

Comments by Elizabeth Dreicer, CEO of Posiba
regarding IRS operations
submitted to the House Ways and Means
Committee Subcommittee on Oversight
on the 2015 Tax Filing Season April 22, 2015

Thank you Chairman Roskam and Ranking Member Lewis for the opportunity to submit comments to the subcommittee on this important topic that affects a \$350 billion charitable sector (government, foundations, corporate philanthropy and individual donor) of the U.S. economy.

As you consider the operations of the IRS, I hope you will give serious consideration to requiring machine readable 990 forms to be filed by charitable organizations. As is commonly understood, the value in transitioning data from hard copy to digital can have many positive effects, including, growing our economy as well as unlocking important insights.

We live at a time of great challenges and even greater possibility. Never before in history have more people been engaged in making the world better. Innovative ideas and sustained efforts are making a difference everywhere. We're gaining confidence in our ability to create positive change. YET we (government and philanthropy) long to know more about the impact we're having and how to increase it.

As the government makes the transition to digital reporting and strives to achieve open data goals, this transition should be a priority as creating a more efficient and cost effective accountability and reporting system for the sector can only help us all better achieve our objectives for society.

While you consider this matter and on a related note, we understand, the IRS is accepting 990 forms in paper and machine digital formats. And, many organizations file digitally. This said, we further understand that when documents do come in electronic format, they are converted to hard copy for the purposes of processing. The IRS has expressed concern with the resources it takes them to process hard copy information and then revert it back to machine readable format and has yet to produce 990 forms for the public in machine readable formats, even though many returns are filed that way initially.

It has become clear since the Administration's request for open data reporting at the IRS and through a recent court case that the IRS is dragging its feet regarding the transition to a new digital format and will not act without strong action by Congress to force it to make this change. Short of the IRS being compliant of their own volition, we support the effort to require e-filing by all charities as the next best way to achieve this goal.

Congress is also needed to inject reason into the process by which this change is made. The IRS seems unaware of the most effective and efficient way to transition documents from hard copy to machine-readable formats. In a recent denial of our FOIA request for machine-readable 990s, they put an outlandish price tag of \$688.88 per 990 Return on their process of transitioning a document. **Further, it seems unlikely that the IRS doesn't already have these data entered**

and, therefore, digitized in their accounting system even if they were not e-filed originally. After all, how could the IRS fulfill its duties otherwise, if accounting was still partially paper-based? More broadly, society will benefit by understanding the money flows within the charitable sector. The form 990 is an efficient way to get at these data and upon further review by the Administration, it is likely to surface that the IRS has the data digitized already in its accounting system.

I am the founder and CEO of Posiba, a company dedicated to bringing information, tools and analytics together to support the charitable sector to enable greater learning, accountability and decision making. We collect data on charitable giving, spending and impact, and then aggregate, analyze and share that data through tools and analytics so that charitable organizations can easily learn and compare results, improve programs, decision making, and ultimately outcomes.

People are learning the value of data and the benefits of open data in government agencies. We urge you to embrace your role and ensure the IRS makes the transition through legislative action, thereby making available 990 data in a way that liberates and shares information for greater social impact.

I urge you to help the IRS become a leader in open data for greater accountability and learning, and set the standard by making this information readily available without further delay.

I sincerely thank the subcommittee for your diligent and careful consideration.

Elizabeth Dreicer is the CEO of Posiba and is representing herself and Posiba, Inc. in these comments.

Written Comments Submitted To:

The United States House of Representatives
Committee on Ways and Means
Subcommittee on Oversight
Hearing on the 2015 Tax Filing Season and General Operations at the Internal Revenue Service
April 22, 2015

On behalf of:

Foundation Center
Indiana University Lilly Family School of Philanthropy
Center for Civil Society Studies at Johns Hopkins University
Center on Nonprofits and Philanthropy at the Urban Institute
GuideStar
The Aspen Institute's Nonprofit Data Project

ELECTRONIC FILING OF THE FORM 990 WILL INCREASE NONPROFIT TRANSPARENCY, ACCURACY, AND INNOVATION WHILE SAVING TAXPAYER MONEY

The Aspen Institute's Nonprofit Data Project brings together the major nonprofit research and data providers in the United States, including Foundation Center, Indiana University Lilly Family School of Philanthropy, Center for Civil Society Studies at Johns Hopkins University, the Center on Nonprofits and Philanthropy at the Urban Institute, and GuideStar.

The above organizations thank the subcommittee for this opportunity to submit comments on general operations at the Internal Revenue Service (IRS) with respect to nonprofit organizations. In particular, the agency's approach to making nonprofit tax information public is highly inefficient, expensive and time-consuming. Electronic-filing of tax forms by all nonprofits would lower the cost of processing returns saving the IRS and taxpayer money while providing other important benefits.

The nonprofit sector has proven to be an invaluable resource in our society. Not only does the sector help millions of individuals in need, it represents five percent of the nation's gross domestic product (GDP), and is a major source of jobs: according to the Bureau of Labor Statistics, one in ten private sector workers in the U.S. is employed by a nonprofit organization.

One of the best sources of information on nonprofits is the Form 990 series, which most nonprofits are required to file annually with the Internal Revenue Service (IRS) and make publicly available upon request.

Current law already requires very large nonprofit organizations, (those that file at least 250 returns during the calendar year and have over \$10 million in assets) and very small nonprofit organizations (those with gross receipts of less than \$50,000 annually) to file their tax returns electronically. The majority of nonprofits in between, however, file paper tax returns.

We write to strongly support a tax proposal to require electronic filing of the Form 990 by all nonprofit organizations that file, and the release of these data in an open, “machine-readable” format by the IRS.

This non-controversial proposal has been embraced by policymakers on both sides of the aisle. It was included in the Tax Reform Act of 2014, introduced by the former Chair of the House Ways and Means Committee, Rep. David Camp, as well as in the tax reform discussion draft of former Senator Baucus and the President’s last three budgets. The Joint Committee on Taxation has determined this proposal to have “no revenue effect.”

Once publicly available, machine-readable Form 990 data may be used by a variety of stakeholders including donors, researchers, analysts, entrepreneurs, state and local regulators, charity watch-dog groups, charitable beneficiaries, and others to better understand the tax-exempt sector and create information tools and services to meet the sector’s needs.

Thus, we:

- 1) Strongly support a tax provision mandating electronic filing of the Form 990 for all nonprofits required to file these forms with the IRS.
- 2) Strongly support a requirement that the IRS make electronically-filed Form 990s available to the public in a machine-readable format.
- 3) Strongly support transitional relief for small organizations, 990-T filers, or other organizations for which the provisions would cause undue burden without a delay. In such cases, two years after the enactment of legislation should be sufficient transition time.
- 4) Believe that it is important to include a reasonable date certain for the public release of the Form 990. Once e-filing is instituted for all 990 filers, the turn-around time for making this information public – after ensuring the automated redaction of confidential information – should not be lengthy. We suggest that the IRS release electronically-filed forms no more than 90 days after receipt, ensuring that the forms are updated on a regular basis for the public to use.

WHY 990 E-FILING MATTERS:

Currently, the IRS makes Form 990 data available to the public by providing *images* of the 990s in TIF (Tagged Image File) format. These individual 990 images must be *manually re-digitized*, one-by-one, in order to make the data available, usable and analyzable by the public (in fact, the IRS converts electronically-filed returns into images). This antiquated approach to making the data public is highly inefficient, expensive and time-consuming. It also increases the frequency of errors and omissions.

It is time for ALL nonprofits to file electronically and for the IRS to release the data in a format that can be easily downloaded, analyzed, visualized and understood. Given the importance of the nonprofit sector to our society and economy, the need for this information is critical. The benefits of universal e-filing and open nonprofit data include:

- **INCREASED TRANSPARENCY** of nonprofits, helping nonprofit leaders, donors, businesses, policymakers and the public to make better decisions, understand trends in the field and gauge where some nonprofits stand in comparison to their peers.
- **REDUCTION OF FRAUD** by making it easier for both federal and state charity officials to detect and locate potential problems, which are more easily identifiable through computer analysis.
- **IMPROVED ACCURACY** of information provided to the public, since e-filed returns, as opposed to paper-filed returns, reduce errors, such as inaccurate calculations, and cut down on mistakes, such as the unintentional disclosure of private information (e.g. confidential donor lists).
- **MORE INNOVATION AND BUSINESS OPPORTUNITIES** for entrepreneurs and innovators to use the data and develop new, useful “apps” and data-driven platforms that can help solve problems in our communities.
- **UNDERSTANDING COMMUNITY RESOURCES IN RELATIONSHIP TO COMMUNITY NEEDS**, through web-based tools and research that aggregate 990 data. Examples include the Foundation Center, which uses 990 data for a range of online tools, like BMAfunders.org, to help the public track funding trends and assist philanthropic organizations to better collaborate with the public and private sectors; the Lilly Family School of Philanthropy at Indiana University’s research on individual giving and all other sources and uses of philanthropy; the nonprofit economic impact studies carried out by the Johns Hopkins Center for Civil Society Studies for states and communities around the country; and, the Urban Institute’s Community Platform, which uses a combination of 990 and other data to give citizens access to helpful information on their communities.

Mandating electronic-filing of Form 990 returns would substantially lower the cost of processing returns saving the IRS and taxpayer money by greatly reducing transcription errors and the amount of training, recruiting, and staffing that the IRS requires to process paper tax returns. It is our understanding that the IRS technology that is already in place to support the processing of electronically-filed IRS Forms 990 could readily accommodate the increased volume that would result if all organizations were required to e-file. In addition, given limited funding available to the Exempt Organizations division of the IRS, which generally does not raise revenue, it is particularly important that resources be used efficiently. More timely and accessible data will not only help the IRS operate more efficiently, but it will also boost the public’s ability to monitor charities.

These and other findings can be found in the Aspen Institute’s landmark report, *Information for Impact: Liberating Nonprofit Sector Data*, which was released in 2013. This in-depth examination of the Form 990 system, based on research and interviews with over 40 nonprofit, government and business leaders, concluded that there is an urgent need to deliver Form 990 data to the public in a more efficient and accessible manner.¹

¹ “Information for Impact: Liberating Nonprofit Sector Data, Second Edition” Beth Simone Noveck and Daniel L. Goroff (The Aspen Institute), <http://www.aspeninstitute.org/sites/default/files/content/docs/pubs/Information_for_Impact_Report_FINAL_REPORT_9-26-13.pdf>

We also note that in December, 2014, the Government Accountability Office (GAO) recommended in a report that Congress consider expanding the mandate for nonprofits to electronically file their tax returns, stating “Expanded e-filing may result in more accurate and complete data becoming available in a timelier manner, which in turn, would allow IRS to more easily identify areas of non-compliance.”²

CONCLUSION:

Adoption of the above recommendations will not only lead to improved operations at the IRS, it will also help lead to more publicly accessible nonprofit information, a better understanding of the nonprofit sector, strengthened law enforcement and greater sector-wide accountability.

Thank you for this opportunity to submit comments for the record on the 2015 tax filing season and general operations at the Internal Revenue Service.

² “Tax-Exempt Organizations: Better Compliance Indicators and Data, and More Collaboration with State Regulators Would Strengthen Oversight of Charitable Organizations” James R. McTigue (United States Government Accountability Office), <<http://www.gao.gov/assets/670/667595.pdf>>



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April 22, 2015

The Honorable Peter Roskam
Chairman
Subcommittee on Oversight
House Committee on Ways & Means
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable John Lewis
Ranking Member
Subcommittee on Oversight
House Committee on Ways & Means
1106 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Roskam, Ranking Member Lewis, and Members of the Subcommittee:

As you know, Congress is akin to the board of directors for the federal government, passing laws that guide agency activities and programs and approving funding to carry those programs out, including at the Internal Revenue Service (IRS).

The decisions made by the board (Congress) in recent years regarding the IRS have resulted in abysmal customer service to our customers and your constituents, American taxpayers and businesses.

These decisions include passage of significant new requirements, such as the Affordable Care Act (ACA) and the Foreign Account Tax Compliance Act (FATCA), while simultaneously cutting over \$1.2 billion from the agency's budget since FY 2010.

Staffing levels have dropped by 13,000 full-time employees since that time, and the agency is no longer able to assist taxpayers with anything beyond the most basic tax question, if at all. Our customers must wait in digital and physical lines, often for hours, only to be turned away.

In 1995, the IRS had a staff of 114,064 to administer tax laws and process 205 million tax returns. By the close of 2013, staffing had fallen to 83,613 to administer a more complicated tax code and process 242 million much more complex tax returns and other forms. By year's end we expect to lose another 3,000 full-time employees.

As you know, a significant proportion of the IRS budget goes to salaries and expenses. The agency is doing all it can to find efficiencies in operations, but as Commissioner Koskinen has repeatedly stated, the agency is in dire need of adequate funding to perform the mission the board of directors (Congress) has currently tasked it with. Some investments in the agency and its operations are necessary to drive improvement for the future.

The employees of the IRS did not create this situation, nor did they author the Internal Revenue Code. They want to serve the American people. And this tax filing season, they did the absolute best they could with the tools provided to them.

Despite myriad challenges, the IRS and its employees were proud to deliver a generally smooth filing season.

PMA looks forward to working with you to ensure the IRS is able to meet its congressionally directed mission.

Sincerely,

Thomas R. Burger
Executive Director