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If you have any comments on this draft, you can submit them to us on our IRS.gov page titled [Comment on Forms and Publications](#), where you may make comments anonymously if you wish. You can also email us at taxforms@irs.gov. Please include the form or publication number in the subject. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each suggestion. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.

**SCHEDULE E
(Form 990 or 990-EZ)**

Schools

OMB No. 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service
Name of the organization

▶ **Complete if the organization answered "Yes" to Form 990,
Part IV, line 13, or Form 990-EZ, Part VI, line 48.
▶ Attach to Form 990 or Form 990-EZ.**

Employer identification number

Part I

		YES	NO
1	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
2	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
3	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe. If "No," please explain. If you need more space, use Part II		
4	Does the organization maintain the following?		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. If you need more space, use Part II.		
5	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?		
b	Admissions policies?		
c	Employment of faculty or administrative staff?		
d	Scholarships or other financial assistance?		
e	Educational policies?		
f	Use of facilities?		
g	Athletic programs?		
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain. If you need more space, use Part II.		
6a	Does the organization receive any financial aid or assistance from a governmental agency?		
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either line 6a or line 6b, explain on Part II.		
7	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," explain on Part II.		

Part II **Supplemental Information.** Complete this part to provide the explanations required by Part I, lines 3, 4d, 5h, 6b, and 7, as applicable. Also complete this part to provide any other additional information (see instructions).

DRAFT AS OF
November 20, 2012
DO NOT FILE

General Instructions

Future developments. For the latest information about developments related to Schedule E (Form 990 or 990-EZ), such as legislation enacted after the schedule and its instructions were published, go to www.irs.gov/form990.

Purpose of Schedule

Schedule E (Form 990 or 990-EZ) is used by an organization that files Form 990 or Form 990-EZ to report information on private schools.

Who Must File

An organization that answered "Yes" to Form 990, Part IV, line 13, or Form 990-EZ, Part VI, line 48, must complete and attach Schedule E to Form 990 or Form 990-EZ, as applicable. This means the organization checked the box on Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support, Part I, line 2, because it is a school.

If an organization is not required to file Form 990 or Form 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

For Form 990 and Form 990-EZ filers, use Part II if additional space is needed for explanations.

Specific Instructions

Part I

Relevant parts of Rev. Proc. 75-50, 1975-2 C.B. 587, are given below. The revenue procedure gives guidelines and recordkeeping requirements for determining whether private schools that are recognized as exempt from tax have racially nondiscriminatory policies toward their students.

4.01 Organizational requirements. A school must include a statement in its charter, bylaws, or other governing instrument, or in a resolution of its governing body, that it has a racially nondiscriminatory policy as to students and therefore does not discriminate against applicants and students on the basis of race, color, and national or ethnic origin.

4.02 Statement of policy. Every school must include a statement of its racially nondiscriminatory policy as to students in all its brochures and catalogues dealing with student admissions, programs, and scholarships. A statement substantially similar to the Notice described in paragraph (a) of subsection 1 of section 4.03, below, will be acceptable for this purpose. Further, every school must include a reference to its racially nondiscriminatory policy in other written advertising that it uses as a means of informing prospective students of its programs. The following references will be acceptable:

The (name) school admits students of any race, color, and national or ethnic origin.

4.03 Publicity. The school must make its racially nondiscriminatory policy known to all segments of the general community served by the school.

1. The school must use one of the following two methods to satisfy this requirement:

a. The school may publish a notice of its racially nondiscriminatory policy in a newspaper of general circulation that serves all racial segments of the community. This publication must be repeated at least once annually during the period of the school's solicitation for students or, in the absence of a solicitation program, during the school's registration period. Where more than one community is served by a school, the school may publish its notice in those newspapers that are reasonably likely to be read by all racial segments of the communities that it serves. The notice must appear in a section of the newspaper likely to be read by prospective students and

their families and it must occupy at least three column inches. It must be captioned in at least 12 point boldface type as a notice of nondiscriminatory policy as to students, and its text must be printed in at least 8 point type. The following notice will be acceptable:

Notice of Nondiscriminatory Policy as to Students

The (name) school admits students of any race, color, national and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at the school. It does not discriminate on the basis of race, color, national and ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school-administered programs.

b. The school may use the broadcast media to publicize its racially nondiscriminatory policy if this use makes such nondiscriminatory policy known to all segments of the general community the school serves. If this method is chosen, the school must provide documentation that the means by which this policy was communicated to all segments of the general community was reasonably expected to be effective. In this case, appropriate documentation would include copies of the tapes or script used and records showing that there was an adequate number of announcements, that they were made during hours when the announcements were likely to be communicated to all segments of the general community, that they were of sufficient duration to convey the message clearly, and that they were broadcast on radio or television stations likely to be listened to by substantial numbers of members of all racial segments of the general community. Announcements must be made during the period of the school's solicitation for students or, in the absence of a solicitation program, during the school's registration period.

Communication of a racially nondiscriminatory policy as to students by a school to leaders of racial groups as the sole means of publicity generally will not be considered effective to make the policy known to all segments of the community.

2. The requirements of subsection 1 of section 4.03 will not apply when one of the following paragraphs applies:

a. If for the preceding 3 years the enrollment of a parochial or other church-related school consists of students at least 75% of whom are members of the sponsoring religious denomination or unit, the school may make known its racially nondiscriminatory policy in whatever newspapers or circulars the religious denomination or unit utilizes in the communities from which the students are drawn. These newspapers and circulars may be those distributed by a particular religious denomination or unit or by an association that represents a number of religious organizations of the same denomination. If, however, the school advertises in newspapers of general circulation in the community or communities from which its students are drawn and paragraphs (b) and (c) of this subsection are not applicable to it, then it must comply with paragraph (a) of subsection 1 of section 4.03.

b. If a school customarily draws a substantial percentage of its students nationwide, worldwide, from a large geographic section or sections of the United States and follows a racially nondiscriminatory policy as to students, the publicity requirement may be satisfied by complying with section 4.02, earlier. Such a school may demonstrate that it follows a racially nondiscriminatory policy within the meaning of the preceding sentence either by showing that it currently enrolls students of racial minority groups in meaningful numbers or, when minority students are not enrolled in meaningful numbers, that its promotional activities and recruiting efforts in each geographic area were reasonably designed to inform students of all racial segments in the general communities within the area of the availability of the school. The question whether a school satisfies the preceding sentence will be determined on the basis of the facts and circumstances of each case.

c. If a school customarily draws its students from local communities and follows a racially nondiscriminatory policy as to students, the publicity requirement may be satisfied by complying with section 4.02, earlier. Such a school may demonstrate that it follows a racially nondiscriminatory policy within the meaning of the preceding sentence by showing that it currently enrolls students of racial minority groups in meaningful numbers. The question whether a school satisfies the preceding sentence will be determined on the basis of the facts and circumstances of each case. One of the facts and circumstances that the IRS will consider is whether the school's promotional activities and recruiting efforts in each area were reasonably designed to inform students of all racial segments in the general communities within the area of the availability of the school. The IRS recognizes that the failure by a school drawing its students from local communities to enroll racial minority group students may not necessarily indicate the absence of a racially nondiscriminatory policy as to students when there are relatively few or no such students in these communities. Actual enrollment is, however, a meaningful indication of a racially nondiscriminatory policy in a community in which a public school or schools became subject to a desegregation order of a federal court or otherwise expressly became obligated to implement a desegregation plan under the terms of any written contract or other commitment to which any federal agency was a party.

The IRS encourages schools to satisfy the publicity requirement by the methods described in subsection 1 of this section 4.03, regardless of whether a school considers itself within subsection 2, because it believes these methods to be the most effective to make known a school's racially nondiscriminatory policy. It is each school's responsibility to determine whether paragraph (a), (b), or (c) of subsection 2 applies to it. On audit, a school must be prepared to demonstrate that the failure to publish its racially nondiscriminatory policy in accordance with subsection 1 of this section 4.03 was justified by the application to it of paragraph (a), (b), or (c) of subsection 2. Further, a school must be prepared to demonstrate that it has publicly disavowed or repudiated any statements purported to have been made on its behalf (after November 6, 1975) that are contrary to its publicity of a racially nondiscriminatory policy as to students, to the extent that the school or its principal official were aware of such statements.

4.04 Facilities and programs. A school must be able to show that all of its programs and facilities are operated in a racially nondiscriminatory manner.

4.05 Scholarship and loan programs. As a general rule, all scholarship or other comparable benefits available for use at any school must be offered on a racially nondiscriminatory basis. Their availability on this basis must be known throughout the general community being served by the school and should be referred to in the publicity required by this section in order for that school to be considered racially nondiscriminatory as to students. Scholarships and loans that are made pursuant to financial assistance programs favoring members of one or more racial minority groups that are designed to promote a school's racially nondiscriminatory policy will not adversely affect the school's exempt status.

Financial assistance programs favoring members of one or more racial groups that do not significantly derogate from the school's racially nondiscriminatory policy similarly will not adversely affect the school's exempt status.

4.06 Certification. An individual authorized to take official action on behalf of a school that claims to be racially nondiscriminatory as to students is required to certify annually, under penalties of perjury, that to the best of his or her knowledge and belief the school has satisfied the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50. *This certification is line 7 of Schedule E.*

4.07 Faculty and staff. The existence of a racially discriminatory policy for employment of faculty and administrative staff is indicative of a racially discriminatory policy as to students. On the other hand, the absence of racial discrimination in employment of faculty and administrative staff is indicative of a racially nondiscriminatory policy as to students.

7.01 Specific records. Except as provided in section 7.03, each exempt private school must maintain for a minimum period of three years, beginning with the year after the year of compilation or acquisition, the following records for the use of the IRS on proper request:

1. Records indicating the racial composition of the student body, faculty, and administrative staff for each academic year,
2. Records sufficient to document that scholarship and other financial assistance is awarded on a racially nondiscriminatory basis,
3. Copies of all brochures, catalogues, and advertising dealing with student admissions, programs, and scholarships. Schools advertising nationally or in a large geographic segment or segments of the United States need only maintain a record sufficient to indicate when and in which publications their advertisements were placed, and
4. Copies of all materials used by or on behalf of the school to solicit contributions.

7.02 Limitation.

1. For purposes of section 7.01, the racial composition of the student body, faculty, and administrative staff may be an estimate based on the best information readily available to the school, without requiring student applicants, students, faculty, or administrative staff to submit information to the school that the school otherwise does not require. For each academic year, however, a record of the method by which racial composition is determined must be maintained.

2. The IRS does not require that a school release personally identifiable records or personal information contained therein except in accordance with the requirements of the "Family Educational Rights and Privacy Act of 1974," 20 U.S.C. section 1232(g) (1974). Similarly, the IRS does not require a school to keep records the maintenance of which is prohibited under state or federal law.

7.03 Exceptions. The records described in section 7.01 need not be independently maintained for IRS use if:

1. Substantially the same information that each of these records would provide has been included in a report or reports filed in accordance with law with an agency or agencies of federal, state, or local government, and this information is current within one year, and

2. The school maintains copies of these reports from which this information is readily obtainable. Records described in section 7.01 providing information not included in reports filed with an agency or agencies must be maintained by the school for IRS use.

7.04 Failure to maintain records. Failure to maintain or to produce upon the proper request the required records and information will create a presumption that the organization has failed to comply with these guidelines.

Part II. Supplemental Information

Use Part II to provide the narrative explanations required, if applicable, to supplement responses to Part I, lines 3, 4d, 5h, 6b, and 7. Part II may also be used to supplement other responses to questions on Schedule E (Form 990 and 990-EZ). In Part II, identify the specific line number that each response supports, in the order in which those lines appear on Schedule E (Form 990 or 990-EZ). Part II can be duplicated if more space is needed.