

Comments Submitted to

The Subcommittee on Oversight of the Committee on Ways and Means  
United States House of Representatives

Hearing on Public Charity Organization Issues, Unrelated Business Income Tax,  
and the Revised Form 990

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by

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Congress can take key steps to improve the transparency and accountability of the nonprofit sector, without creating a burden on nonprofits, by requiring that the Internal Revenue Service immediately implement electronic filing of all Form 990, 990-EZ, and 990-PF returns by Tax Year 2013.

Electronic filing has been required of smaller organizations since implementation of the Pension Protection Act of 2006. All in all, this has proved a major success. Approximately 300,000 dead organizations have been removed from the IRS rolls as a result and we now have a much clearer picture of the nonprofit sector.

Voluntary electronic filing of Form 990s began in 2004 – yet the IRS does not provide timely public access to the raw data from these returns because it is obligated to treat electronically filed returns the same as paper returns.

There are clear efficiency gains for the federal government, nonprofit watchdog and transparency groups like GuideStar and the Foundation Center, state governments' charity monitoring divisions, and ordinary nonprofit organizations if electronic filing were to be required. The IRS

would then be able to make all data available electronically. This, in turn, would save watchdog and transparency organizations and state governments millions of dollars each year.

At the same time, donors and nonprofit organizations would have easy access to more timely and accurate information for making important decisions about giving, program effectiveness, and executive compensation.

In short, this is a win-win proposition for individuals, nonprofit organizations, and government.

The primary barrier to achieving this more transparent and accountable world is a tiny, mid-1980s provision in the tax code – IRC sec. 6011(e)(2) – that was intended to protect small businesses from being required to submit employment data to the IRS on massive reels of magnetic tape. This provision has long outlived its usefulness and, therefore, the IRS should be mandated to require electronic filing from all tax-exempt organizations. Once this is in place, it should move expeditiously to make all data from electronically filed returns available.

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