governance disclosures, and program narratives, nonprofits can reduce risk while strengthening confidence among donors, regulators, and the public. A well-prepared Form 990 doesn't just protect an organization. It supports its mission.

Tax990 is partnered with Iowa VFW to help nonprofits file Form 990 by providing several levels of data checks to help nonprofits avoid common errors. Plus, with the Tax990 Commitment, every return filed with us comes with complimentary extensions, no-cost amendments, free retransmission of rejected returns, and guaranteed approval or your money back.

[Get Started Today!](#)

