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TE/GE

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**ADVISORY COMMITTEE ON
TAX EXEMPT AND GOVERNMENT ENTITIES
(ACT)**

Exempt Organizations:

**The Redesigned Form 990: Recommendations for Improving
its Effectiveness as a Reporting Tool and Source of
Data for the Exempt Organization Community**

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I. EXECUTIVE SUMMARY

For the 2008 filing year, the Internal Revenue Service (IRS) significantly redesigned the Form 990. This redesign represented a complete revamping of the information return that is filed by most types of tax-exempt organizations. The redesigned Form 990 was officially released on December 20, 2007, approximately six months after the IRS introduced a draft version of the form and solicited comments from the public.

IRS Commissioner Doug Shulman, in 2008, referred to the Form 990 redesign project as a “tremendous effort to bring the Form 990 up to date and to reflect the diversity and complexity of the tax-exempt community.” He further stated, “The revised form will give the IRS and the public a much better view of how exempt organizations operate. The improved transparency provided by these changes will also benefit the tax-exempt community.”

The report of the Exempt Organizations Subcommittee of the IRS Advisory Committee on Tax Exempt and Government Entities (the ACT) this year focuses on revisiting the Form 990 in light of several years of exempt organizations’ preparing, filing and effectively “living with” the new reporting and transparency provided by the enhanced Form 990 and 990-EZ, as well as the Form 990-N, which prior to 2007 was not required to be filed by smaller exempt organizations. The “new” Form 990 has undoubtedly impacted the manner in which exempt organizations report their information to the IRS and the level of public disclosure of an exempt organization’s activities and financial information. As with any significant change, however, there may be improvements that still can be made and frustrations that can be addressed with further adjustments.

The ACT surveyed users of the Form 990, including representatives of exempt organizations that file a Form 990, Form 990-EZ or Form 990-N, state and local government officials (charity officials and others), donors, advisors to donors, advisors to grant makers, practitioners (including attorneys and accountants), researchers, independent charity rating agencies, and IRS Exempt Organizations Division managers regarding their views on the information returns and the filing process. The ACT met with various nonprofit organizations industry groups to discuss Form 990 reporting and to fine-tune the ACT’s survey. The ACT reached out to these and other industry groups to distribute the survey to a wide sample of representatives from the exempt organizations community. While not a statistically valid sample, nearly 1900 individuals participated in the survey, which requested views on the Form 990 (along with the Form 990-EZ and 990-N, as applicable) and its effectiveness, electronic filing of the return, uses of the Form 990 and its data, and assistance with completion of the Form 990. The survey also gave participants the opportunity to provide additional comments regarding the information returns.

While the ACT was drafting this report, the United State Government Accountability Office (GAO) issued a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate, titled “Tax-exempt Organizations: Better Compliance Indicators and Data, and More Collaboration with State Regulators Would Strengthen Oversight of Charitable Organizations,” which focused on the IRS’s oversight of charitable organizations. The GAO made two of recommendations to the IRS regarding its oversight activities which have been taken into account in preparing this report.

In addition, while the ACT was working on this report, the Northern District of California, in *Public.Resource.org v. United States Internal Revenue Service*, granted summary judgment to a charity seeking, pursuant to a Freedom of Information Act request, electronic copies of Forms 990 filed by exempt organization and ordered the IRS to produce nine requested Forms 990 in Modernized E-file (MeF) format to the charity within 60 days of the court’s decision. Similar requests will require the IRS to become much more nimble in its ability to release information from exempt organization information returns in an electronic format to the public.

Our specific recommendations are as follows:

1. The IRS Exempt Organizations Division should encourage and support a Congressional mandate to require electronic filing of the Form 990 series and should also take interim steps to encourage and provide incentives for voluntary e-filing of the Form 990 series for exempt organizations that are not subject to the mandatory e-filing requirements. The IRS should recommend to the Department of Treasury the elimination of the \$10 million asset threshold for electronic filing of the Form 990 found in the Internal Revenue Code Section 6011 regulations.
2. The IRS Exempt Organizations Division should convene a task force comprised of representative stakeholders to determine which parts and schedules of the current Form 990 and related instructions should be updated, enhanced, and/or deleted in order to allow a more clear understanding, better accuracy, enhanced consistency of reporting by the various Form 990 filers.
3. The IRS should consider requesting additional information from Form 990-N filers. This will be especially important given the relatively new Form 1023-EZ application process, which will result in more recognized tax-exempt organizations that will not have had their activities specifically reviewed by the IRS and which will likely file a Form 990-N due to their smaller size. In addition, because filing a Form 990-N likely will be the filing organization’s only contact

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with the IRS, the agency should engage in more education and outreach as part of the Form 990-N filing process.

II. INTRODUCTION

The Form 990, “Return of Organization Exempt from Income Tax,” is the annual “information return” filed by more than half a million tax-exempt organizations. This form is unique in that it is subject to public disclosure and most of the information required to be reported to the IRS – including compensation of executives, amounts and demographics of grantees, and answers to questions about how the organization is governed – can be readily found and viewed on the internet by anyone, anywhere.

Although the Form 990 is filed with the IRS (and there are stiff penalties for filing a late, incomplete, and/or inaccurate return), the IRS is not the only “user” of Form 990 data. There are many reporters, comparers, and statisticians that map, accumulate, parse, average, and opine upon the information provided on the Form 990 by exempt organizations. In addition, staff, board members and other representatives of organizations that file a Form 990, development directors of exempt organizations, state charity officials, other state and local government officials, donors, grantors and investors to exempt organizations, advisors to donors and grantmakers, practitioners (e.g., attorneys, accountants), independent charity rating agencies, members of the press, and others make up the “990 Village” of filers and users of the Form 990 data.

The Form 990 is actually a series of information returns. The Form 990 is filed by organizations that generally have gross receipts at least equal to \$200,000 or total assets at least equal to \$500,000. The Form 990-EZ is filed by exempt organizations with gross receipts of less than \$200,000 and total assets of less than \$500,000. The Form 990-N – the “e-Postcard” – is an electronically-filed notification that requires limited information from exempt organizations whose annual revenues are normally less than or equal to \$50,000. There is also a Form 990-PF, filed by private foundations. And, finally, to round out the 990-series, there is a Form 990-T on which exempt organizations that earn “unrelated business income” report those activities.¹

In this report, we focus primarily upon the “new” Form 990, filed by 289,603 exempt organizations in 2013.² This form was completely overhauled for the 2008 filing year and, in 2015, we are still sorting out many of the requirements, nuances, and

¹ For more on Form 990-T and unrelated business activities, see “Analysis and Recommendations Regarding Unrelated Business Income Tax Compliance of Colleges and Universities, IRS Advisory Committee on Tax Exempt and Governmental Entities (June 11, 2014), available at <http://www.irs.gov/Government-Entities/Reports-of-the-Advisory-Committee-on-Tax-Exempt-and-Government-Entities-%28ACT%29>.

² Annual EO Financial Extracts, available at <http://www.irs.gov/uac/EOI-Tax-Stats-Annual-Extract-of-Tax-Exempt-Organization-Financial-Data>.

presentations of data required by the IRS in its instructions and other Form 990 guidance.

The current Form 990 is a twelve-page IRS return (for 2014) with sixteen “supplemental schedules.” Most exempt organizations may file only five or six of these schedules, but gathering the data, deciphering the instructions, and completing the form and schedules can be grueling. From 1979 to 2008, Form 990 had received only minor, piecemeal updates. In redesigning the Form 990 (a process in which the ACT participated significantly) the IRS’ stated goals were as follows:

- Enhancing transparency to provide the IRS and the public with a realistic picture of the organization
- Promoting compliance by accurately reflecting the organization’s operations so the IRS may efficiently assess the risk of noncompliance
- Minimize the burden on filing organizations

In the course of developing the 2015 Exempt Organizations Subcommittee ACT Report, we estimate that we sent, via distribution networks, access to a questionnaire to more than 148,000 users of the Form 990 and received nearly 1,900 responses. Prior to developing the questionnaire, we conducted in-person and conference call “roundtables” with various stakeholder groups (these groups are set forth on **Appendix A**). During these roundtables discussions, we saw several “themes” developing regarding the Form 990 and its data: (a) vast support for e-filing and open data for the sector, (b) a desire for increased breakdown on contributions, government grants, governmental contract income and other forms of support, (c) coordination with state charity officials on their data needs, and (d) the incorporation/inclusion of meaningful “NTEE-type”³ codes.

The various Form 990 users need and want more information from the data collected and reported on Form 990 and the IRS itself appears to be underutilizing the electronic data that it is receiving from tax-exempt organizations. They also want more clarity and consistency with respect to Form 990 reporting. Due to budgetary limitations, the IRS can only transcribe certain data from paper-filed returns and these restrictions are also applied to e-filed Form 990 data. The IRS utilizes input from numerous groups to annually propose modifications/improvements to Form 990. We believe that the survey data we have collected and report upon herein will allow the IRS to listen to a broader population of the various Form 990 users and hear what they are saying about needed changes, clarity, and guidance. Hopefully, this will allow the IRS to take responsibility for

³ NTEE is the abbreviation for National Taxonomy of Exempt Entities. See <http://nccs.urban.org/classification/NTEE.cfm>.

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making changes to the form, instructions, data, and content in a manner that makes life in the “990 Village” more effective, efficient, enforceable, and – nay we say it – peaceful.

III. THE FORM 990 AND ELECTRONIC FILING REQUIREMENTS

A. The Form 990 Filing Requirement and Redesign of the Form 990

The Revenue Act of 1943 created the first requirement for tax-exempt organizations to file an annual information return. The use of the term “information return” is not coincidental, as the information return filed by exempt organizations is much more than just a tax return, with a host of questions and schedules designed to provide the IRS and the public with information on the organization’s programs, governance, officers and directors, compensation, related parties, and grant-making activities. The annual information return requirement is currently embodied in Section 6033 of the Internal Revenue Code of 1986, as amended (the “Code”),⁴ which requires that every organization exempt from taxation under Section 501(a) must, unless an exception applies (see below), file an annual information return “stating specifically the items of gross income, receipts, and disbursements, and such other information for the purposes of carrying out the internal revenue laws” as the IRS may by forms or regulations prescribe.

The forms that most tax-exempt organizations must use to comply with the annual information return requirement are the Form 990 (Return of Organization Exempt from Income Tax), Form 990-EZ (Short Form Return of Organization Exempt from Income Tax) or (more recently) Form 990-N (e-Postcard). Certain tax-exempt organizations are subject to special return filing requirements. Private foundations submit their information to the IRS on a Form 990-PF (Return of Private Foundation). Black lung benefit trusts described in Section 501(c)(21) use Form 990-BL (Information and Initial Excise Tax Return for Black Lung Trusts and Certain Related Persons), religious or apostolic organizations described in Section 501(d) use Form 1065 (U.S. Return of Partnership Income) and stock bonus, pension, or profit-sharing trusts qualifying under Section 401 use Form 5500 (Annual Return/Report of Employee Benefit Plan). Exempt organizations separately report their unrelated business income on a Form 990-T (Exempt Organization Business Income Tax Return).

Many exempt organizations are excepted from these filing requirements, including churches, their integrated auxiliaries, conventions of associations of churches, and the exclusively religious activities of a religious order.⁵ State institutions (including state colleges and universities), instrumentalities of United States, and schools affiliated with

⁴ All Section references herein are to the Code, unless otherwise noted.

⁵ Code Section 6033(a)(3)(A).

a church or operated by a religious order are not subject to the Form 990 filing requirements.⁶ Organizations that are part of a group exemption and included on a group return filed by the central or parent organization do not have to separately file a Form 990.⁷ The IRS also has the discretion under Section 6033(a)(3)(B) to relieve additional organizations from the Form 990 filing requirements where it determines the filing is not necessary to the efficient administration of the internal revenue laws, which it has done, for example, for government units and affiliates of governmental units.⁸

Of the 1,052,495 active Section 501(c)(3) organizations in 2013, approximately 38.1 percent filed a Form 990 or 990-EZ in 2013.⁹ Certain Section 501(c)(3) charitable organizations are not required to file a Form 990, including churches, other religious organizations, and smaller exempt organizations qualifying for the Form 990-N filing. In addition, private foundations, which are also Section 501(c)(3) charitable organizations, file a Form 990-PF.

1. Type of Form 990 to be filed

Which type of Form 990 a filing organization must file is determined, in part, by the size of its gross receipts and assets? The current Form 990 financial thresholds are:

Gross Receipts	Form Required
Gross receipts normally less than or equal to \$50,000	Form 990-N
Gross receipts less than \$200,000 and total assets less than \$500,000	Form 990-EZ
Gross receipts equal to or greater than \$200,000 or total assets equal to or greater than \$500,000	Form 990

These thresholds were phased in over time, with the current levels in place beginning with the 2010 filing year.¹⁰ Which Form 990 an organization is allowed to file also

⁶ Treasury Regulation §1.6033-2(g).

⁷ Treasury Regulation §1.6033-2(d). The ACT examined the group exemption procedures in its report for 2011. The ACT recommended that group exemptions be retained but also recommended several reforms to the procedures including the elimination of group returns by amending Treasury Regulations section 1.6033-2(d) to remove the authority of central organizations to file group returns. See, “Exempt Organizations: Group Exemptions – Creating a Higher Degree of Transparency, Accountability, and Responsibility” (June 15, 2011).

⁸ Revenue Procedure 95-48, 1995-2 C.B. 418.

⁹ Of these filers, 223,810 filed a Form 990 and 177,781 filed a Form 990-EZ. <http://www.irs.gov/uac/SOI-Tax-Stats-IRS-Data-Book>.

¹⁰ The ACT examined the filing thresholds for 990-EZ filing in its report for 2013. The ACT recommended retaining the current thresholds but also recommended that 990-EZ filers be required to report additional

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depends upon the type of tax-exempt organization the entity is, as certain organizations are not allowed to file a Form 990-N or 990-EZ. For example, except in certain instances, supporting organizations may not file a Form 990-N and organizations sponsoring donor-advised funds may not use either the Form 990-N or 990-EZ. A controlling organization of one or more controlled entities for which there was a certain type of transfer of funds between the controlling organization and any controlled entity during the year must file a Form 990. So, too, must organizations operating one or more hospital facilities. A parent organization filing a group return on behalf of its subordinates also must use a Form 990. Tax-exempt political organizations typically must file a Form 990 or 990-EZ unless they meet certain exceptions.

2. 990-N the “electronic postcard” filing

Prior to the enactment of the Pension Protection Act of 2006 (PPA), certain small organizations (generally, with gross receipts of \$25,000 or less) were not required to file a Form 990 or 990-EZ. The PPA amended Code Section 6033 to require electronic filing of a notification for these smaller tax-exempt organizations (the gross receipts threshold has since increased to no more than \$50,000). Under Code Section 6033(i), these smaller tax-exempt organizations must provide the following information to the IRS electronically, using the Form 990-N (also referred to as the e-Postcard):¹¹

- the organization’s legal name,
- the name under which it operates or does business,
- its mailing address,
- website address,
- taxpayer identification number,
- name and address of its principal officers, and
- evidence of the continuing basis for the organization’s exemption from the filing requirements.

The number of organizations filing a Form 990-N appears to be steadily increasing. For calendar year 2012, 475,473 organizations filed a Form 990-N, compared to 489,372 for calendar year 2013 and 531,310 for calendar year 2014.¹²

information through various additional schedules. See, “Exempt Organizations: Leveraging Limited IRS Resources in the Administration of Small Tax-Exempt Organizations” (September 12, 2013).

¹¹ Note, these organizations may instead file a Form 990 or 990-EZ to satisfy their filing requirements.

¹² Written information received from the IRS (April 13, 2015).

3. Revocation of Exempt Status for Failure to File the Form 990

The PPA amended the Code to provide that an organization failing to file an annual information return or notice for three consecutive years automatically loses its tax-exempt status as of the due date of the third annual return or notice.¹³ If an organization's exempt status is revoked under this provision, it must apply to have its status reinstated regardless of whether the organization was originally required to apply for recognition of exempt status.¹⁴ If the organization can demonstrate reasonable cause for its failure to file, the IRS has the discretion to reinstate its exempt status retroactively.¹⁵ It has been estimated that approximately 594,000 organizations lost their tax-exempt status for failing to file Forms 990. Many of these organizations, however, were not operational. Approximately 11 percent (68,000) of these organizations reapplied and have had their tax-exempt status reinstated.

4. The Redesigned Form 990

The redesigned Form 990 first appeared as a discussion draft in June, 2007. To say that the Form 990 was revised would be a massive understatement. The Form 990 was revamped, overhauled, enlarged, and transformed into a much more comprehensive and narrative-based version of its former self. In the redesign, the Form 990 grew from nine pages and two schedules to 11 pages and 16 schedules. The June 2007 Form 990 discussion draft was followed by a 90-day comment period during which the IRS received nearly 700 emails and letters providing public comments on the draft.

A final version of the Form 990 was released on December 20, 2007 with instructions released in 2008. The final version of the Form 990 reflected many of the public comments received, such as allowing an organization to describe its exempt accomplishments and mission up front and providing more opportunities throughout the form for the organization to explain its activities. The IRS also added Schedule O to the Form 990 in response to public comments requesting more opportunity to provide explanations and narrative responses to the form's questions. The final version of the Form 990 addressed privacy and security concerns expressed by the nonprofit sector regarding reporting of officer and director compensation and persons working abroad in unsafe foreign areas. Other major changes were made to the form's summary page, governance section, and various schedules, including those relating to related organizations, hospitals, non-cash contributions and tax exempt bonds. A checklist of schedules was also added to the final version of the redesigned Form 990.

¹³ Code Section 6033(j)(1).

¹⁴ Code Section 6033(j)(2).

¹⁵ Code Section 6033(j)(3).

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The redesigned Form 990 was first used for the 2008 filing year, with a phase-in of the current gross receipts and asset size filing thresholds. Full reporting on Schedule H (Hospitals) and Schedule K (Tax-exempt Bonds) was phased in over time.

The core of the Form 990 requests information on the following:

1. Basic facts about the filer
2. The types of programs the filer offers and the amounts spent on them.
3. The filer's board members, the organization's governance structure, and whether the filer changed in any significant way during the year
4. The filer's income and sources of support.
5. The filer's expenses.
6. The amount paid to the filer's top earners and salary information on these earners.
7. Information on net assets.
8. Information on transactions with insiders and information on excess benefit transactions during the year.
9. The tax-exempt status of the filer.
10. Information on the filer's lobbying activities¹⁶

B. Advent of Electronic Filing of the Form 990 for Large Organizations

Code Section 6011(e) authorizes the Secretary of the Treasury to prescribe regulations providing for standards for the e-filing of returns. The Secretary is not allowed to require any taxpayer to file a return electronically unless the taxpayer is required to file at least 250 returns during a calendar year.¹⁷ The Secretary is also instructed to take into account the ability of the taxpayer to comply with the reasonable cost of e-filing¹⁸ and is further authorized to implement procedures to provide for "the payment of appropriate incentives for electronically filed returns."¹⁹

The regulations that were promulgated under Code Section 6011 in 2005 narrow the category of exempt organizations that are required to file a Form 990 electronically by

¹⁶ See, P. Swords, "How to Read the New IRS Form 990," Nonprofit Coordinating Committee of New York, Inc. (2011), available at www.npccny.org/new990/new990.htm.

¹⁷ Code Section 6011(e)(2)(A).

¹⁸ Code Section 6011(e)(2)(B).

¹⁹ Code Section 6011(f).

adding an additional \$10 million asset threshold; that is, an exempt organization must file its Form 990 electronically only if it is required to file at least 250 returns in a calendar year and has total assets exceeding \$10 million.²⁰ For purpose of the 250-return requirement, returns of any type are counted, including information returns, income tax returns, employment tax returns and excise tax returns.²¹ For example, an exempt organization with more than \$10 million in total assets filing a Form 990, 200 Forms W-2, four Forms 941, one Form 940, and 60 Forms 1099-MISC (a total of 266 returns) is required to electronically file its Form 990.²² Private foundations, unlike public charities, are subject only to the 250 returns threshold. Once this threshold is met, a private foundation must electronically file a Form 990-PF regardless of asset size. The preamble to these regulations states that exclusion of certain exempt organizations with total assets of less than \$10 million was to “eliminate the potential burden of electronic filing on small business that may not be able to comply at a reasonable cost.”²³ In promulgating the regulations, however, the Department of Treasury encouraged all organizations to adopt electronic filing as soon as feasible even if not required by the regulations to do so.

The Internal Revenue Service Restructuring and Reform Act of 1998 states that it is the policy of Congress that “paperless filing should be the preferred and most convenient means of filing federal tax and information returns.” The 1998 Act further set a goal for the IRS to have at least 80 percent of all federal tax and information returns filed electronically by 2007. In 2014, approximately 48 percent of exempt organization returns other than the Form 990-N were e-filed, with 60.10 percent of the Forms 990 electronically filed, 37.63 percent of the Forms 990-EZ electronically filed, and 41.15 percent of the Forms 990-PF electronically filed.²⁴

Any organization may file its Form 990 and related forms, schedules, and attachments electronically. Under section 6652(c)(1)(A), a penalty of \$20 a day, not to exceed the lesser of \$10,000 or 5% of the gross receipts of the organization for the year, can be charged when a return is filed late, unless the organization shows that the late filing was due to reasonable cause.²⁵ Organizations with gross receipts over one million dollars for the filing year, however, face higher penalties under Section 6652 for filing a late, inaccurate, or incomplete return than other exempt organizations. These penalties are \$100 per day, up to a \$50,000 maximum. If an organization is required to file a return

²⁰ Treasury Regulation §301.6033-4(f). The \$10 million asset threshold became effective for tax years ending on or after December 31, 2006. “Total assets” is defined in the Form 990 instructions glossary as “[t]he amount reported on Form 990, Part X, line 16, column (B).”

²¹ Treasury Regulation §301.6033-4(d)(3).

²² Treasury Regulation §301.6033-4(e).

²³ T.D. 9175 (January 12, 2005).

²⁴ Information provided to the ACT by the IRS.

²⁵ 2014 Form 990 Instructions, page 6

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electronically but does not, the organization is considered not to have filed its return, even if a paper return is submitted.²⁶ The exception to this e-filing requirement is when a larger organization is reporting a name change, in which case it must file its Form 990 on paper and attach the required documents.

At the time of this report, only the very largest exempt organizations, both by asset size and number of employees, are required to electronically file the Form 990. As previously discussed, large organizations with assets of more than \$10 million and which are required to file more than 250 returns during the year must e-file the Form 990. The very smallest exempt organizations are subject to an electronic filing requirement, as the Form 990-N must be filed online, although these organizations have the option of filing, either electronically or on paper, a Form 990 or Form 990-EZ. Other exempt organizations filing a Form 990 may choose, but are not required, to electronically file.

C. Form 990-N Filers and the Form 1023-EZ

In 2014, the IRS unveiled the new Form 1023-EZ, which is a streamlined application process for the review of organizations seeking to obtain recognition of tax-exempt status under Section 501(c)(3). The Form 1023-EZ streamlined process was in response to the IRS's tremendous backlog of Form 1023 applications, due in large part to applications for reinstatement filed as a result of the auto-revocation provision enacted as part of the PPA.

The Form 1023-EZ application process is available only to smaller nonprofit organizations with anticipated gross receipts of no more than \$50,000 for the past three years and which are not projected to exceed this amount for the next three years. In addition, an organization must have total assets that do not exceed \$250,000. In addition, the EZ process is unavailable to many types of tax-exempt organizations such as hospitals, schools, supporting organizations, private operating foundations, and limited liability companies. The Form 1023-EZ requests only cursory information from the filing organization, relying heavily on attestations and self-reporting from the organization that it complies with the various requirements of the particular tax-exempt status for which it is seeking recognition. The Form 1023-EZ process has done much to reduce the backlog of pending IRS applications for recognition of exemption.

The Form 1023-EZ received a significant amount of criticism from the nonprofit community. Many grantmakers, state charity officials and others were critical of the IRS taking only a cursory review of a new organization's purposes and activities. For compliance purposes, the IRS selects a statistically valid, random sample (three percent) of the Form 1023-EZ applications filed for a pre-determination review to

²⁶ *Id.*, p. 6. See also, Treasury Regulation §301.6033-4(c).

request additional information to ensure they qualify for the EZ processing. The IRS asks these randomly selected organizations five questions, including information about gross receipts, assets, basis for exemption, copies of articles of incorporation and bylaws, and whether the organization has any transactions with related parties.²⁷

In addition, the IRS has stated that it will be conducting enhanced compliance reviews of these organizations in later years as their operations continue. More specifically, EO will be implementing a post-determination compliance program for Form 1023-EZ filers in 2016. This program will consist of correspondence examinations on a random sample of the information returns (Form 990 series, including the 990-N) filed by organizations which obtained recognition of exempt status through the filing of a Form 1023-EZ. This compliance program will allow EO to determine the exemption compliance of newly exempt small organizations after they have been in operation for a year or more. EO will use the findings from this post-determination compliance program to identify opportunities for further improvement and adjustments to the Form 1023-EZ as well as to EO's application processing.²⁸

Because the gross receipts limitation for filing the Form 1023-EZ is the same as for filing a Form 990-N, many of the organizations qualifying for the Form 1023-EZ process will be eligible to file a Form 990-N for their first several years of operation, if not longer.

D. Availability and Use of Internet Services

Internet use has increased substantially over the past 20 years. According to the U.S. Census Bureau, 54.7 percent of U.S. households in 2003 had internet use at home,²⁹ while 74.4 percent of U.S. households in 2013 reported internet use using an internet subscription and 73.4 percent of households reporting a high-speed connection.³⁰ For the increase in household computer and internet use from 1984 – 2011, see **Appendix C**. This only accounts for household internet availability; it does not include access to internet use in public places, such as a public library. In studying internet use, the Pew Research Center found that in 1995, only 14 percent of American adults used the internet. The study determined that in 2005, 66 percent of Americans adults used the Internet, and in 2014, the percentage grew to 87 percent of Americans adults using the Internet.

²⁷ Rev. Proc. 2015-5, 2015-1 I.R.B. 186, Section 5.03. Also, Comments of Sunita Lough, Commissioner of Tax Exempt and Government Entities, as delivered to attendees at the annual joint meeting of the TEGE Councils on February 27, 2015, reported in the EO Tax Journal (March 13, 2015).

²⁸ Written information received from Tamera Ripperda, Exempt Organizations Director (April 3, 2015).

²⁹ T. File, "Computer and Internet Use in the United States," published by the United States Census Bureau (May 2013).

³⁰ T. File and C. Ryan, "Computer and Internet Use in the United States: 2013," published by the United States Census Bureau (November 2014).

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Internet access even in 2015, however, remains an issue for a portion of Americans and the organizations they represent. Access to affordable and reliable internet service in some remote, rural and mountain areas can be problematic. For example, some nonprofit organizations in rural Alaska may be headquartered over 100 miles from the nearest public library and not otherwise have access to internet services.³¹

E. Users of the Form 990

Federal and state regulators, and various segments of the general public each use Form 990 for different – though complementary – purposes.

1. Government

a. Federal agencies. The primary purpose of Form 990 is enforcement of federal tax law and to meet the statutory information return requirement for tax-exempt organizations. The form generates information that the IRS may use to assess whether the filing organization continues to comply with the requirements for tax-exempt status. It provides the IRS with information that may trigger an audit or other contact with a filing organization.³²

The IRS Research Analysis and Statistics (RAS) Division maintains a database with images of the Forms 990 as they are received. Paper returns are scanned, while data from electronic filings are ‘rendered’ into images. The unredacted images are used internally for research purposes. The images also undergo a redaction process (which removes information that does not have to be made available to the public) and are made available to the public.

The Statistics of Income (SOI) Division of IRS, which is a part of RAS, uses data from both the paper returns and electronic filings to select, on a weekly basis, stratified data samples for published Form 990 series studies.³³ SOI performs data analysis and develops datasets made available to the public on www.irs.gov under TaxStats. Datasets from SOI are used for research and estimation work by the IRS, the Department of Treasury, and the Congress.³⁴

³¹ In 2013, approximately 21,000 households in Alaska were not served by broadband and more than half the country’s institutions such as hospitals, libraries, and government entities with insufficient broadband capabilities were located in Alaska. “A Blueprint for Alaska’s Broadband Future,” a Report from the Statewide Broadband Task Force, p.4 (August 2013).

³² “Policies and Guidelines for Form 990 Revision,” Advisory Committee on Tax Exempt and Government Entities (June 7, 2006), p. 14.

³³ B. Noveck and D. Goroff, “Information for Impact: Liberating Nonprofit Sector Data,” 2nd ed., The Aspen Institute (2013), p. 14.

³⁴ *Id.*, p. 16.

b. State Charity and Other State Officials use Form 990 data primarily for issues of governance, charitable purpose, and fundraising regulation. Even in states that require separate applications for recognition of tax-exempt status, state regulators generally direct their attention to improving the behavior of those governing charities and to the detection and prevention of solicitation fraud involving charities. Disclosure of joint cost allocations for fundraising activities, for example, enables state charity regulators to identify organizations that may not be in compliance with state charitable solicitation laws. Information about compensation and insider transactions may signal a diversion of charitable assets away from charitable purposes which state regulators are obligated by state law to enforce.³⁵

Most states require a copy of the Form 990 only from exempt organizations that solicit funds in their state. Some states require additional information from charities. For example, New Hampshire and Florida require charities to submit evidence each year that they have re-certified their conflict of interest policy, while California requires both a tax form and a separate report to the Registry of Charitable Trusts within the Department of Justice.³⁶ Most states require annual renewal forms from entities that are soliciting contributions in the state in addition to a copy of the Form 990. State charity officials are currently working on a single portal initiative that will allow nonprofits to register on one multistate registration site that will allow nonprofit organizations and their professional fundraisers to comply with the participating states' registration and annual filing requirements, referred to as the "The Single Portal Multistate Charities Registration Initiative." At the time of this report, twelve states (Alaska, California, Colorado, Connecticut, Hawaii, Illinois, Massachusetts, Michigan, Mississippi, Missouri, New Hampshire and Tennessee) have joined together in a pilot project to build and launch the single portal website. This initiative may provide an opportunity to work more closely with the IRS on collection of basic data about nonprofit organizations.³⁷

Sections 6103 and 6104 set forth the rules for the IRS's sharing of return information with state officials. Section 6104(c) allows the IRS to share certain information on charitable organizations with state charity regulators such as revenue agents' reports on proposed revocations of tax-exempt status and notices of deficiencies. However, state officials are subject to strict procedures to safeguard the confidentiality of taxpayer data. The lack of clarity surrounding how states can use data from the IRS to build their own cases, and the criminal penalties attached to improper disclosure of the data, have

³⁵ "Policies and Guidelines for Form 990 Revision, Advisory Committee on Tax Exempt and Government Entities (June 7, 2006), op. cit.

³⁶ *Id.*, p. 15.

³⁷ Conference call with Tom Pollak from the National Center for Charitable Statistics, November 14, 2014, and written information received from Janet M. Kleinfelter, Deputy Attorney General, Public Interest Division Office of Tennessee Attorney General (March 20, 2015).

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prevented most state charity regulators from incorporating IRS data in their investigations.³⁸

2. Other Users

Because the Form 990 includes questions about a tax-exempt organization's mission, exempt activities, officers' compensation, governance, finances, and investments, the data the form collects are of interest to academics, independent organizations that provide services to the sector, nonprofits themselves, the media, and the general public, including donors and potential donors. Uses of the data include identification of trends in the sector, development of products and services to help improve nonprofits, and research on particular exempt organizations by donors and potential donors.

a. Researchers and entrepreneurs. Private sector organizations use Form 990 data for both research and entrepreneurial purposes. In some cases they make data available for free, and in others they charge a fee to allow others to use the data and tools they've developed for using the data.

- GuideStar extracts Form 990 data from IRS image files and makes the digitized, searchable images available to IRS, researchers, nonprofits, and the public. Nonprofits can update their organization's profile with additional information about their activities. In conjunction with BBB Wise Giving Alliance and Independent Sector, GuideStar offers a "Charting Impact" tool that can help a nonprofit tell its story, including its goals and progress in achieving them. In addition, GuideStar also provides additional services through a range of data sets and supplemental products.
- The Foundation Center uses IRS data in developing its database of grant information on private foundations for use by grant seekers and researchers. In addition to providing information on grantors and grant recipients, it provides links to copies of multiple years of Form 990 and 990-PF. The forms are searchable through a tool called 990 Finder. The Center also conducts research on trends in grantmaking for the nonprofit sector.
- The National Center for Charitable Statistics (NCCS), a part of the National Center on Nonprofits and Philanthropy (NCNP) at the Urban Institute, cross-checks SOI data samples against published data files from IRS, fixes inconsistencies where it can, and adds classification codes. NCCS also

³⁸ "Tax-exempt Organizations: Better Compliance Indicators and Data, and More Collaboration with State Regulators Would Strengthen Oversight of Charitable Organizations," a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate, U.S. Government Accountability Office (December 2014), p.38. See also "Exempt Organizations: Leveraging Limited IRS Resources in the Tax Administration of Small Tax-Exempt Organizations," IRS Advisory Committee on Tax Exempt and Governmental Entities (2013).

keypunches several thousand Form 990 results each year to capture supplemental information such as organization purposes and programs and more detail on revenues, expenses, assets and liabilities, and governance. These data are made available on the web for use by the general public through the easy to use Table Wizard/Report Builder, and to the research community through the more sophisticated DataWeb. The NCCS Community Platform Project combines IRS data with census and other data and collaboration tools in a website for use by state and local partners including foundations, United Ways, universities, and governments. The Center produces publications such as *The Nonprofit Sector in Brief* and reports on special topics, and provides online tools nonprofits can use to complete their Forms 990 and 990-EZ and file them electronically with the IRS.

- Other websites and organizations work with Form 990 data in providing services to the sector. Examples include GiveSmart, Charity Navigator, GiveWell, Great Nonprofits, and Charity Blossom.
- Financial services firms seeking potential customers may use 990 data.
- Compensation consultants use information available on Form 990 for comparability data to determine the reasonableness of compensation of organizations' officers, key employees and independent contractors.

b. Media representatives. Reporters use Form 990 information for stories on charitable giving, nonprofit governance, and other activities of exempt organizations.³⁹

c. The general public, including donors, potential donors and grantmakers to charitable organizations, use data from the 990 to learn about the nonprofit sector and/or about particular organizations in the sector. IRS provides a search tool, Exempt Organizations Select Check, that allows users to check on an exempt Section 501(c)(3) organization's designated federal tax-exempt status. Searches can be made by EIN, name or location of the organization. The site consolidates three former search sites into one, providing expanded search capability and a more efficient way to search for organizations that:

- Are eligible to receive tax-deductible charitable contributions. Users may rely on this list in determining the deductibility of their contributions.
- Have had their tax-exempt status automatically revoked under the law because they have not filed Form 990 series returns or notices annually as required for three consecutive years.

³⁹ See, for example, "Inside the Hidden World of the Thefts, Scams and Phantom Purchases at the Nations Nonprofits" *The Washington Post* (October 26, 2013), available at http://www.washingtonpost.com/investigations/inside-the-hidden-world-of-thefts-scams-and-phantom-purchases-at-the-nations-nonprofits/2013/10/26/825a82ca-0c26-11e3-9941-6711ed662e71_story.html

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- Have filed a Form 990-N (e-Postcard) annual electronic notice.

The IRS also makes information about exempt organizations available through the Exempt Organizations Business Master File Extract, which contains more detailed information about organizations, such as their 501(c) sub-section, filing requirement, and financial data based on their Form 990 filing information.

It is also possible to view a tax-exempt organization's Form 990 on GuideStar and a public charity's Form 990 may be available on the web sites of various state charity regulators. Some exempt organizations, typically for transparency reasons, choose to post their Forms 990 on their own web sites. As a result, individuals with access to the internet can view an exempt organization's Form 990 and draw their own conclusions from the information they find there.

d. Form 990 filing organizations also may use Form 990 data to compare their organization's structure, management, compensation or performance with that of other organizations.⁴⁰ Additionally, they may use the Form 990 as a communication tool to provide information about their activities to donors, potential donors and the public. Many exempt organizations post their Form 990 on their website.

F. Information on Open Data

The IRS makes the Forms 990 filed by exempt organizations available only as single, individual image files specific to each exempt organization. The Form 990 data is not currently publicly available in a comprehensive, aggregated manner. It can be used and analyzed only on the basis of one exempt organization at a time. Many have lauded the virtues of open data for the nonprofit sector. Interested groups with which we met praised the advantages of open data, include improving the nonprofit sector as a whole by the ability of exempt organizations to compare themselves to other similarly situated entities, allowing states to better detect fraud and similar conduct, helping the nonprofit sector research sector-wide issues, and assisting the public and governments in tracking government and private grants and spending.

The Aspen Institute has devoted significant resources to studying the Form 990 and its data, the results of which it published in "Information for Impact: Liberating Nonprofit Sector Data." The Aspen Institute report promotes many benefits of open Form 990 data, including increasing the transparency for nonprofit organizations, making it easier for state and federal authorities to detect fraud, spurring innovation in the nonprofit sector and making the data useful for researchers, advocates, entrepreneurs, and

⁴⁰ Information excerpted from "Information for Impact," op.cit., pp. 28, 47-50.

technologists, as well as nonprofit organizations that do not have the resources to use the data in its current form.⁴¹ To illustrate the public benefit to having open data, the report notes that when the U.S. Department of Health and Human Services published its database of hospital infection rates online in a searchable format, Microsoft and Google were able to create an application showing infection rates for local hospitals across the country, which gave the public information on which hospitals were the safest regarding infections.⁴²

Congress has deemed that there should be no perceived penalty for e-filing, thus the IRS Exempt Organizations Division is limited in its use of the data submitted by electronic filers. Only those data fields that are transcribed from the paper-filed returns are extracted from the electronic data files and used for data-mining. However, EO Examinations personnel looks at the entire return (whether paper-filed or e-filed) when case building.

The guidelines for which data fields are transcribed are found in the Internal Revenue Manual (IRM) Section 3.24.12. The introduction to this section (effective January 1, 2015) of the IRM states:

1. This section provides instructions for the transcription and verification of data from block control documents and returns for the Business Master File Processing of the Exempt Organization Returns, using the Integrated Submission and Remittance Processing (ISRP) system.
2. Transcription operators may also need to refer to IRM 3.24.38, BMF General Instructions, for general procedures. If IRM 3.24.12 and IRM 3.24.38 conflict, IRM 3.24.12 takes precedence.
3. Beginning January 2009, transcribers [began to] see a new revision of Form 990 (2008). Forms 990 for a 2007 and prior year revision, and Forms 990 for 2008 and subsequent year revision, should be batched and processed under two separate program codes. See IRM 3.24.12.2.3.

Another system by which the IRS utilizes Form 990-series return data is the production and presentation of Statistics of Income (SOI) data. SOI conducts annual studies on charitable and other tax-exempt organizations. Analysts derive estimates of tax-exempt sector financial activity from a sample of Forms 990 filed by these organizations.

⁴¹ B. Noveck and D. Goroff, *Information for Impact: Liberating Nonprofit Sector Data*, op. cit., p.2.

⁴² *Id.* at page 4.

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Organizations covered by the SOI sample include those exempt under Internal Revenue Code Sections 501(c) (3) through 501(c)(9). The IRS SOI “SOI Tax Stats - Charities & Other Tax-Exempt Organizations Statistics” webpage contains information under the headings Statistical Tables, Publications and Papers, and Microdata Files.

Forms 990 are ranked by SOI by asset size in the following strata for presentation:

- Less than \$100,000
- \$100,000 - \$500,000
- \$500,000 - \$1 million
- \$1 million – \$10 million
- \$10 million – \$50 million
- Greater than \$50 million

Selections are random with more returns chosen in the higher assets strata. Every year, all returns with greater than \$50 million in assets are included in the SOI sampling. SOI staff transcribes some of their own data and may “correct” some data for sampling purposes, thereby creating their own unique SOI dataset. The dataset, in ASCII flat file format, that is used by SOI is not the same as the data used by EO Examinations for compliance.

The Data Management Division (Like SOI, a part of IRS SAS) team uses a process it calls “shredding” the data to create the datasets. In this process, XML (extensible markup language) data streams come into a relational database, then developers use that data to populate Oracle tables. Then, SOI editors review forms pre-filled with data and ask “does that look right?” At this point, team members may alter the data to reach a more logical answer if it does not appear correct. SOI uses both paper transcription data and e-filed data to produce its statistics. From this process, SOI creates Microdata files and tables and subtables that are published on the IRS SOI website.

The IRS contracts with an outside vendor⁴³ to process Forms 990-N (e-Postcard). As mentioned previously, the data provided annually by Form 990-N filers does not include financial information other than an affidavit that states that revenues for the filing year were normally not more than \$50,000.

The IRS is significantly burdened by its outdated technology infrastructure, which results in the duplication of efforts, contracts with outside vendors, and the underutilization of data. In our discussions with individual IRS exempt organizations

⁴³ Currently, the IRS has an arrangement with the Urban Institute for this processing.

managers, we identified the following advantages of all-electronic filing of the Form 990 and Form 990-EZ:

1. Higher utilization of Form 990 data for tax compliances and other reasons. Currently, the IRS Exempt Organizations division only utilizes from the electronically filed returns the same information that is manually transcribed from the paper returns for its data analytics functions, for parity reasons. EO specialists have developed data-mining queries based on information within the Form 990 to identify potential areas of noncompliance. The IRS has developed a listing of over 150 condition codes based on responses to various Form 990 questions to identify potential noncompliance issues.⁴⁴ Currently, however, only about 40 percent of the core form and very little information from the schedules is manually entered. With all-electronic filing, the IRS could search and utilize all the information reported on the Form 990, not just what is manually entered from the paper forms.
2. More complete returns. If every return is electronically filed, then the IRS could eliminate the incomplete return program because electronically filed returns must be complete before being accepted for electronic filing.
3. Financial savings. The Aspen Institute reports that if the IRS makes e-filed data available in open form, it would save \$350,000 in the cost of data conversion and \$250,000 from a reduced need to conduct quality assurance checks.⁴⁵ Note, the IRS previously purchased from GuideStar expanded transcribed Form 990 data that GuideStar makes available to a number of customers and stakeholders. The IRS discontinued this arrangement with GuideStar in 2015 as EO shifted its focus to increasing its internal transcription of the Form 990.
4. Reduces human error from manual input and review. Electronic filing reduces human error from manual input and manual review of information returns to determine if returns are complete and accurate.
5. Open data for the sector; comparability. Electronic filing would allow exempt organizations to better compare themselves to similarly situated organizations if the data becomes searchable

⁴⁴ *Tax-Exempt Organizations, Better Compliance Indicators and Data, and More Collaboration with State Regulators Would Strengthen Oversight of Charitable Organizations*, Report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate by the United States Government Accountability Office ("GAO Report") (December 2014).

⁴⁵ B. Noveck and D. Goroff, *Information for Impact: Liberating Nonprofit Sector Data*, op cit., p. 18.

G. Government Accounting Office Report on Tax-Exempt Organizations

On December 17, 2014, the IRS received a progress report on charity oversight from the Government Accounting Office (GAO). The GAO Report took the form of a report addressed to Senator Tom Coburn in his role as the Ranking Member of the Senate Committee on Homeland Security and Government Affairs and is entitled, “Better Compliance Indicators and Data, and More Collaboration with State Regulators Would Strengthen Oversight of Charitable Organizations.” The report is 60 pages long and the information is based on the GAO’s performance audit conducted from June to December 2014. The performance audit involved a review of IRS documents and data and interviews with personnel involved in the agency’s oversight activities.

Ultimately, the GAO’s recommendations to the IRS were as follows:

1. Direct EO to develop quantitative, results-oriented compliance goals and additional performance measures and indicators that can be used to assess the impact of exams and other enforcement activities on compliance.
2. Continue to work with Treasury officials to review the flexibility afforded under [the Pension Protection Act] consistent with statutory protections of taxpayer data, clarify what flexibility state regulators have in how they protect and use federal tax data, make modifications to guidance, policies, or regulations as warranted, and clearly communicate this information with state charity regulators.⁴⁶

GAO also recommends that Congress consider expanding the mandate for Section 501(c)(3) organizations to electronically file their information returns to cover a greater share of filed returns.⁴⁷ The GAO Report notes that the e-filing rate for tax-exempt organizations is significantly lower for exempt organization information returns than for partnership and S corporation returns and that an e-filing mandate would be useful to state regulators, charity watch-dog groups, charitable beneficiaries, and the press as a strategy for improving transparency and accountability. In written comments, the IRS agreed with GAO’s recommendations.⁴⁸

The report gave us insight into how the IRS Exempt Organizations Division selects organizations for examinations, stating that the IRS relies on seven primary categories of sources for determining which organizations to examine:

⁴⁶ GAO Report, p. 42

⁴⁷ GAO Report, p. 41.

⁴⁸ GAO Report, p. 42.

1. Analytics – based on Form 990 queries
2. Projects – staff-initiated projects approved by an executive committee to address compliance concerns
3. Compliance checks – letters and questionnaires sent to organizations based on data analytics, samples, or items in returns
4. Review of operations – IRS review of internal information, websites, and public documents to ensure that organizations are acting consistently with their tax-exempt purposes
5. Document matching – review of payor/employer records that do not match information returns
6. Referrals – referrals alleging potential noncompliance with the tax law from the general public, members of Congress, federal and state governments, and other divisions within the IRS
7. Claims – certain refund claims or request for abatement that require review

The GAO reported that the 4,495 IRS EO examinations conducted in 2013 were selected according to the following categories, by percentage:

- IRS National Research Program project on employment taxes and other – 41.2%⁴⁹
- Form 990 data analytics – 22.1%
- Document matching – 9.9%
- Referral received from outside IRS – 8.0%
- Referral received from inside IRS – 5.7%
- Review of Operations – 4.0%
- Refund claims or requests for abatement – 3.2%
- Compliance checks (letters) – 2.9%
- Compliance checks (questionnaires) – 2.7%
- News items⁵⁰ – 0.4%

Overall, the examination rate for charities was 0.7% for 2013, compared to 1% for individual tax returns and 1.4% for corporate tax returns. Beginning in 2015, EO intends

⁴⁹ EO participated in an IRS National Research Program project on employment taxes in 2013, which contributed to an unusually high number of exams during that year. GAO Report, p. 18.

⁵⁰ “News items” include referrals the IRS received in the form of submitted news clippings; it does not include referrals received from members of the media, which IRS groups with referrals received from the general public. Also, the accountants among our readers will note that the percentages add up to 100.1% (even though the GAO’s Table 2 presents the Total as 100%).

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to rely more on data-mining queries from the redesigned Form 990 “to detect high-risk areas of noncompliance and to prioritize enforcement efforts.”⁵¹

As previously stated, current law provides that only very large tax-exempt organizations are required to e-file a Form 990 (and we note that an organization that is eligible to file a Form 990-N may instead file, either electronically or on paper, a Form 990 or Form 990-EZ), making it more difficult for the IRS to use this data effectively in conducting examinations.⁵² The GAO found that “referrals are prioritized so that those involving a serious breach of public trust or abuse—such as financial investigations or allegations of terrorism—are to be examined right away.”⁵³ The report also states IRS EO managers explained, “On the other hand, high profile referrals—referrals resulting from a media exposé or involving a well-known organization—are not necessarily high priority, and may not be examined right away.”⁵⁴

The most common reason the IRS cites for revoking a charity’s tax-exempt status is that the organization is not operating for tax-exempt purposes. The other primary reasons for revocation include failure to file tax returns, render statements, or maintain records and inurement/private benefit.⁵⁵

As discussed elsewhere in this report, the GAO also noted that there is a lack of clarity in the area of what information may legally be shared between the IRS and state charity regulators to aid in their enforcement efforts.

The GAO Report notes that IRS budget and staffing levels have declined significantly over recent years and asserts that the EO division of the IRS will need to make sound decisions regarding the collection and use of performance data from exempt organizations or risk missing noncompliance, burdening tax-exempt organizations and wasting scarce resources.⁵⁶ The report also wisely notes that without sound data from exempt organizations, it will be difficult to communicate the EO’s progress to Congress and the public.⁵⁷

⁵¹ GAO Report, p. 27. See also, TE/GE Program Letter FY 2015, which states that the IRS’s strategies include “[a]llocating resources using a data-driven approach to target existing and emerging high-risk areas.”

⁵² About 48% of exempt organizations e-filed in 2014. See footnote 24 and accompanying text, *supra*.

⁵³ GAO Report p. 18.

⁵⁴ *Id.*

⁵⁵ GAO Report, Figure 6: Number of Charitable Organization Returns with Revocations and the Reasons, Fiscal Years 2011-2013, p. 23

⁵⁶ GAO Report, p. 41.

⁵⁷ *Id.*

H. President Obama's Recommendation for Electronic Filing

In President Obama's Fiscal Year 2016 Revenue Proposals, the administration proposes a change to require all tax-exempt organizations to file the Form 990 series returns, including the Form 990-T, electronically. The proposal would also require the IRS to make the electronically filed forms publicly available in a machine-readable format in a timely manner. The proposal lists a number of advantages to mandatory e-filing of the Form 990, including use of the publicly available data by donors to make more informed contribution decisions, use by researchers, analysts and entrepreneurs to better understand the exempt organizations sector, and the creation of information tools and services to meet the needs of the sector, and also notes the usefulness of the data by state and local regulators, charity watch-dog groups, charitable beneficiaries and the press. According to the President's proposal, requiring electronic filing is unlikely to impose a large burden on tax-exempt organizations, since they generally maintain financial records in electronic form and either hire a tax professional or self-prepare returns using tax preparation software that enables electronic filing. The proposal states that in many cases, electronic filing is more cost effective for taxpayers.

I. Public.Resource.Org Case

On January 29, 2015, the United State District Court granted summary judgment to Public.Resource.org and ordered the IRS to produce nine requested Forms 990 in Modernized E-file (MeF) format to the charity within 60 days of the court's decision.⁵⁸ The court case arose because Public.Resource.org submitted a Freedom of Information Act (FOIA) request to the IRS seeking release, in MeF format, the Forms 990 filed electronically by nine tax-exempt organizations. The IRS refused to produce the requested documents, explaining that it did not have an existing process to convert the releasable portions of the Forms 990 back into MeF form due to the redaction required for publicly disclosure of the forms. The IRS asserted that it would have to shift resources, at a cost of \$6,200, to develop the necessary protocol, train its employees, and develop the technical capacity to produce the requested Forms 990 in redacted MeF form.

In its decision, the court determined that the IRS could refuse to produce the documents, which are already in electronic format, only if there was compelling evidence as to a significant interference or burden to producing them in the redacted format. The court found that the IRS had "failed to make a compelling showing that accommodating the request to produce nine Form 990s in MeF at a cost of \$6200 –

⁵⁸ *Public.Resource.org v. United States Internal Revenue Service*, Not Reported in F.Supp.3d, 2015 WL 393736 13-CV-02789-WHO (N.D.Ca. January 29, 2015).

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much of which is characterized by the government as ‘one-time expenses’ to set up a protocol and train staff – would significantly burden or interfere with the agency’s ability to respond to FOIA requests or meet its other responsibilities.” The court also noted that if the IRS were to comply with additional requests to produce Forms 990 in MeF, the costs would be lower than to produce these initial nine copies.

J. Sharing Data with the States

In 2006, the PPA was enacted with provisions to facilitate information-sharing between IRS and state charity regulators. Prior to the enactment of the PPA, the IRS could share only certain information regarding the denial or revocation of recognition of an organization’s tax-exempt status and notices of deficiencies. The PPA expanded the type of information state charity regulators can receive to include sensitive, confidential information, such as revenue agents’ reports regarding proposed revocations and denials and notices of deficiencies. In addition, the IRS can now share information with the states on denials before an administrative appeal is made and before a final revocation or denial is issued.⁵⁹ In addition to the information IRS is now allowed to share with state charity regulators, IRS also makes revocations publicly available. The IRS lists revocations in the Internal Revenue Bulletin, although the reason for revocations resulting from exam are not given or made public.⁶⁰ Redacted revocation reports are posted to the electronic reading room; these reports generally provide the reason for the revocation.

Specifically, Code Section 6104(c) on publication to state officials states the following:

(1) General rule for charitable organizations

In case of any organization which is described in section 501(c)(3) and exempt from taxation under section 501(a), or has applied under section 508(a) for recognition as an organization described in section 501(c)(3), the Secretary at such times and in such manner as he may by regulations prescribe shall—

(A) notify the appropriate State officer of a refusal to recognize such organization as an organization described in section 501(c)(3), or of the operation of such organization in a manner which does not meet, or no longer meets, the requirements of its exemption,

(B) notify the appropriate State officer of the mailing of a notice of deficiency of tax imposed under section 507 or chapter 41 or 42, and

⁵⁹ Code Section 6104(c)(2). See also, GAO Report, p. 37.

⁶⁰ *Id.*

(C) at the request of such appropriate State officer, make available for inspection and copying such returns, filed statements, records, reports, and other information, relating to a determination under subparagraph (A) or (B) as are relevant to any determination under State law.

(2) Disclosure of proposed actions related to charitable organizations

(A) Specific notifications

In the case of an organization to which paragraph (1) applies, the Secretary may disclose to the appropriate State officer—

(i) a notice of proposed refusal to recognize such organization as an organization described in section 501 (c)(3) or a notice of proposed revocation of such organization's recognition as an organization exempt from taxation,

(ii) the issuance of a letter of proposed deficiency of tax imposed under section 507 or chapter 41 section 507 or chapter 41 or 42, and

(iii) the names, addresses, and taxpayer identification numbers of organizations which have applied for recognition as organizations described in section 501 (c)(3).

K. State Charitable Solicitation Filings

At the time of this report, 39 states and the District of Columbia require organizations seeking to solicit contributions in their jurisdiction to register.⁶¹ The vast majority of these states and the District of Columbia accept the Unified Registration Statement (the "URS") in connection with these registrations. All but three states have adopted the URS for charitable solicitation filings. Much of the information requested on the URS is similarly requested by the Form 990 and its schedules. The URS, however, has two line items that require data not generally found on Form 990 currently. URS Line 7 asks:

Has organization or any of its officers, directors, employees or fund raisers (Yes/No):

- A. Been enjoined or otherwise prohibited by a government agency/court from soliciting?
- B. Had its registration denied or revoked?

⁶¹ *Nonprofit Fundraising Registration: The 50-State Guide*, by Stephen Fishman and Ronald J. Barrett, NOLO Press (2013).

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- C. Been the subject of a proceeding regarding any solicitation or registration?
- D. Entered into a voluntary agreement of compliance with any government agency or in a case before a court or administrative agency?
- E. Applied for registration or exemption from registration (but not yet completed or obtained)
- F. Registered with or obtained exemption from any state or agency?
- G. Solicited funds in any state?

If "yes" to 7A, B, C, D, E, *attach explanation*.

If "yes" to 7F & G, *attach list* of states where registered, exempted, or where it solicited, including registering agency, dates of registration, registration numbers, any other names under which the organization was/is registered, and the dates and type (mail, telephone, door to door, special events, etc.) of the solicitation conducted.

Then, on Line 15 of the URS, the form requires filers to attach separate sheet listing names and addresses (street & P.O.) for all below:

- Individual(s) responsible for custody of funds.
- Individual(s) responsible for distribution of funds.
- Individual(s) responsible for fund raising.
- Individual(s) responsible for custody of financial records (Form 990, Part VI, Line 20)
- Individual(s) authorized to sign checks.
- Bank(s) in which registrant's funds are deposited (include account number and bank phone number).

In addition, fourteen states require supplemental forms in addition to filing the URS. Examples of additional information are as follows:

Georgia: Ten-year employment history for all "control persons", defined as anyone, "who directly or indirectly, has the power to direct or cause the direction of the management and policies of the applicant [charity]."

West Virginia: A three-question supplement asks about amounts raised in West Virginia, amounts disbursed for program services in West Virginia, and amounts disbursed for charitable purposes outside West Virginia.

Utah: Two supplemental statements that include a special Utah version of a “Utah Financial Report/Statement of Functional Expenses” (which has a 5-page set of instructions.)

Tennessee: Two supplemental statements including a “Summary of Financial Activities of a Charitable Organization” which includes a restatement of data that is already being reported on Form 990, Parts VIII and IX.

Washington: A three-page “Washington State Unified Registration Statement Addendum” that requires financial information in an 8-line “Solicitation Report” already being reported on Form 990, Parts VIII and IX, although the terms used (“The total gross dollar value of expenditures used for administrative and fundraising”) are unique to the state.

In addition to initially registering to solicit contributions, soliciting organizations also must file renewal forms in the various states and the District of Columbia. The renewal forms differ from state to state and generally require detailed financial information, much of which is available on and taken directly from the Form 990. Organizations are typically required to file a copy of their Form 990 with their renewal forms.

IV. DUE DILIGENCE AND CONDUCTING THE SURVEY

A. Meetings and Research

The ACT reviewed the Form 990, along with schedules and instructions, and online resources provided on the Form 990 on the IRS website.

The ACT conducted a series of interviews and meetings with IRS officials and staff in June 2014, August 2014, October 2014 and January 2015. The interviews and meetings focused on the Form 990, Form 990 filers, methods of Form 990 filing, and how the Form 990 data is used once received. The groups also discussed how changes to the Form 990 and its instructions are received, approved by leadership, budgeted for revision, and ultimately revised for dissemination. We are grateful for the information shared by IRS officials and staff.

The ACT also met with Statistics of Income (SOI) staff to learn more about how the Form 990 data is used and disseminated by the agency and its partners.

The ACT consulted several reports, including *Information for Impact, Liberating Nonprofit Sector Data*, by Beth Simone Noveck and Daniel R. Goroff, Second Edition (2013), *The Aspen Institute Philanthropy and Social Innovation* (2013), and the

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Government Accounting Office's *Report to the Ranking Member Committee on Homeland Security and Government Affairs, US Senate, Tax-Exempt Organizations: Better Compliance Indicators and Data and More Collaboration with State Regulators Would Strengthen Oversight of Charitable Organizations* (2014). In addition, the ACT conducted independent research on the topics addressed in this report.

The ACT also met with several different organizations, individuals and associations with nonprofit constituencies and interest in the Form 990 ("stakeholder groups") and its impact on nonprofit organizations and the nonprofit sector. Meetings were set up to ascertain and learn about these stakeholder groups' thoughts on the how the Form 990 is working and what changes in the Form, its instructions, filing and data sharing they would like to recommend. The meetings took place either in person or via telephone conference call.

The acknowledgement section of this report includes a list of the stakeholder groups outside of federal government representatives with whom we have consulted. While many of the themes of the comments were repeated among the various stakeholder groups, not every organization expressed views on each topic.

B. Survey on the Form 990

Additionally, the ACT conducted a survey to collect input and recommendations on the Form 990 from a wide group of Form 990 stakeholders, including representatives of exempt organizations that file a Form 990, Form 990-EZ or Form 990-N, state and local government officials (charity officials and others), donors, advisors to donors, advisors to grant makers, practitioners (including attorneys and accountants), researchers, independent charity rating agencies, and members of the press. The ACT reached out to various industry groups, as set forth on **Appendix A**, which distributed the survey to their members. These groups were selected based on their members' extensive involvement with and use of the Form 990.

For purposes of conducting the survey, the ACT developed an online survey tool. Links to the survey tool were sent to prospective respondents via email starting on January 13, 2015. The survey remained open until February 10, 2015. Primary dissemination of survey invitations was sent through membership lists, affinity groups and associations of the stakeholder groups. A list of the groups invited to participate is found in **Appendix A**. These groups were invited to participate once or more than once between January 13, 2015 and February 6, 2015. The survey was also disseminated by ACT members to their professional contact lists, former members of the Exempt Organizations Subcommittee of the ACT, state and local government representatives, and other interested individuals. In addition to email invitations, others received an invitation to

participate during conference plenaries and sessions. For a list of these verbal invitations to participate, see **Appendix A**.

In completing the questionnaire, individuals were asked to first self-identify the manner in which they primarily use or review Forms 990. Individuals who identified themselves as part of the staff, board, or development team of an exempt organization then were asked to respond to questions regarding their organization's completion and filing of the Form 990. In this report, these individuals are referred to as "filers." Other individuals who self-identified themselves as state charity officials, donors, grant-makers, advisors, practitioners, or researchers or in similar capacities were then asked to respond to questions about their use of Forms 990 filed by exempt organizations. For purpose of this report, these individuals are referred to as "reviewers" of the Form 990. In many instances, an individual may be a member of both of these groups, but for the purposes of this survey, respondents were required to self-identify their primary use of the Form 990.

While technology was in place to preclude respondents from entering more than one response from the same computer, there was no restriction on the number of times respondents could respond from a single organization. Survey respondents were assured that their individual responses would be confidential and that responses would be reported in the aggregate only and not attributed to individual respondents. We estimate that, on average, the survey took approximately 5 to 10 minutes to complete. There was no telephone follow-up or other specific contact with to survey respondents.

Many of the questions posed as part of the survey were dependent upon the type of respondent or questions previously answered by the respondent. While IRS staff provided input regarding survey questions prior to the survey's release, the survey was not conducted using IRS survey tools, resources or contact lists of exempt organizations from the Exempt Organization's Masterfile or other IRS email lists.

Due to the process of disseminating the survey by member/client lists of external associations and affinity groups (for which we have limited or no data on email open rates, duplicates, bad email addresses, etc.), it is not possible to report a response rate for the survey. The survey was neither based on a random sample nor statistically valid, but was intended to reach a broad group of Form 990 series filers and users. We estimate that at least 148,000 individuals were invited to participate in this survey through one of the channels indicated above. In all, 1,898 individual respondents participated in the survey. As this was not a random sample, however, survey results cannot be reliably extrapolated to the general population of all exempt organization filers and users of the Form 990.

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C. Survey Results

The survey was intended to pose questions to various users of the Form 990, 990-EZ and/or 990-N to determine their perceptions of the forms, their views on their effectiveness, which parts and schedules of the Form 990 they have a difficult time completing (if applicable), which parts and schedules do they use the most in reviewing organizations, and where do they turn for help in completing the forms. With the exception of media users, the survey responders represent a broad cross-section of the various users of the Form 990, including representatives of filing organizations, researchers, donors and grantmakers, practitioners, and government officials. A full copy of the survey results is set forth in **Appendix B**.

a. General Results

When representatives of filing organizations that are not currently filing the Form 990 or 990-EZ electronically were asked if they would find mandatory electronic filing burdensome, only a small number answered “yes.” Merely 1.92% of the Form 990 filers (9 out of 468) and 5.95% of the Form 990-EZ filers (5 out of 84) responded affirmatively that they would find mandatory electronic filing burdensome for their organizations. Of the Form 990 filers, 40.17% responded “don’t now” and 10.72% of the Form 990-EZ filers responded with this answer. Note, the ACT recognizes that individuals responding to an on-line survey will likely have greater comfort with electronic filing. Below is a summary of the results from the question on electronic filing.

If you were required to file electronically a Form 990 or 990-EZ, would this negatively affect your organization?

	Yes	No	Don’t Know
Form 990 filers	1.92%	57.91%	40.17%
Form 990-EZ filers	5.95%	83.33%	10.72%

Regarding which part or schedule of the Form 990 filers find the most difficult to prepare, the responders had no clear “favorite,” with these three Parts/Schedules receiving the most support for difficulty:

- Part IX, Statement of Functional Expenses (11.61%).
- Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors (5.74%)

- Schedule G, Fundraising and Gaming (5.33%).

Regarding which Form 990 part or schedule reviewers had the most difficult time understanding, again there was no clear frontrunner. Leading responses were

- Schedule K, Bonds (8.27%),
- Part IX, Statement of Functional Expenses (7.27%),
- Part XI, Reconciliation of Net Assets (7.02%).

Both filers and reviewers are in the middle ground on whether they believe the Form 990 encourages responsible board governance and executive behavior.

On a scale of 1 to 5, does the Form 990 (or EZ or N, as applicable) encourage responsible board governance and executive behavior? (5 being strongly encourages)

Average score of responses:

Form 990 filers	3.06
Form 990-EZ filers	3.37
Form 990-N filers	3.17
Reviewers	3.26

Similar outcomes resulted from the question to both Form 990 filers and reviewers on whether they believe the Form 990 is effective for communicating with the public about an organization's governance, programs and operations.

On a scale of 1 to 5, how effective is the Form 990 for communicating with the public about your organization's governance, programs and operations? (5 being the most effective)⁶²

Average score of responses:

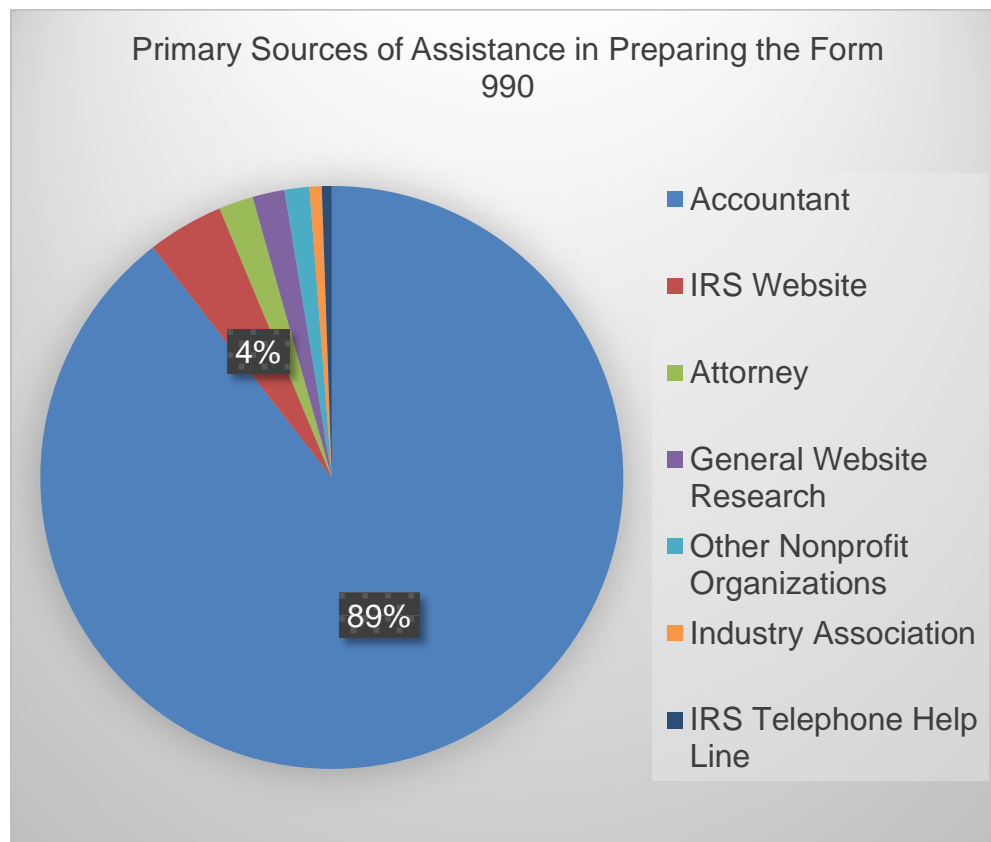
Form 990 filers	2.93
Reviewers	3.24

When Form 990 and Form 990-EZ filers were asked where they turn for help with completing their information returns, accountants were the overwhelming choice (Form 990 filers - 89.48% and Form 990-EZ filers - 67.88%). The IRS website took second

⁶² Form 990-EZ and 990-N filers were not asked this question in the survey.

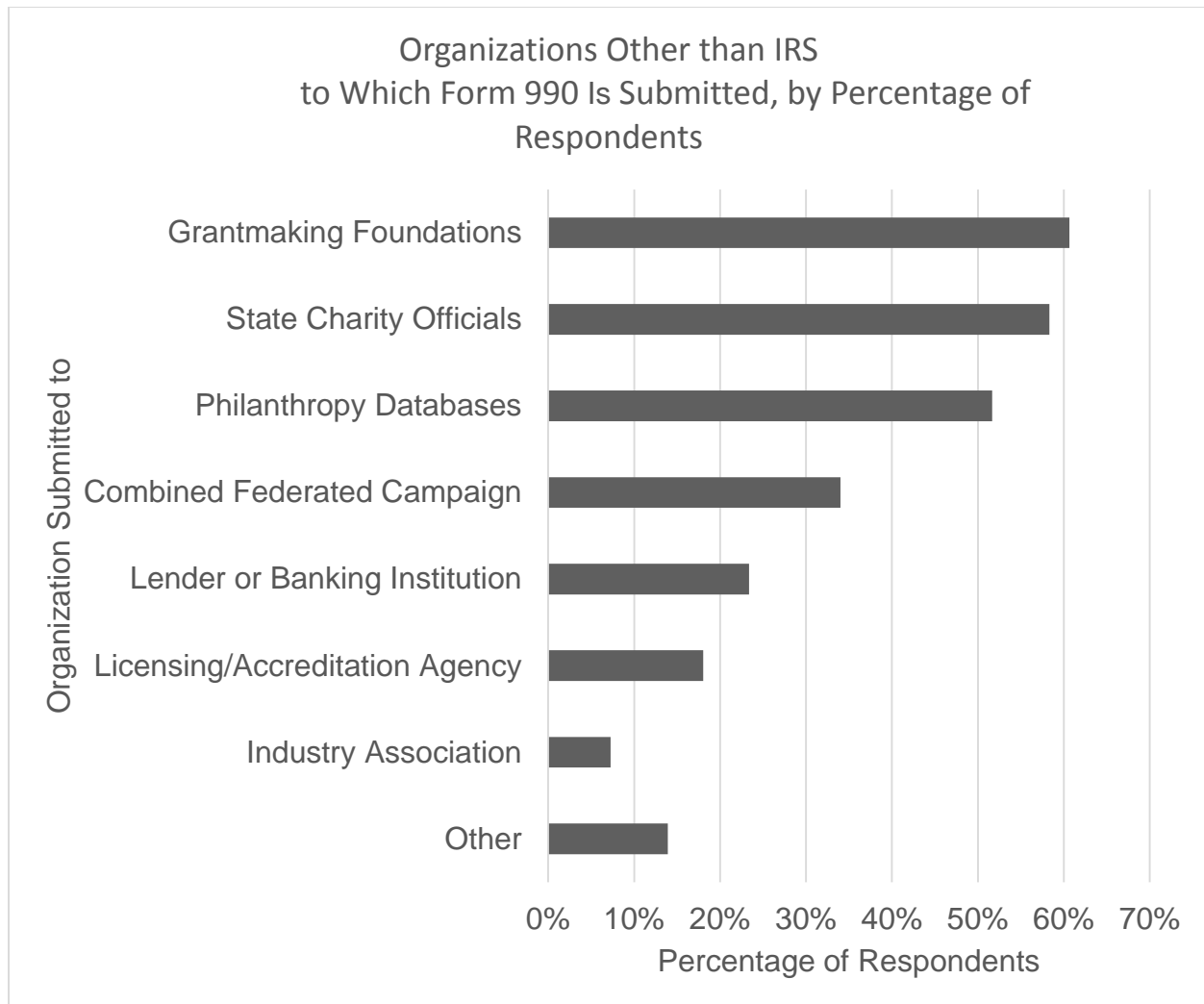
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place with both the Form 990 filers (4.23%) and the Form 990-EZ filers (17.86%) for help with information return completion.



The survey confirmed that filing organizations submit the Form 990 with many other agencies and organizations. The three leaders in this category were

- state charity officials (58.33% of the Form 990 filers and 58.88% of the Form 990-EZ filers),
- grantmaking foundations (60.66% of the Form 990 filers and 54.76% of the Form 990-EZ filers), and
- philanthropy database, such as GuideStar (51.64% of the Form 990 filers and 42.86% of the Form 990-EZ filers).



b. Form 990-N and Form 990-EZ Users

Somewhat imbedded in the Form 990 survey data were two interesting “sub-surveys” that consisted of users of Form 990-N (ePostcard) and Form 990-EZ. There were 37 Form 990-N filers and 92 Form 990-EZ filers. While the survey was widely distributed to Form 990 stakeholders, the filers responding to the survey were largely Form 990 filers rather than Form 990-N or Form 990-EZ filers.

The Form 990-N filers broke down as follows:

Development Directors	5
Staff, Board member, etc.	32

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In this sub-survey, 36 of the 37 Form 990-N filers answered the five Form 990-N-specific queries, set forth below.

Would providing your total revenues and total expenses on Form 990-N be overly burdensome to your organization?

Yes	No
33.33%	66.67%

Does your organization have any paid staff?

Yes	No
44.44%	55.56%

When you need help completing Form 990-N where do you turn for that assistance?

Accountant	IRS Website	General Website Search	Attorney	IRS helpline	Other nonprofit
52.78%	19.44%	8.33%	5.56%	5.56%	5.56%

The survey asked in what state is the Form 990-N filer's organization headquartered and we saw a representative array of locations led by California with 14 and New York with 3.

On the question, "On a scale of 1 to 5, does the Form 990-N encourage responsible board governance and executive behavior? (5 being strongly encourages) the ratings were as follows:

5	13.89%
4	25.00%
3	38.89%
2	8.33%
1	13.89%

This data may be helpful with regard to strategizing how the IRS might review, examine and provide assistance to small organizations (see **Recommendation #3**). Although the Form 990-N filers participating in the survey represents a small, non-statistically valid sample, a majority of these organizations would not find it burdensome to provide information on revenue and expenses to the IRS (which could assist the IRS with post-Form 1023-EZ reviews) and appear more likely to utilize the IRS website for their questions.

The Form 990-EZ filers broke down as follows:

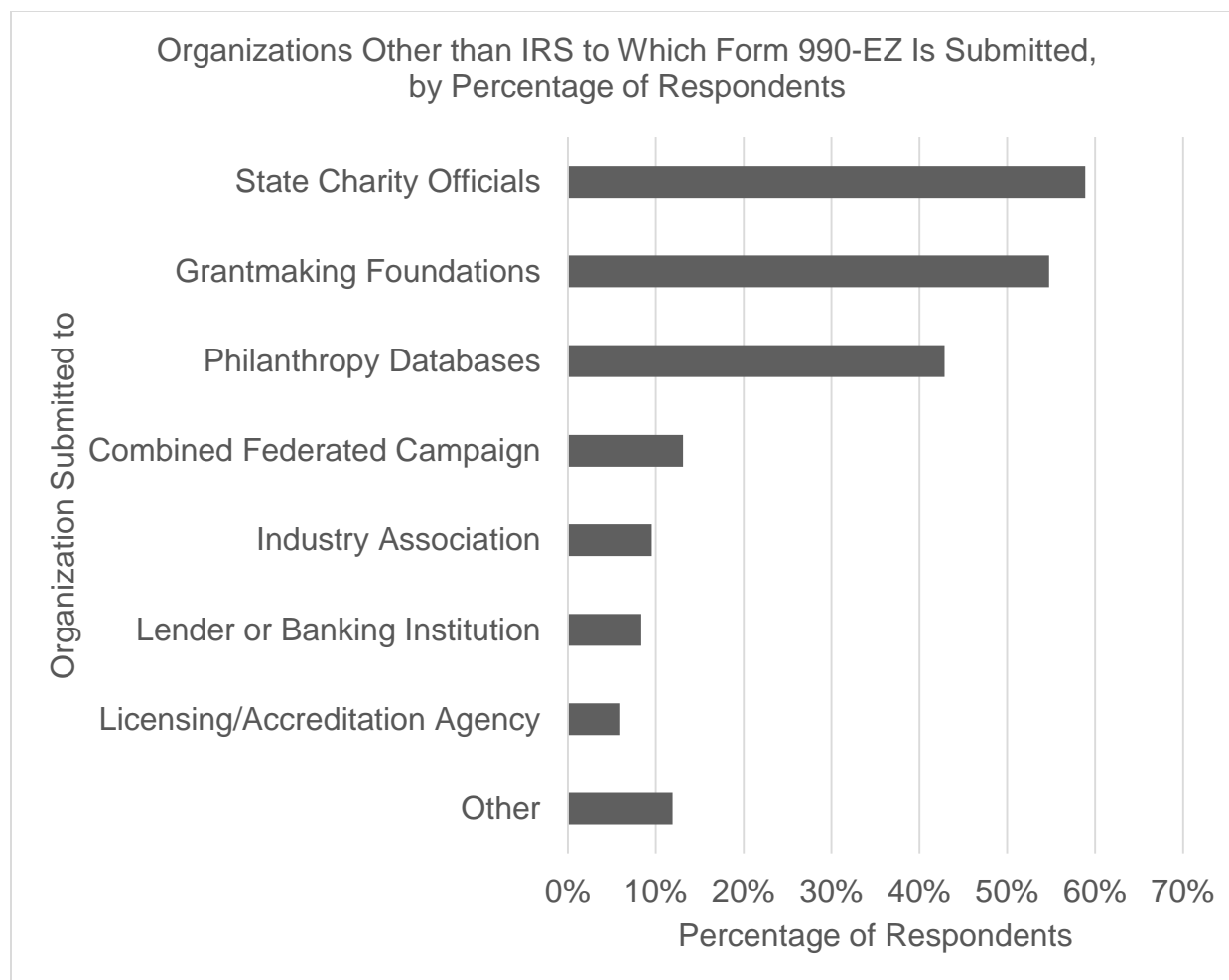
Development Directors	15
Staff, Board member, etc.	77

The survey asked what state the 990-EZ filer's organization was headquartered in and we saw a representative array of states led by California with 22 and Pennsylvania and Illinois tied for second with 7 each.

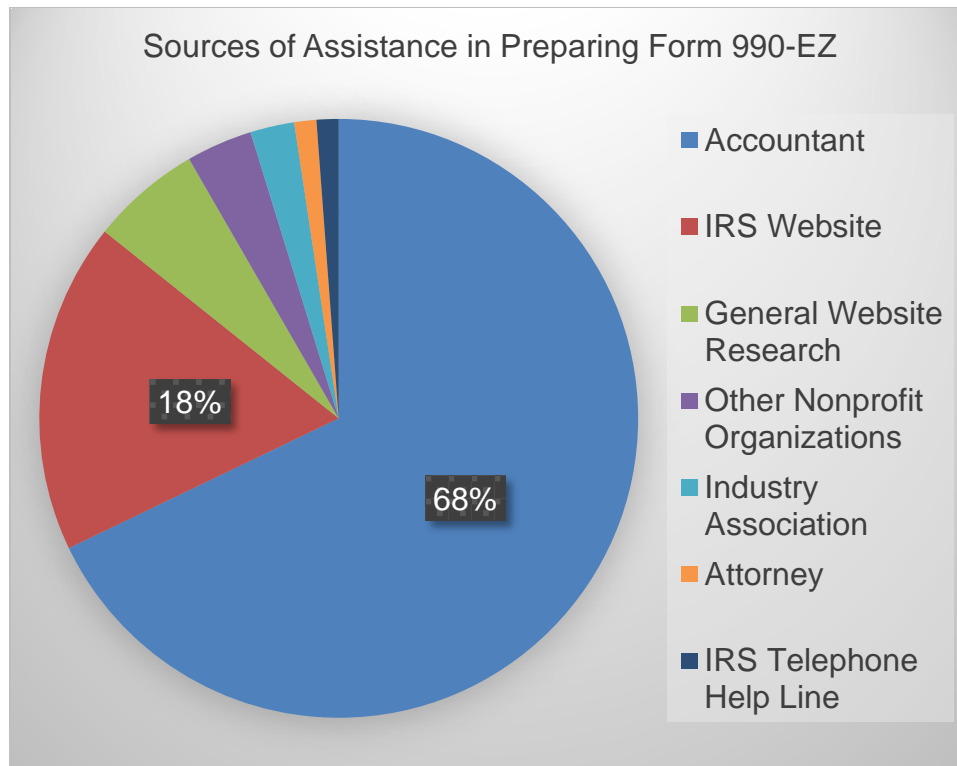
In this "sub-survey," 84 of the 92 Form 990-EZ filers answered the five 990-EZ-specific queries. For the question, "If you were required to electronically file a Form 990-EZ, would this negatively affect your organization?" 83.33% answered "No," 10.71% answered "Don't know," and only 5.95% answered "Yes."

On the question, "Other than filing the Form 990-EZ with the IRS, where else do you submit a copy of the Form 990-EZ? (Check all that apply)," the following was reported:

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For “When you need help completing Form 990-EZ where do you turn for that assistance?” 67.89% answered “Accountant”, with 17.86% answering “IRS website”, and 5.95% stating “General website search.” Other nonprofit organizations received 3.57%. “Association (or other ‘industry organization’)” was the choice for 2.38%. Attorney and IRS telephone “help” line each came in with an identical 1.19%.



On the question, “On a scale of 1 to 5, does the Form 990-EZ encourage responsible board governance and executive behavior? (5 being strongly encourages) the ratings were as follows:

5	14.29%
4	29.76%
3	40.48%
2	9.52%
1	5.95%

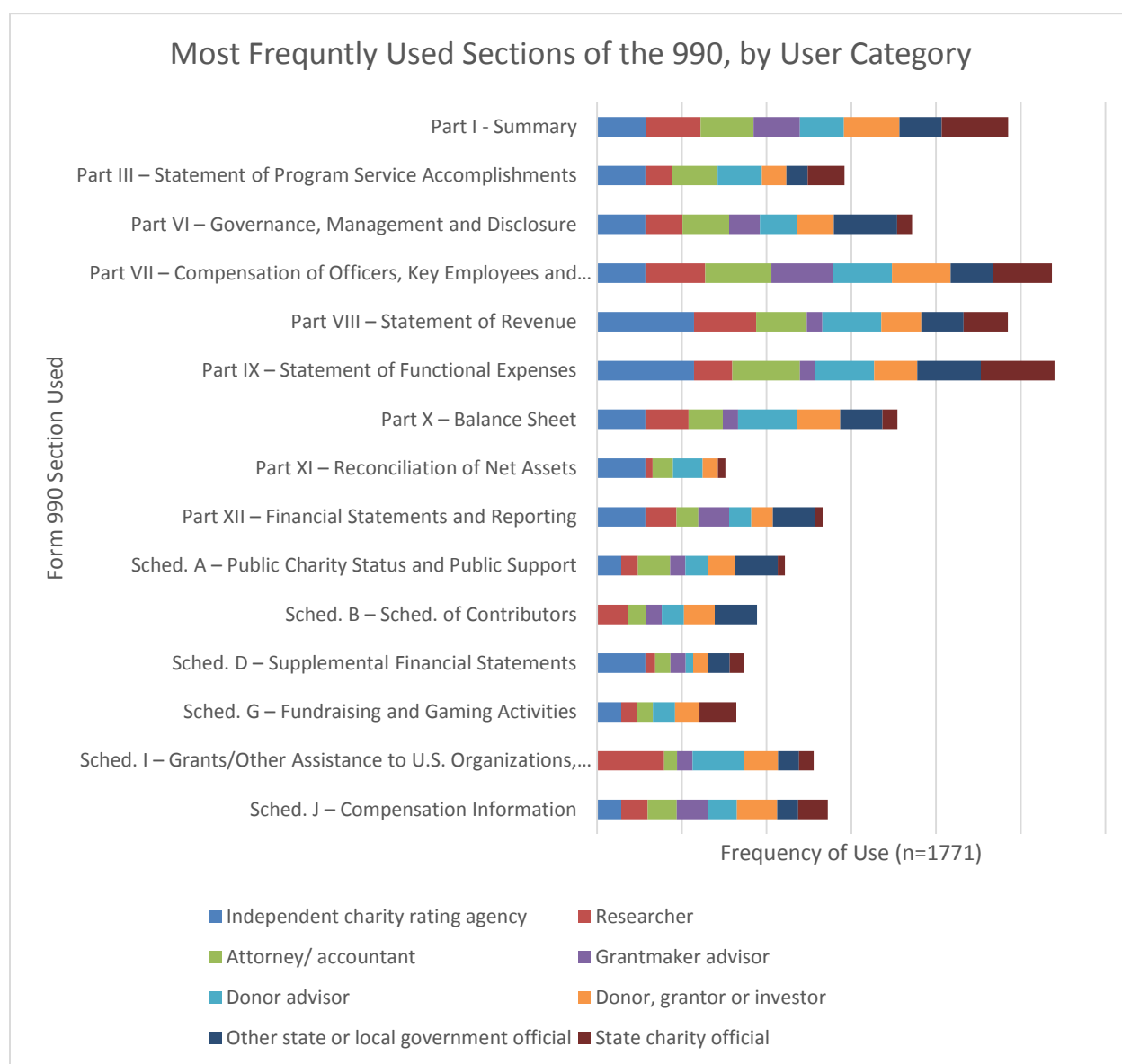
Finally, Form 990-EZ users told us, when asked, “Does your organization have paid staff?”

Yes	71.43%
No	28.57%

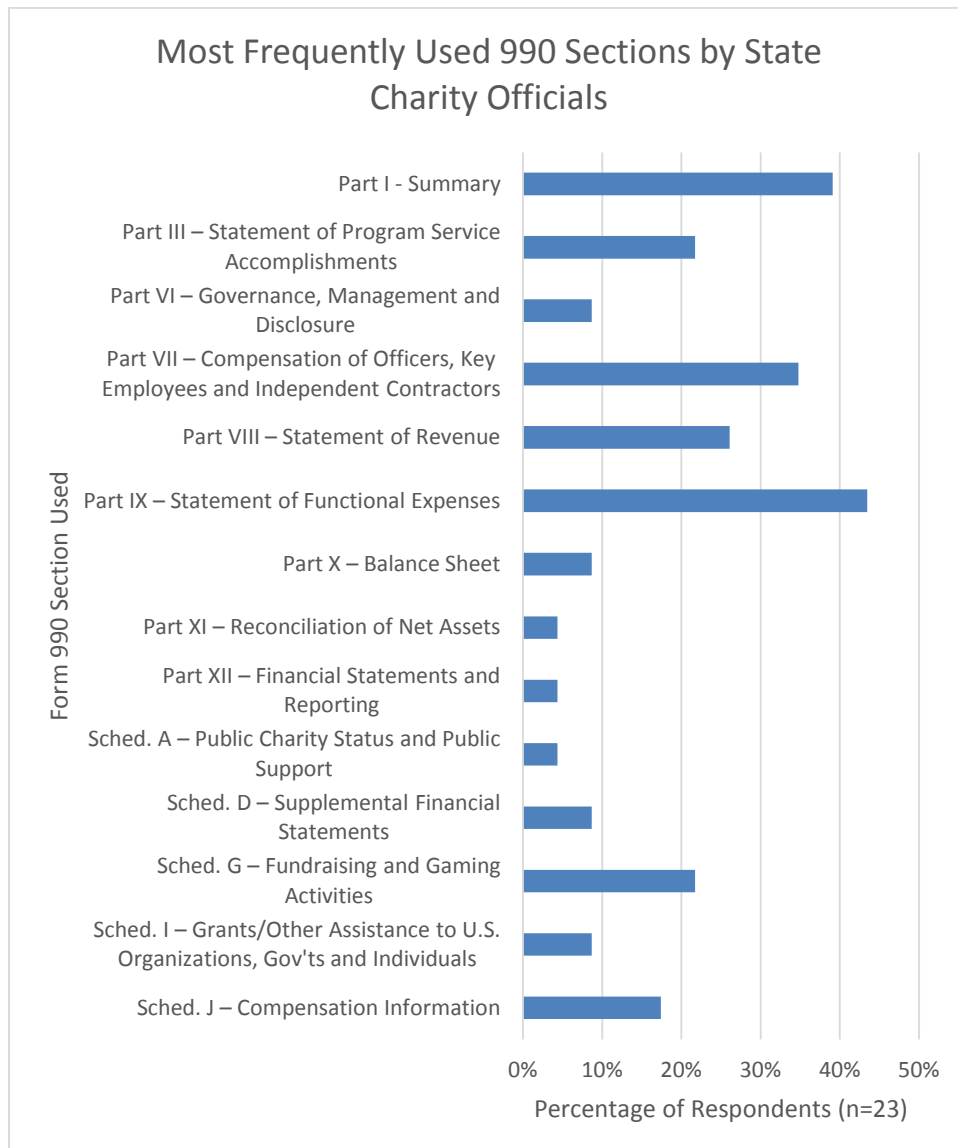
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c. Uses of the Form 990

The ACT's survey also focused on the use of the Form 990 by the various users of the Form 990 data. A cross-tabs analysis was conducted for question 1 (users of Form 990) and question 29 (primary use of Form 990) to ascertain which parts and schedules of the Form 990 are used most frequently by each category of respondent, with each respondent being able to select up to three of the choices. The following chart shows the frequency of use by user type. The media category was not included because there was only one respondent in that category.

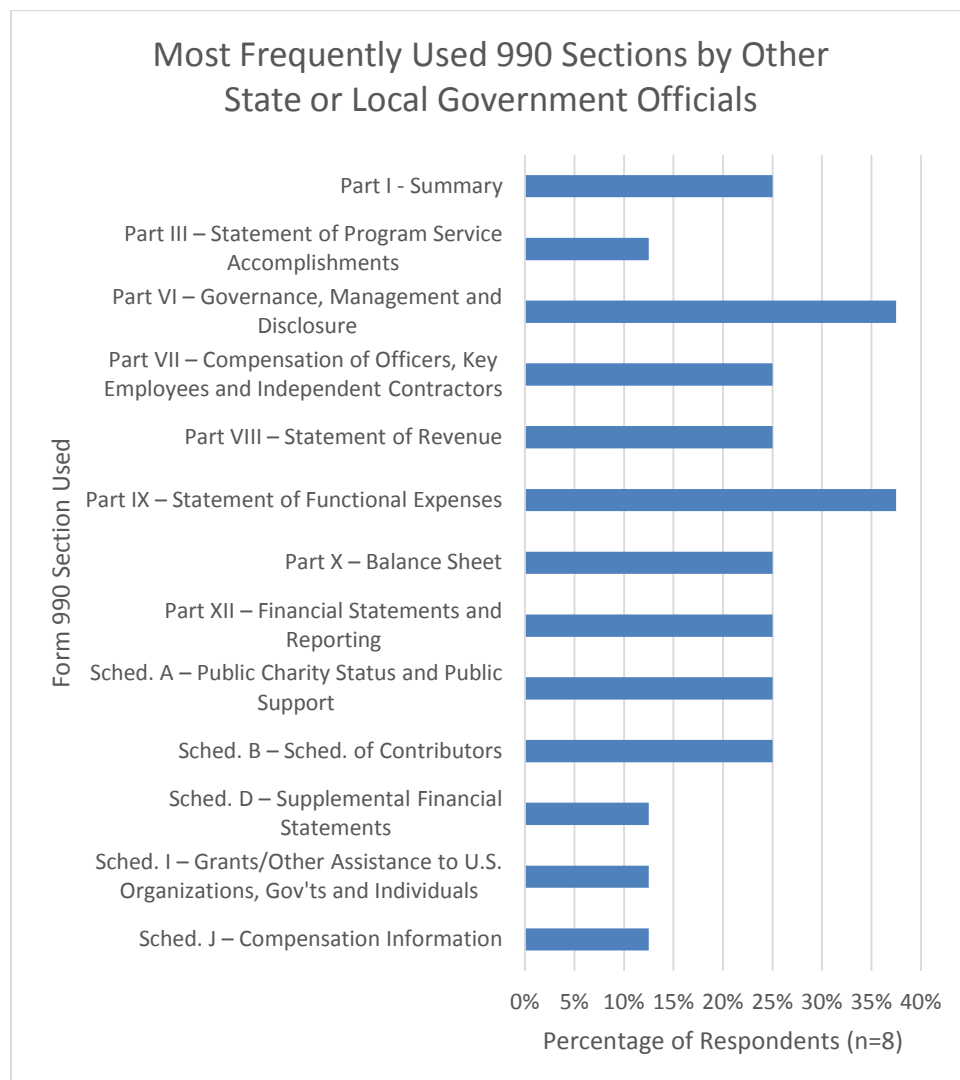


Among 23 state charity officials who responded to the survey, 43.5 percent said they use Part IX, Statement of Functional Expenses in their work. The next most frequently cited sections cited by state charity officials were Part I, Summary (39.1% of respondents) and Part VII, Compensation of Officers, Key Employees and Independent Contractors (34.8%). Other sections used were Part VIII, Statement of Revenue (26.1%), Part II, Statement of Program Service Accomplishments (21.7%), and Schedule G, Fundraising and Gaming Activities (21.7%).

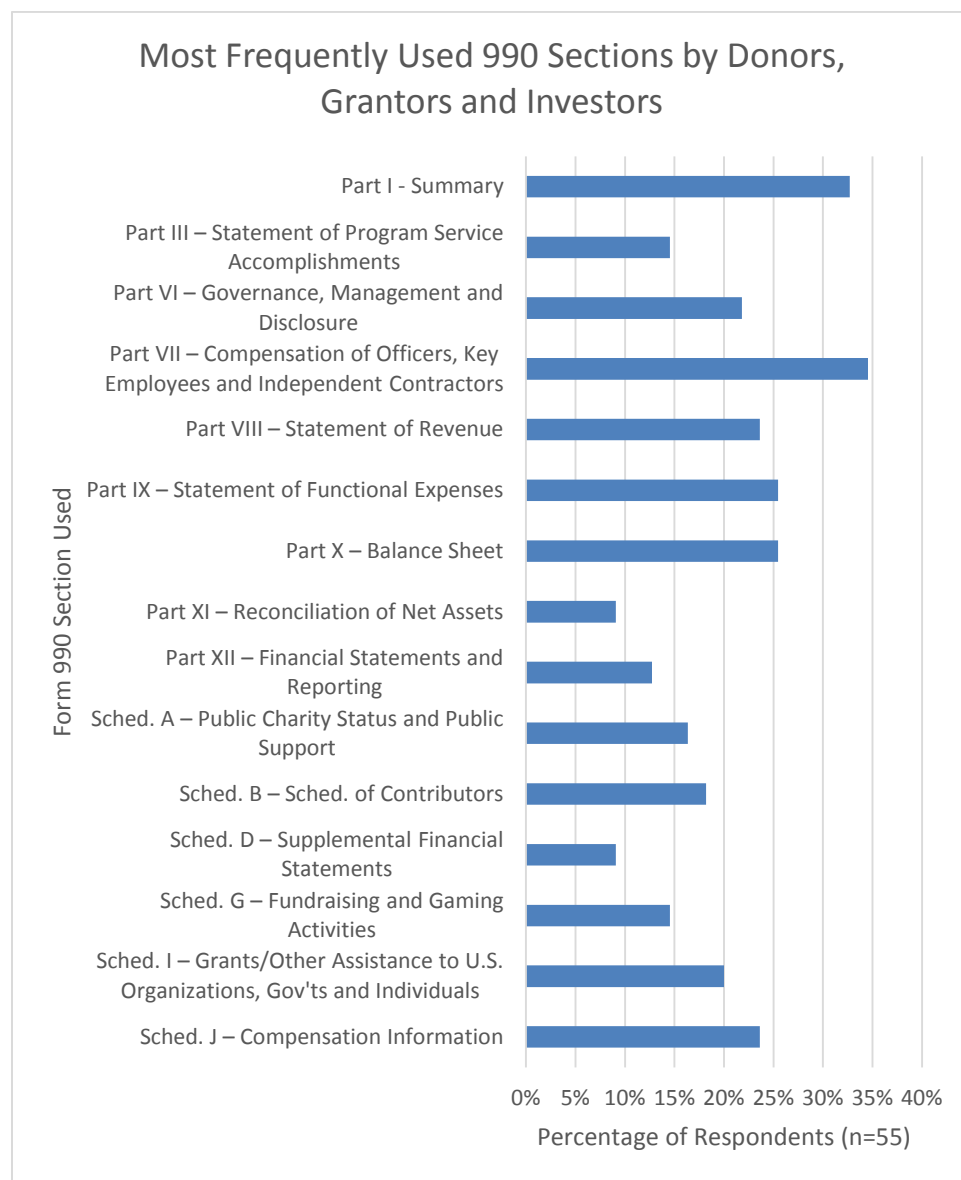


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Eight other state or local government officials responded to the survey, citing Part VI, Governance, Management and Disclosure (37.5% respondents) and Part IX (37.5%) as the parts of the 990 data they primarily use in their work. Twenty-five percent of these officials said they use Part I, Part VII, Part VIII, Part X (Balance Sheet), Part XII (Financial Statements and Reporting), Schedule A (Public Charity Status and Public Support), and Schedule B (Schedule of Contributors).

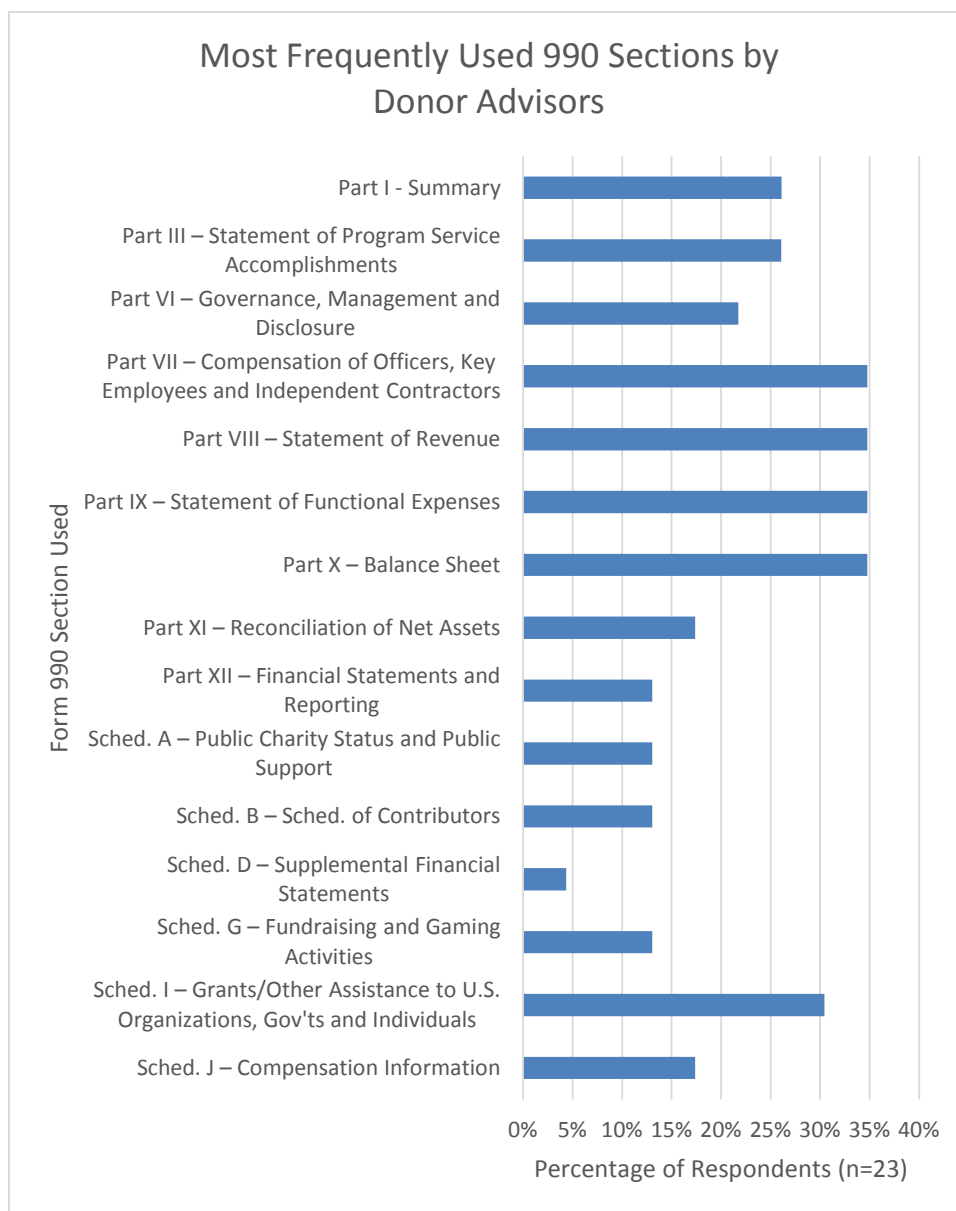


Donors, grantors and investors were most likely to say they use Part VII (34.5% of 55 respondents in this category) and Part I (32.7%) in their work. Twenty-five percent cited Parts IX and X. Part VII and Schedule J (Compensation Information) were cited by 23.6 percent of respondents in this category, Part VI was cited by 21.8 percent, and Schedule I (Grants/Other Assistance) was cited by 20 percent.

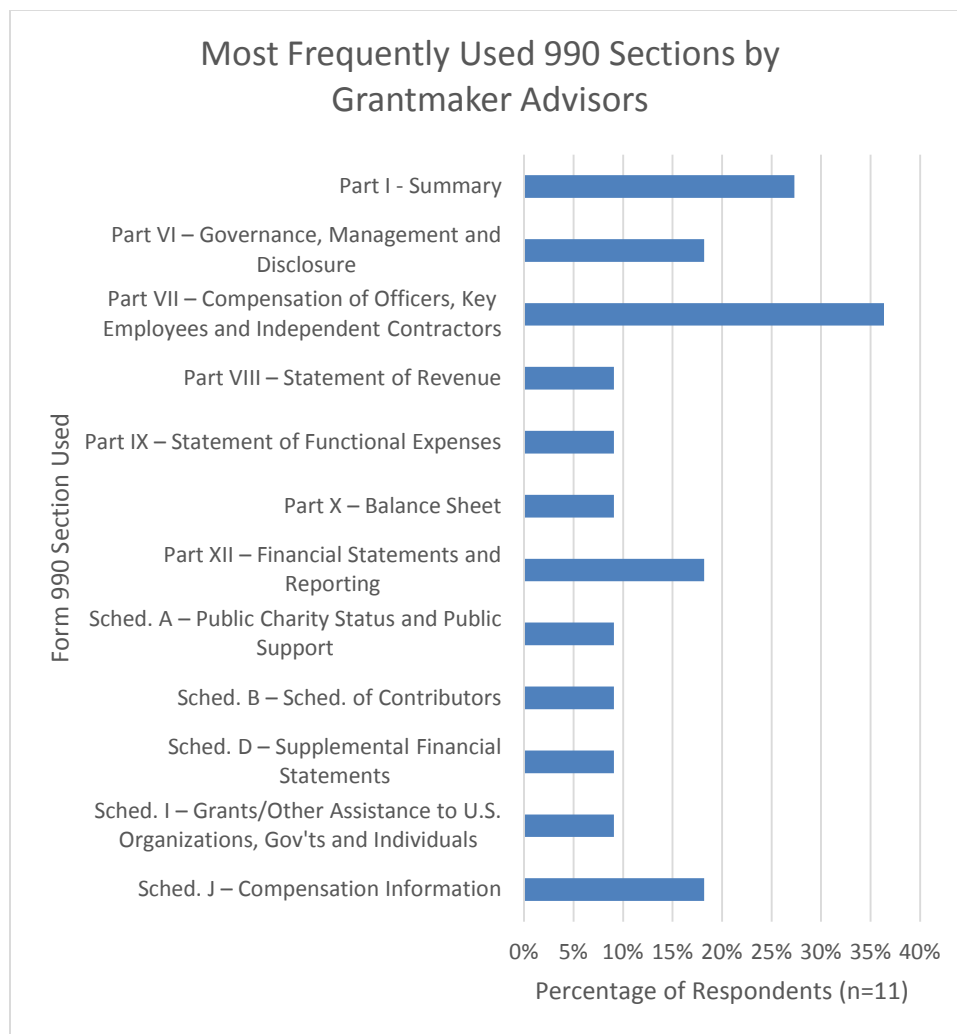


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The four Form 990 data areas most frequently cited by the 23 donor advisors who responded were Parts VII, VIII, IX, and X (34.8% each). Schedule I is used by 30.4% of donor advisors, Parts I and III (Statement of Program Service Accomplishments) are used by 26.1 percent, and Part VI is used by 21.7 percent.

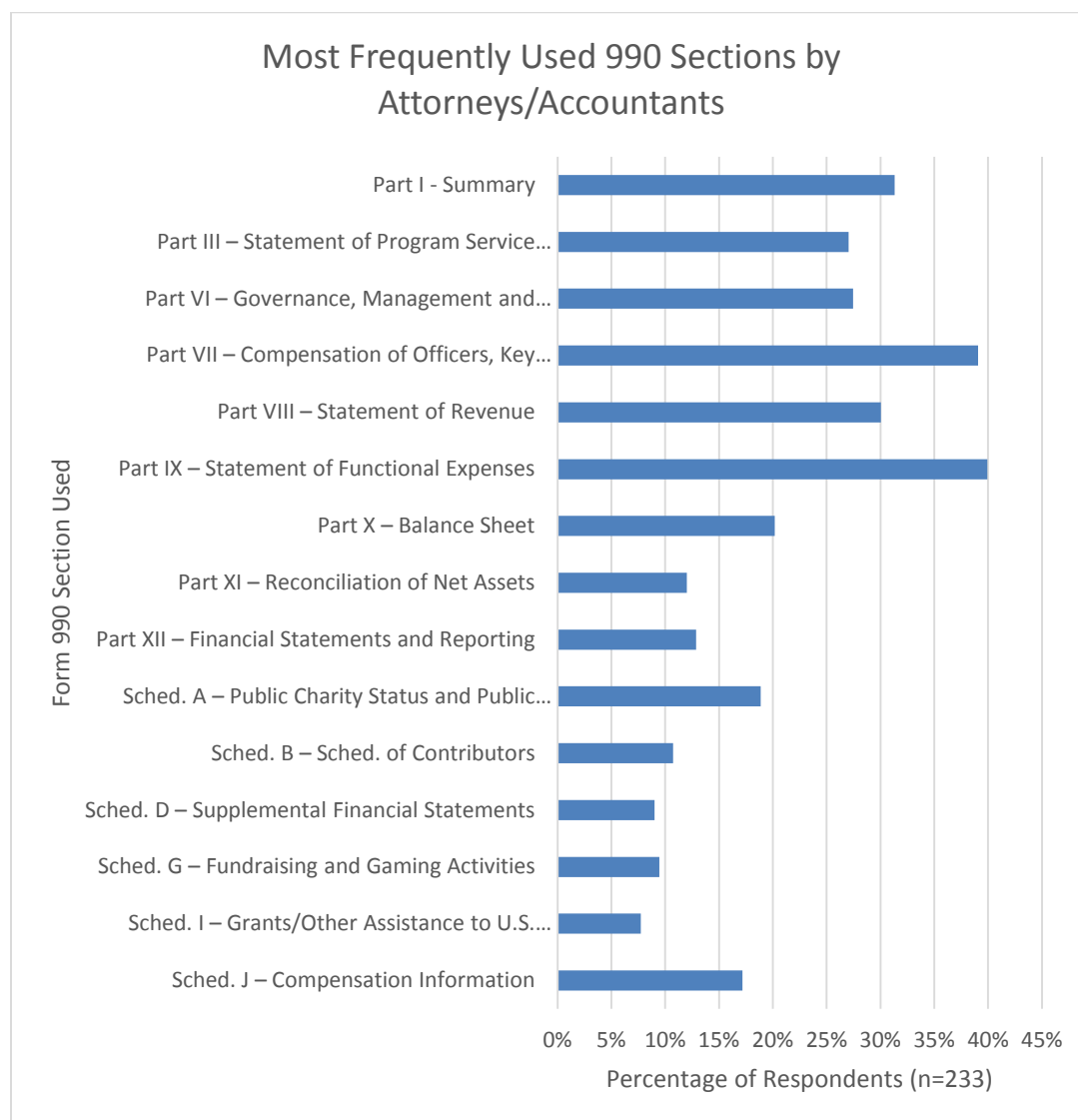


Of the 11 advisors to grantmakers who participated, 36.4 percent cited Part VII and 27.3 percent cited Part I as the sections of the Form 990 they use most.

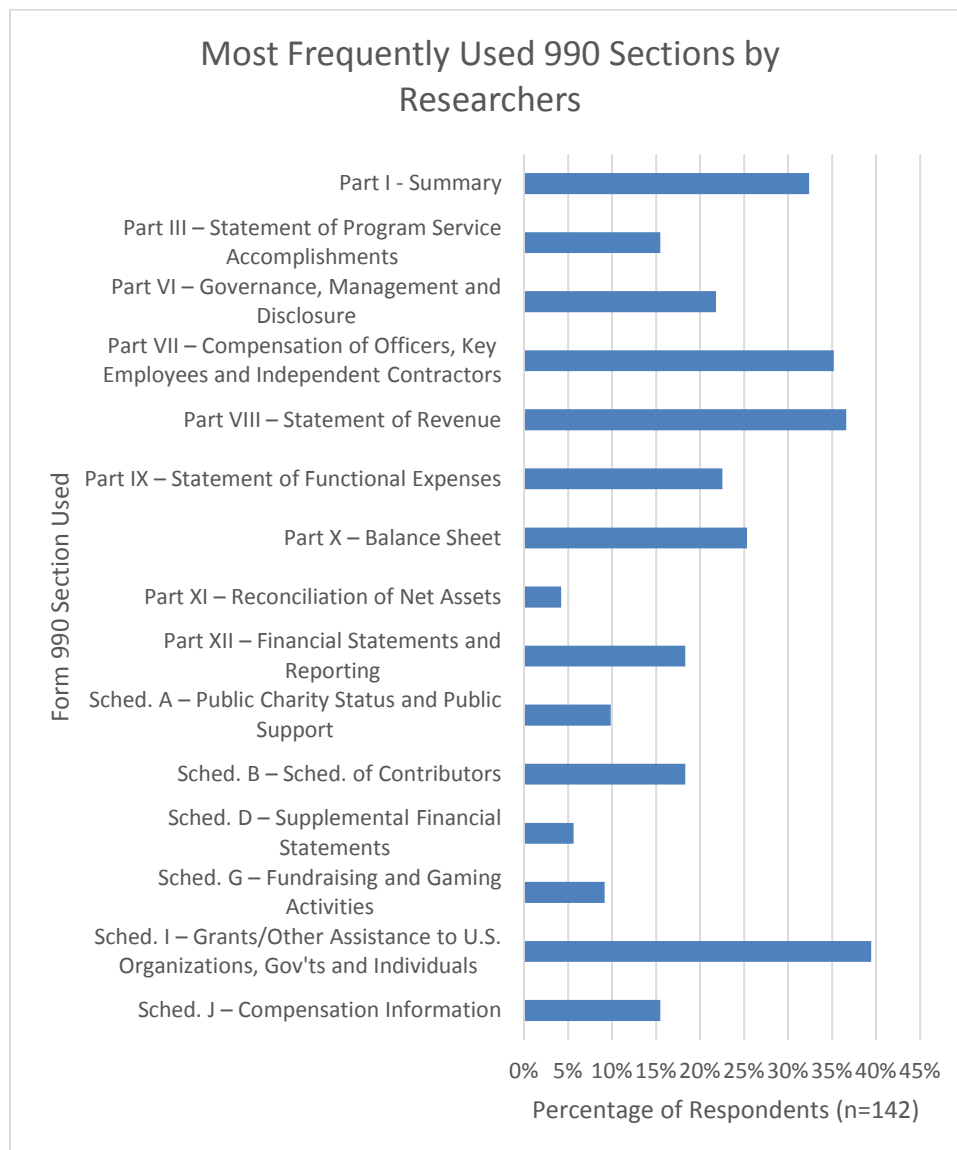


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Nearly 40 percent of 233 attorneys and accountants who responded said they primarily use Parts VII and IX in their work, 30 percent use Part VIII, 31.3 percent use Part I, and 27 percent use Parts III and VI.

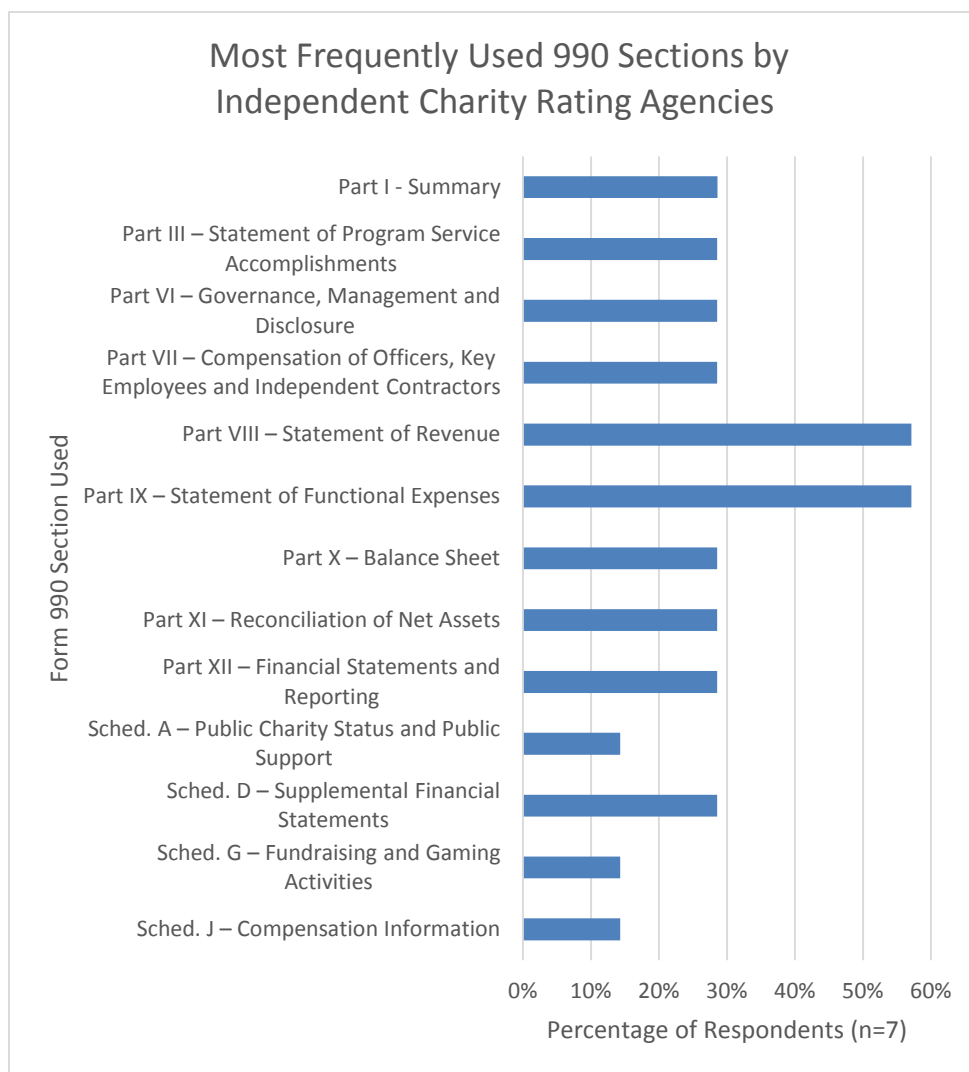


One hundred forty-two researchers responded to the survey. These individuals cited Schedule I (39.4% of respondents), and Parts VIII (36.6%), VII (35.2%), and I (32.4%) as the Form 990 sections they use most, followed by Parts X (25.4%), IX (22.5%) and VI (21.8%).



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Nearly 60 percent of the seven responding independent charity rating agencies use Parts VIII and IX of the Form 990 in their work. Nearly 30 percent use Parts I, III, VI, VII, X, XI (Reconciliation of Net Assets) and XII and Schedule D (Supplemental Financial Statements).



d. Other survey comments and observations about the Form 990

Form 990 represents a unique and powerful opportunity for the 990 Village to find out about the purposes and activities – financial and missional – of filing organizations. The vast amount of data reported on the annual information return can allow various users to ascertain, dissect, and opine upon the activities, achievements, and financial workings of exempt organizations.

Certainly, a comprehensive review of an organization’s annual Form 990 can provide insight and analysis that is not available from any other source. If the Form 990 is consistently and accurately completed by exempt organizations with a spirit of transparency, the form can become a standard of information that allows users great analytic power and understanding and a powerful platform for public communication.

The Form 990 reveals more about a nonprofit’s operations than comparable tax forms do about individuals or private companies. As IRS instructions for Form 990 explain,

Some members of the public rely on Form 990 or Form 990-EZ as their primary or sole source of information about a particular organization. How the public perceives an organization in such cases can be determined by information presented on its return. Therefore, the return must be complete, accurate, and fully describe the organization’s programs and accomplishments.⁶³

Several survey respondents offered positive comments about the Form 990. Comments included “The 990 is da bomb!” and “The Form 990 as it has evolved is an extraordinary forward step in improving the regulations of the [nonprofit] sector.” Numerous responders stated that they would not delete nor change anything about the form.⁶⁴ Anecdotal comments concentrated on extoling the virtues of the form and that it was a “fabulous” planning tool for boards and management. Several commenters noted that it was an improvement over the pre-2008 versions of Form 990.

Taken as a whole, the Form 990 instructions contain a vast amount of instructional information about exempt organization purposes, activities and finances. The instructions are replete with examples – although survey responders continually asked for more – and the glossary (located in the instructions) is robust.

⁶³ The Aspen Institute, “Information for Impact: Liberating Nonprofit Sector Data” (2nd Edition), Noveck and Goroff, p. 12

⁶⁴ It should be noted, however, that the survey contained a design flaw. In response to the question, “Are there any Parts/Schedules that you would like to see deleted from the Form 990? Select up to three,” the ACT inadvertently did not provide an option for respondents to select “none” as an option. To compound this issue, the question required an answer in order to complete the survey. As a result, the responses from questions were largely discounted and not included in this report.

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The “new” Form 990 does, however, contain a number of deficiencies. The instructions can be difficult to navigate and, due to minimal guidance in some areas, remain open to interpretation by filing organizations and their advisors.

Form 990, Part IV, Checklist of Required Schedules contains 38 instruction-intensive questions wherein a “Yes” answer requires the filing organization to complete a section of one of the Form 990’s sixteen “supporting schedules.” Survey comments on this part of the Form 990 centered upon its length and the complexity of the instructions.

Form 990, Part VI, Governance, Management, and Disclosure was a subject of much comment and debate in the redesigned form in the 2007 draft. Many argued that the IRS was not entitled to ask the questions contained therein. In fact, on the 2008 Form 990, the top of Part VI stated, “(Sections A, B, and C request information about policies not required by the Internal Revenue Code.)” The 2014 Form 990, Part VI, Section B has essentially the same disclaimer. The “Governance” section provoked comments in the survey with regard to whether filing organizations were actually following the policies and procedures in this section – even if they answered “Yes” to having policies in place. Because these questions were added for transparency reasons and because information regarding whether the provisions of the policies are followed seems beyond what could be easily gathered on the Form 990 and would be somewhat subjective, the ACT does not recommend that the IRS expand the current questions in this manner.

Overall, the “Compensation” section – Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors - received more survey comments than any other. Column F (Estimated amount of other compensation from the organization and related organizations) is designed to report “employee benefits.” The 2014 Form 990 instructions contain a grid that sets forth a menu of benefits and outlines where these benefits should be reported on Form 990, Part VII and/or Schedule J. This grid can be difficult to navigate and might benefit from varied and comprehensive examples. There appears to be a great deal of confusion about classifications, especially when it comes to “Officers” and “Key Employees.” Finally, several of the reviewers commented that they thought the compensation reporting thresholds should be lowered.

There is much discussion – as we saw in the survey responses and also heard from the interested groups with whom we met – with regard to the instructions for reporting government grants in Form 990, Part VIII. The application of this area of reporting can be difficult to discern and unclear – again resulting in inconsistent reporting among seemingly comparable organizations. Form 990, Part VIII, Line 1e is entitled, “Government grants.” However, the instructions also refer to instances where government grants may be more properly included on Form 990, Part VIII, Line 2

(Program Service Revenue). (To be fair, the Financial Accounting Standards Board (FASB) is currently wrestling with how government grants should be classified.)

The Form 990 instructions state,

Whether a payment from a governmental unit is labeled a ‘grant’ or a ‘contract’ does not determine where the payment should be reported in Part VIII (Statement of Revenues). Rather, a grant or other payment from a governmental unit is reported here if its primary purpose is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the governmental unit. In other words, the payment is recorded on line 1e, Government Grants (contributions), if the general public receives the primary and direct benefit from the payment and any benefit to the governmental unit is indirect and insubstantial as compared to the public benefit.⁶⁵

This distinction is not always easy to discern. The Form 990 instructions continue by listing examples of governmental grants and other payments that are treated as contributions and reported on line 1e as follows:

- Payments by a governmental unit for the construction or maintenance of library or museum facilities open to the public.
- Payments by a governmental unit to nursing homes to provide care to their residents (but not Medicare/Medicaid or similar payments made on behalf of the residents).
- Payments by a governmental unit to child placement or child guidance organizations under government programs to better serve children in the community.

The term “government grants” is not included in the Form 990 Glossary. The 990 Village might benefit greatly from a “redesigned” definition of “government grants” with tangible and detailed examples – rather than bullet points.

Ultimately, this confusion also tends to produce errors in the computation of some organizations’ public support tests on Schedule A (Form 990), Part II and/or Part III.

Often-mentioned in the anecdotal responses to the ACT’s survey is that Form 990, Part IX, Functional Expenses, is fraught with erroneous and inconsistent reporting that results in users not being able to make reasonable comparisons of seemingly similar organizations. Much of the misinformation is provided by charities who are overly

⁶⁵ 2014 Form 990 Instructions, p. 37.

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fixated on minimizing management and general expenses (Form 990, Part IX, Column C) and fundraising expenses (Form 990, Part IX, Column D) so as to keep those percentages low in comparison to Program service expenses (Form 990, Part IX, Column B). It would be a positive development for the various nonprofit industry groups (i.e. colleges and universities, hospitals, associations, and others) to take an active role in establishing procedures and guidelines for consistent functional expense reporting within their sub-sectors.

Form 990, Part X, Balance Sheet – although presented in a “Prior Year” / “Current Year” comparative format – does not lend itself well to computing important financial ratios. Current assets and liabilities are not readily discernible from long-term assets and liabilities. This can cause confusion when users are attempting to utilize Form 990 data to populate such standard ratios as the “current ratio.”

Another area of confusion is in differences between Form 990 reporting and Generally Accepted Accounting Principles (GAAP). The Form 990 reporting requirements differ from GAAP in the areas of unrealized gains and losses; donated services and facilities; fundraising expenses; rental expenses; investment expenses; contributed marketable securities that are immediately sold; among other items. The return does contain reconciliations of these amounts - Schedule D (Form 990), Part XI, Reconciliation of Revenue per Audited Financial Statements With Revenue per Return and Part XII, Reconciliation of Expenses per Audited Financial Statements With Expenses per Return – however, organizations that obtain consolidated, audited financial statements (as indicated at Form 990, Part IV, Line 12b) have the option to forego completing the reconciliations on Schedule D. In the future, the IRS should consider collaborating with the American Institute of Certified Public Accountants (AICPA) and the FASB in making the Form 990 more closely conform with GAAP.

When filing organizations were asked if there was anything not included on the Form 990 that they wish were included, many responders requested the ability to add clearer information on in-kind donations and an estimate for volunteer services. Many appeared frustrated by their inability to present volunteer services and other in-kind service contributions in a meaningful manner on the Form 990 and in a way that provides a more “even playing field.” (We note that currently the instructions to the Form 990 allow organizations to add this information to Part III, Statement of Program Service Accomplishments, but the form itself does not indicate this option. Schedule O would also offer space for an explanation of these items) More information on an organization’s “impact” and “accomplishments” were cited as suggested additions to the Form 990, such as setting forth “information on accomplishing mission,” having a “better way to show what the organization accomplished in that year,” and “more information on the impact the charity is having.”

There were not a great number of comments that concentrated on issues with the sixteen supporting schedules. There were a smattering of comments with respect to confusion with areas of Schedules F (Statement of Activities Outside of the United States), G (Supplemental Information Regarding Fundraising or Gaming Activities), I (Supplemental Information on Grants and Other Assistance to Organization, Governments, and Individuals in the United States), and M (Non-Cash Contributions). A slightly larger number of comments centered on Schedules L (Transactions with Interested Persons) and R (Related Organizations and Unrelated Partnerships) being “difficult to understand and difficult to prepare.” Although the information is required by statute and regulations, Schedule B (List of Contributors) remains unpopular. A few responders said they felt that with “Supplemental information” sections being added to most schedules, Schedule O might be superfluous.

Respondents to the ACT’s survey also frequently noted that the Form 990 is too long, too complicated, and the instructions are difficult to navigate. Many comments centered upon the possibility of making the form more organized and reducing duplication of reporting, suggesting that there are repetitive questions and a request for too much information (“need more focus on the first few pages,” “make the document half the size,” “too complicated for ‘real people’ to complete,” and “too complicated for anyone beyond experts to use the 990 as a useful tool”).

The Form 990 instructions and IRS training of its staff received comments as well, with filers noting that the “instructions are complex and contradictory,” “simpler instructions are needed” and that “the instructions should be rewritten” in addition to requests for more examples. One filer requested that EO staff “be more available to answer questions,” and another filer stated that he or she “can almost never find answers on the IRS website to 990 questions” but did not elaborate on what the questions might be. One survey participant, in providing many comments on nonprofit accountability and the importance of IRS reporting, stated, “I recommend someone evaluate the Form 990 and remove all pieces that do not actually serve the purpose of identifying bad actors and/or confirming that the nonprofit should maintain its nonprofit status.” Query whether the IRS – and the entire 990 Village – needs all the information requested on Form 990.

e. Survey of IRS Exempt Organization Managers

In addition to the 1,869 survey participants from the general public, the ACT received 29 responses from IRS Exempt Organizations Division managers. The responses were anonymous and gave insight to the following questions:

- If all exempt organizations were required to electronically file Form 990-series returns, do you believe that this would negatively affect organizations?

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- Based on your experience and conversations with IRS staff and the public, what Part/Schedule of the Form 990 do you feel is the most difficult to prepare? (Select one.)
- Are there any Parts/Schedules that you would like to see deleted from the Form 990? (Select up to three.)
- Is there anything not included on the Form 990 that you wish were included? (Comment)
- On a scale of 1 to 5, how effective is the Form 990 for communicating with the public about an organization's governance programs and operations? (5 being most effective)
- On a scale of 1 to 5, how does the Form 990 encourage responsible board governance and executive behavior? (5 being strongly encourages)
- Would you like to provide any other comments regarding the Form 990? (Comment)

Of the 29 IRS EO managers responding to the survey, 58.62% answered that “universal” electronic filing would not negatively affect organizations. In terms of which Part/Schedule is most difficult to prepare, Part I, Summary (13.79%), Schedule A, Public Charity Status and Public Support (10.34%), and Schedule C, Political Campaign and Lobbying Activities (6.90%) were the top three answers. Eight of 29 respondents (27.59%) said that they did not know.

In terms of the top three Parts/Schedules that the EO managers might want to see deleted from Form 990, none received 65.52% of the responses, Part I, Summary received 13.79%, and Part V, Statements Regarding Other IRS Filings and Tax Compliance received 6.90%.

Nine EO managers provided comments regarding whether there was any information not included on Form 990 that they wished were. These anecdotal comments included two comments on “group ruling” data (an idea for a “Group Ruling Supplement” and the thought that the parent could report information about subordinates on Form 990). An idea was floated about the Form 990 replacing the Form 1023 or Form 1024 applications. Other comments regarded a line item whereby organizations would be asked if they had any delinquent tax filings, foreign data, and enhanced reporting of related for-profit organizations.

With regard to how effective the Form 990 is for communicating with the public about an organization's governance, programs, and operations, 75.86% of EO managers believe the Form 990 rates a three or four on a scale of 1 to 5. In addition, 20.69% rated the form a one and 3.45% (1 of 29) gave a five rating. The overall average score was 3.03.

For the question of whether the Form 990 encourages responsible board governance and executive behavior, 41.38% of the EO managers rated it a three on the 1 to 5 scale. 31.03% gave a one rating, and 20.69% thought the form deserved a four. None of the EO managers felt that the Form 990 deserved a five rating on this question. The overall average score was 2.52.

In response to the ACT's query about providing "any other comments" on Form 990, comments were provided by five EO managers who participated in the survey. This query brought comments that included having the officers and directors of the organization "certify" they have reviewed the return and concur with its filing and a comment regarding more close supervision of subordinates by the parent in a group ruling. Two of the comments were:

"The Service would save a significant sum of money in resources and correspondence with the taxpayer if consistency checks were completed prior to filing the returns."

"The Form 990 can be prepared and filed in such a manner to obfuscate poor governance without the use of outright false statements."

V. CONCLUSIONS AND RECOMMENDATIONS

Recommendation 1:

The IRS Exempt Organizations Division should support a Congressional mandate to require electronic filing of the Form 990 series and should also take interim steps to encourage and provide incentives for voluntary e-filing of the Form 990 series for exempt organizations that are not subject to the mandatory e-filing requirements. The IRS should recommend to the Department of Treasury the elimination of the \$10 million asset threshold for electronic filing of the Form 990 found in the Code Section 6011 regulations.

Based on the ACT's discussions with stakeholder groups and from the results of the survey, there appears to be overwhelming support for an e-filing mandate for all tax-exempt organizations. Previously in this report, we have set out numerous reasons why both the IRS and the exempt organizations sector would benefit from mandatory e-filing. In both our conversations with Form 990 stakeholders and from the survey, we found abundant support in the community for all e-filing of the Form 990 series returns. The IRS should encourage and support a congressional mandate to amend Code Sections 6011(e) and 6033 to make electronic filing of the Form 990 series mandatory for all tax-exempt organizations. The extension of electronic filing to all exempt organizations could contain a phase-in of the requirement for smaller organizations who may need additional transitional time to prepare for e-filing. The IRS should, however, take into

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consideration remote and rural areas that may be lacking in the resources and capabilities to electronically file a Form 990 return.

Until such time as e-filing of the Form 990 series is mandatory through an amendment to the Code, the IRS should encourage the Department of Treasury to eliminate the \$10 million in assets limitation on mandatory electronic filing that is set forth in the Code Section 6011 regulations and to add this action item to the Priority Guidance Plan, as well as provide support for President Obama's proposal for universal e-filing by providing support for the benefits to the IRS and the sector that would arise from mandatory e-filing. Code Section 6011(e) states that taxpayers may not be required to electronically file unless they are required to file at least 250 returns during a calendar year. The statute does not place a minimum asset requirement on this restriction. In 2005, when the Department of Treasury promulgated the electronic filing regulations, it added the \$10 million limitation for Form 990 filers to eliminate a perceived potential burden to smaller organizations that may not be able to comply at a reasonable cost with e-filing. In 2015, this perceived burden may not be completely eliminated in all cases, but most exempt organizations should have the capabilities, through its staff, volunteers and advisors, to e-file the Form 990. Thus, to increase e-filing, the IRS should encourage the Department of Treasury to eliminate, with a phase-in over two to three years, the \$10 million asset size threshold for mandatory e-filing, which is not required by the Code. As previously described, President Obama's 2016 Revenue Proposals set forth a change to require electronic filing of the entire Form 990 series and for the IRS to make the forms available to the public in a machine-readable format in a timely manner. The proposal lists a number of advantages of e-filing, which can be supported and further honed by the IRS.

Although it does not represent a statistical sample, the results of the ACT's survey support that the 990 Village, with a minimal number of exceptions, favors electronic filing for all tax-exempt organizations. Less than two percent of the Form 990 filers and less than six percent of the Form 990-EZ filers responding to the survey indicated that electronically filing their information return would be overly burdensome to their organization. As noted, the Form 990-N filers are already required to e-file.

In addition to pushing for a Congressional mandate on e-filing, and, in the shorter term working with the Department of Treasury to change the regulations to eliminate the \$10 million asset threshold for e-filing, the IRS should consider interim measures to provide incentives for organizations to voluntarily e-file their Forms 990. For example, the IRS should consider allowing an automatic six-month extension of time to file for those exempt organizations that will e-file their information returns by the extended due

date.⁶⁶ To enhance this effort, the IRS should aggressively promote the availability of e-filing to exempt organizations that are not required to do so and consider other appropriate incentives for e-filing. These measures would be in keeping with Code Section 6011(f), which states that Department of Treasury is authorized to promote the benefits of and encourage the use of electronic tax administration programs, as they become available, through the use of mass communications and other means.

We recognize that mandatory e-filing will require updates to the IRS computer systems to both handle the increase in the number of e-filed returns and to fully utilize and data-mine the additional data available to the IRS from the electronically filed returns. The IRS is in desperate need of a long overdue and significant technology upgrade. Upgrades should include systems and platforms in place for the forms themselves, the accompanying form instructions, e-filing receipt and dissemination and sharing of data. Resources are scarcer at the IRS than even a few years ago. Even so, we are hopeful that Congress, the administration and the public recognize the need for the IRS to update its technology systems to allow it to handle not only its tax administration tasks, but also its additional responsibilities that result from statutory and regulatory changes. Without such an investment in technology, the IRS is not in a position to change forms without significant cost, cannot easily share data with the public as required by *Public.Resource.org v. United States Internal Revenue Service*, and is not able to efficiently share information with state regulators under Section 6104, as amended by the PPA. In addition, the IRS must be dedicated to ensuring that its online e-filing systems are set up in a manner that are as secure as possible to avoid data breaches, given that nondisclosable information (such as Schedule B disclosures) and passwords would be part of the datasystem.

Recommendation 2:

The IRS Exempt Organizations Division should convene a task force comprised of representative stakeholders to determine which parts and schedules of the current Form 990 and related instructions should be updated, enhanced, and/or deleted in order to allow a more clear understanding, better accuracy, enhanced consistency of reporting by the various Form 990 filers.

The Form 990 is a very comprehensive and complex form. For the 2008 filing year, the IRS undertook a major overhaul of the Form 990. The ACT is not suggesting that the IRS needs to commence another massive redesign of the form, but instead seek ways

⁶⁶ This could be accomplished by adding a box on the Form 8868, Application for Extension of Time to File an Exempt Organization Return, to give an automatic six-month extension of time to an organization that agrees to e-file the Form 990 or 990-EZ. If the tax-exempt organization does not ultimately e-file, the extension would be treated as only a three-month extension and the organization would need to file Part II of Form 8868 to receive an additional (not automatic) three-month extension.

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to revise the Form 990 and its instructions to best serve its compliance efforts and accomplish the intended transparency without overly burdening tax-exempt filing organizations. The IRS should look at the Form 990 in its entirety and ask itself, “Do we need to be requesting all of this information to meet our three stated goals of the redesign?” And if the answer to this question is “no” to any of the requested material and it is not otherwise helping the 990 Village, then the IRS should not request the information on the Form 990.

As noted previously, Form 990 represents a unique and powerful opportunity for the 990 Village to report, ascertain, dissect, and opine upon the activities, achievements, and financial workings of exempt organizations. The sheer amount of data being collected by the IRS – and hopefully shared with states, foundations, researchers, and others – can provide insight and analysis that is not available from any other source.

Further, the Form 990 provides savvy exempt organizations with a unique marketing tool. Ensuring that Form 990, Part I (Summary) and Part III (Statement of Program Service Accomplishments) depict a positive and accurate story of an exempt organization can be vital in positioning the organization for grants, ratings, and public trust.

However, all the data in the world is not valuable unless it is accurate, consistent, and timely. The current Form 990 and supporting schedules contain line items that are not intuitive, data that is not designed to be comparable, and instructions that can be nebulous and difficult to master. While much of the Form 990 reporting and data is extremely valuable to the 990 Village, thoughtful clarifications, potential deletions, and additional examples in the instructions would be of great benefit to all users. As this task force is considering ways to make the Form 990 a more effective reporting tool and source of data and with the move toward web-based technology and customer education and outreach, might an on-line, interactive Form 990 – akin to Form i1023 – be a valuable tool for small and medium-sized filers?

In our in-person and telephone interviews and the survey, we received many observations on the Form 990, including comments that functional expenses, compensation, government grants, volunteer labor and in-kind donations, and reporting on related organizations caused much confusion and/or resulted in distorted or unused data, which are matters that the IRS and the task force should address. (These comments are summarized in the body of this report.) The IRS already receives formal comments from industry groups and, more informally, comments from individuals who contact the IRS with their observations and questions. This task force, however, would be a more diverse working group with representatives of all facets of the sector that would engage in meaningful conversations about the Form 990 with a focus on

improving its clarity and effectiveness. Precedence for this can be found in the IRS's Taxpayer Advocacy Panel (TAP), a federal advisory committee that listens to taxpayers, identifies major taxpayer concerns and makes recommendations for improving IRS service. The TAP provides a forum for taxpayers to raise concerns about IRS service and offer suggestions for improvement. The TAP reports annually to the Secretary of the Treasury, IRS Commissioner and National Taxpayer Advocate. The Office of the Taxpayer Advocate is an independent organization within the IRS that provides support for and oversight of the TAP.

On April 22, 2015, the Financial Accounting Standards Board (FASB) released a proposed Accounting Standards Update (ASU) intended to improve the information provided in nonprofit financial statements and notes to financial statements. The proposed ASU makes presentation changes to the statement of activities and net asset classification. The recommended task force should place on their initial agenda a discussion about coordinating the Form 990 reporting and these new GAAP financial statement elements.

In addition, the IRS, with input from the task force, should review the data collected by the Form 990 to determine if it is used by the IRS in its tax compliance efforts or is otherwise beneficial for transparency reasons. It is hoped that the task force recommended above will address and resolve these and other issues. This task force could be convened remotely and/or in conjunction with already-scheduled conferences and events, for cost-savings reasons. In the meantime as well as in the long-run, the IRS needs to provide better instructions and more education so that Form 990 reporting results in quality information that is useable by both the IRS and the public.

Recommendation 3:

The IRS should consider requesting additional information from Form 990-N filers. This will be especially important given the relatively new Form 1023-EZ application process, which will result in more recognized tax-exempt organizations that will not have had their activities specifically reviewed by the IRS and which will likely file a Form 990-N due to their smaller size. In addition, because filing a Form 990-N likely will be the filing organization's only contact with the IRS, the agency should engage in more education and outreach as part of the Form 990-N filing process.

The new generation of tax-exempt organizations receiving recognition of their tax-exempt status through the streamlined Form 1023-EZ application process (the "Gen EZ" filers) generally will have been subject to very little scrutiny of their proposed activities, purposes, board composition, and transactions in their formative stages. In addition, by

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using the EZ certification process, these organization did not have contact with an IRS agent who may have provided helpful information on conducting the organization's activities or who may have questioned certain proposed activities or transactions. Many of these organizations will be filing a Form 990-N for their first several years of operation, if not perpetually. As a result, the IRS will be unable to glean anything from their information returns for purposes of reviewing their operations in later years. The GAO Report similarly notes that the IRS recognizes that this lack of information will bring challenges to the agency in identifying noncompliance issues for the Gen EZ filers.⁶⁷

We note that the IRS already conducts pre-determination reviews to ensure organizations qualify for the 1023-EZ process and plans to conduct post-determination correspondence reviews with a statically valid sample of exempt organizations that filed a Form 1023-EZ. These correspondence reviews will focus on the operations of the exempt organizations.⁶⁸ The IRS already conducts pre-determination reviews on a random three percent of applicants to ensure organizations qualify for the 1023-EZ process.

We recommend that the IRS consider increasing the amount of information requested on the Form 990-N to give some indication of Form 990-N filers' activities and expenses. The Form 990-N filers include not only the Gen EZ members, but also other smaller tax-exempt organizations that may have been formed years ago and that never have been through the exercise of preparing and filing a Form 990 to ensure that they are meeting a necessary public support test, refraining from engaging in impermissible activities, and undertaking other diligence that the Form 990 preparation process necessarily entails.

In the questionnaire, we asked the Form 990-N filers if providing the total income and expenses of their organization to the IRS would be overly burdensome. Two-thirds of the Form 990-N filers answering this question responded that this disclosure of income and expenses would not overly burden their organization. This is just one example of the additional information that could be requested from Form 990-N filers. The IRS could also ask for information on the number of members of the organization's governing body and a brief statement of the organization's mission. As it is doing with a random, three percent selection of Form 1023-EZ applications, the IRS could ask information on the organization's assets, basis for exemption, transactions with related parties, or similar questions. The ACT believes that requesting more information with respect the Form 990-N would assist the IRS in its compliance efforts with these smaller

⁶⁷ GAO Report, page 34.

⁶⁸ Remarks of Sunita Lough, footnote 27, *supra*.

organizations and well as to make the organizations more accountable for their operations and financial results.

In addition to requesting more information regarding the Form 990-N, the ACT recommends that the IRS consider providing helpful information to these smaller exempt organizations when they are filing a Form 990-N. In most instances, the Form 990-N filers are in contact with the IRS at most annually, when they file the Form 990-N, and this contact is actually not directly with the IRS, but with a software provider, such as the Urban Institute, which facilitates the e-filing to the IRS. Typically, these smaller exempt organizations do not otherwise interact with the IRS. This (hopefully) annual contact is an opportunity for the IRS (through the software provider) to reach out to these organizations to provide information and resources on compliance with the tax laws as well as on organizational effectiveness. To the extent the IRS's contract with the software provider does not currently provide for additional interaction and information to these smaller exempt organizations, we recommend the contract be updated to address these matters.

For example, during the Form 990-N filing process, the organizations can be provided with reminders about the annual information return requirement, the requirements for their organizational documents, and information on maintaining tax-exempt status. After the Form 990-N is submitted, a "thank you" page could appear that alerts the filer to additional websites where they can turn for more information about exempt organizations. There could be a link to IRS information such as Publication 557, Tax-Exempt Status for Your Organization, a link to sign up to receive the IRS's EO Update, and a link to the educational resources available on the IRS website specifically designed to educate individuals who are new to the nonprofit and tax-exempt sector. In addition, these Form 990-N filers could be pointed toward information from other organizations, such as the Independent Sector's "33 Principles for Good Governance and Ethical Practice,"⁶⁹ the Standards for Excellence Institute's *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector*,⁷⁰ and the National Council on Nonprofits' publication "Maintaining Tax Exempt Status."⁷¹ Other educational information to be provided should also be considered.

⁶⁹ Available at https://www.independentsector.org/uploads/PrincipleResources/The_33_Principles.pdf.

⁷⁰ Available at <http://www.standardsforexcellenceinstitute.org/dnn/TheCode.aspx>.

⁷¹ Available at <http://www.councilofnonprofits.org/resources/resources-topic/administration-and-management/maintaining-tax-exempt-status>

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We would also like to thank everyone who participated in the ACT's Form 990 survey and to those individuals who disseminated access to the survey through their networks and contacts.

APPENDIX A

List of Groups Invited to Complete the Form 990 Survey

The organizations listed below disseminated invitations to participate in the survey to individuals in their networks

Alliance for Nonprofit Management
American Healthcare Lawyers Association, Tax and Finance Practice Group
American Institute of Certified Public Accountants (and the AICPA Tax Research Group)
Aspen Institute
Association of Business Administrators for Christian Colleges
Association of Fundraising Professionals
Association of Government Accountants
Better Business Bureau Wise Giving Alliance
BoardSource
Charity Navigator
Community Catalyst
Council of Foundations
Council of Nonprofits (which, in turn, invited State Associations (36) and Nonprofit Ally members of the Council of Nonprofits to encourage their members to participate in the survey)
Evangelical Council of Financial Accountability
Financial Awareness Foundation
Florida Institute of CPAs
Government Finance Officers Association
GuideStar
Grants Managers Network
Greater Washington Society of CPAs
Healthcare Finance Management Association
Independent Sector
National Association of College and University Business Officers
National Association of State Charity Officials
Tax Exempt/Government Entities Councils (Gulf Coast and Great Lakes Regions)
University of San Diego School of Leadership School of Leadership and Education Sciences
Urban Institute
Client and contacts lists of current ACT members

Featured Newsletters

EO Tax Journal, Paul Streckfus, editor

The invitation to participate was also shared with conference attendees at the following conferences and events

Advancement Northwest (AFP Washington Chapter) in January 2015
American Bar Association Conference in Houston, Texas, January 2015
Blackbaud Conference, Nashville, Tennessee, October 2014*
Greater Washington Society of CPAs, Washington, DC, December 2014*
Independent Sector, Seattle, Washington, November 2014*
National Association of State Charities Officials Public Day, October 2014*
Urban Institute, Increasing Philanthropy Through Policy and Practice, October 2014*

*The survey was mentioned at these conferences and events and attendees were encouraged to participate once the survey would become live in January 2015

The survey was also shared with members of the press, including the BNA Daily Tax Report, but we do not have documentation that it was disseminated or shared by these individuals and/or media outlets.

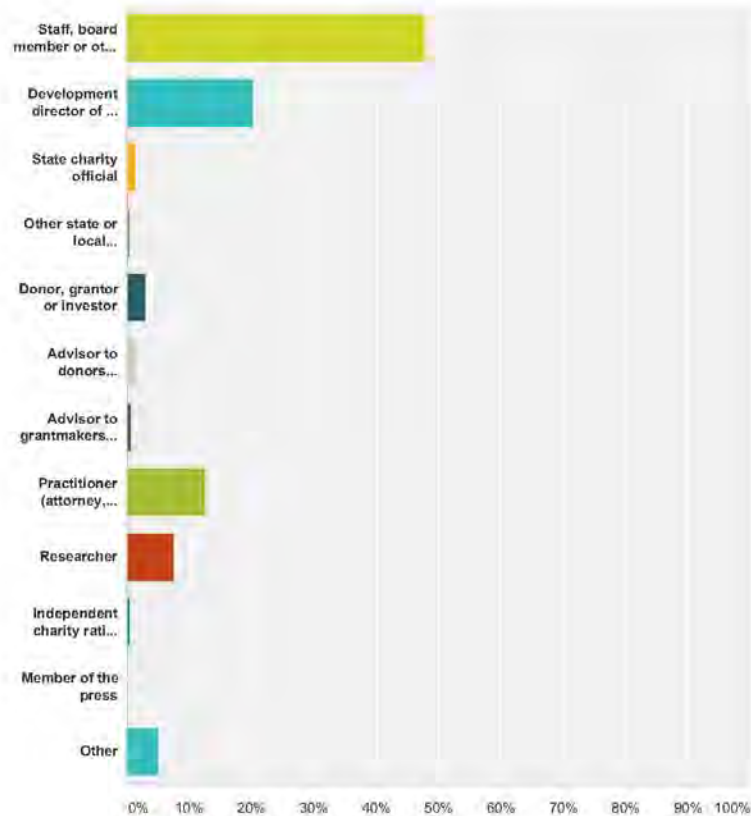
APPENDIX B

SURVEY RESULTS

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

Q1 I primarily use or review Forms 990 in the following capacity:

Answered: 1,859 Skipped: 0



Answer Choices	Responses
Staff, board member or other representative of an organization that files a Form 990 (other than a development director— see below)	47.78% 893
Development director of an organization that files a Form 990	20.22% 378
State charity official	1.28% 24
Other state or local government official	0.37% 7
Donor, grantor or investor	2.94% 55
Advisor to donors (individuals and entities making gifts to nonprofits)	1.23% 23

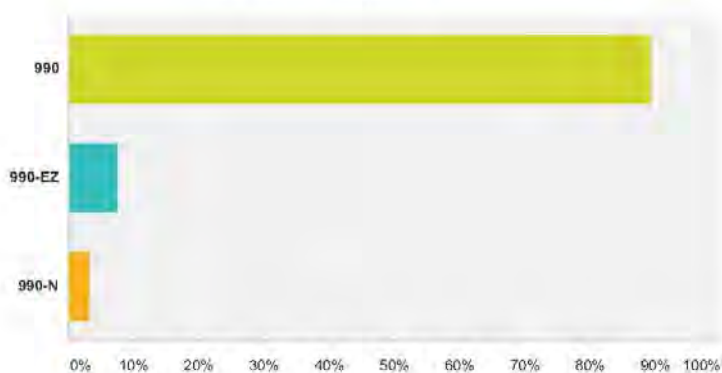
EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire – Please respond to these questions in light of your experience with the most recently filed Form 990.

Advisor to grantmakers (those making grants to nonprofit organizations)	0.59%	11
Practitioner (attorney, accountant)	12.47%	233
Researcher	7.60%	142
Independent charity rating agency	0.37%	7
Member of the press	0.05%	1
Other	5.08%	95
Total		1,869

Q2 What type of Form 990 does your organization file?

Answered: 1,217 Skipped: 652

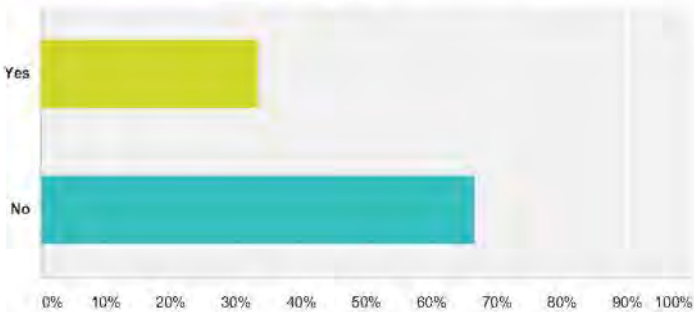


Answer Choices	Responses	
990	89.40%	1,088
990-EZ	7.56%	92
990-N	3.04%	37
Total		1,217

Q3 Would providing your total revenues and total expenses on Form 990-N be overly burdensome to your organization?

Answered: 36 Skipped: 1,933

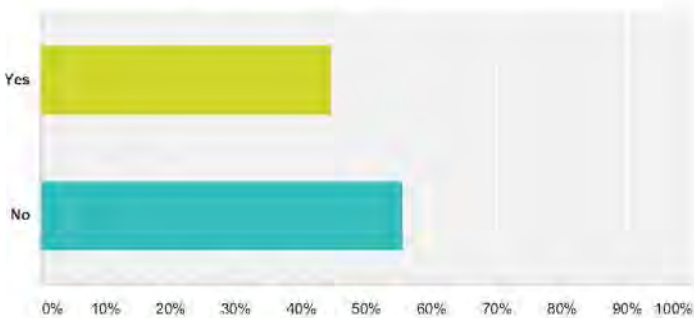
Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses
Yes	33.33%12
No	66.67%24
Total	36

Q4 Does your organization have any paid staff?

Answered: 36 Skipped: 1,833



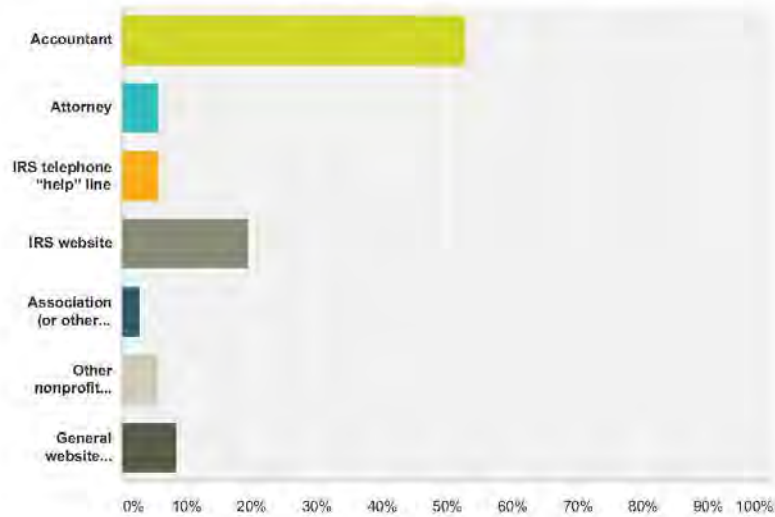
Answer Choices	Responses
Yes	44.44%16
No	55.56%20
Total	36

Q5 When you need help completing Form 990-N where do you turn for that assistance?

Answered: 36 Skipped: 1,833

EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses
Accountant	52.78% 19
Attorney	5.56% 2
IRS telephone "help" line	5.56% 2
IRS website	19.44% 7
Association (or other "industry organization")	2.78% 1
Other nonprofit organizations	5.56% 2
General website research	8.33% 3
Total	36

Q6 In what state is your nonprofit organization headquartered?

Answered: 36 Skipped: 1,833

Answer Choices	Responses
Name:	0.00% 0
Company:	0.00% 0
Address:	0.00% 0
Address 2:	0.00% 0
City/Town:	0.00% 0
State:	100.00% 36

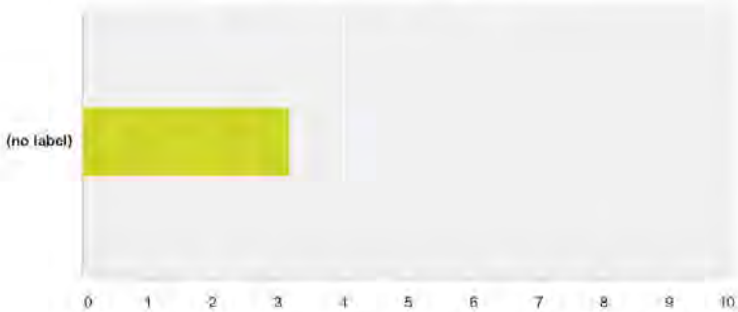
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Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

ZIP:	0.00%	0
Country:	0.00%	0
Email Address:	0.00%	0
Phone Number:	0.00%	0

Q7 On a scale from 1 to 5, does the Form 990-N encourage responsible board governance and executive behavior? (5 being strongly encourages)

Answered: 36 Skipped: 1,833



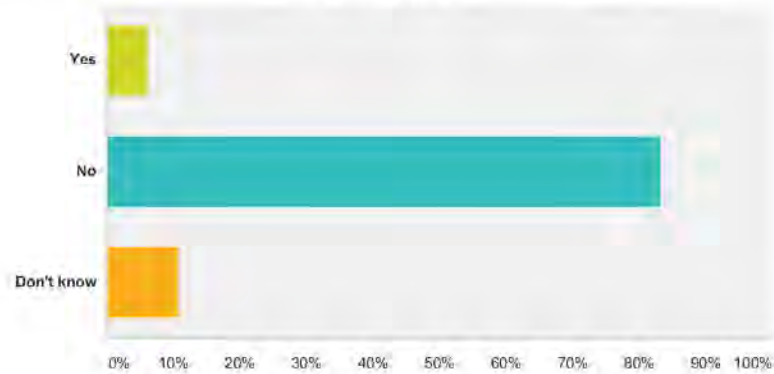
	1	2	3	4	5	Total	Weighted Average
(no label)	13.89%	8.33%	38.89%	25.00%	13.89%	36	3.17
	5	3	14	9	5		

Q8 If you were required to electronically file a Form 990 EZ, would this negatively affect your organization?

Answered: 84 Skipped: 1,785

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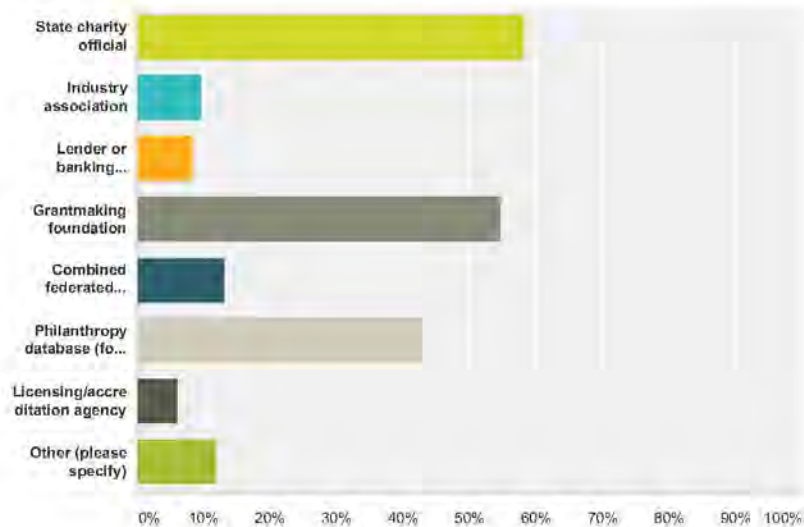
Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses	
Yes	5.95%	5
No	83.33%	70
Don't know	10.71%	9
Total		84

Q9 Other than filing the Form 990-EZ with the IRS, where else do you submit a copy of the Form 990-EZ? Please check all that apply.

Answered: 84 Skipped: 1,762



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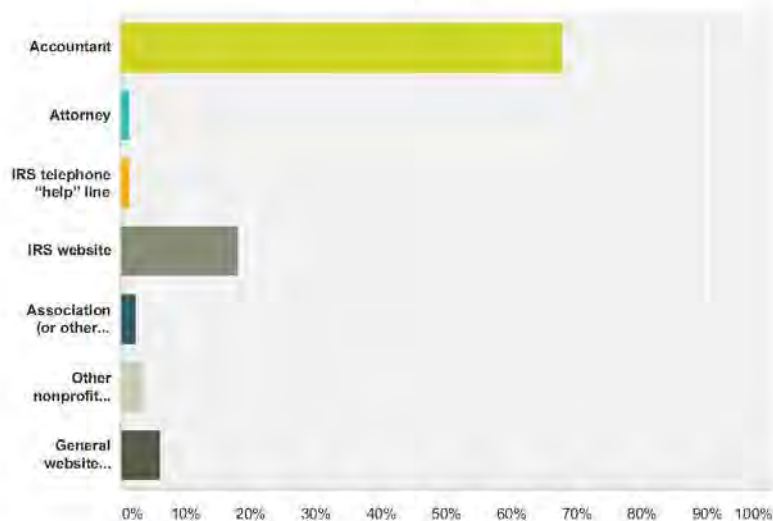
EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

Answer Choices	Responses
State charity official	58.33% 49
Industry association	9.52% 8
Lender or banking institution	8.33% 7
Grantmaking foundation	54.76% 46
Combined federated campaign (includes CFC, United Way and others)	13.10% 11
Philanthropy database (for example, GuideStar)	42.86% 36
Licensing/accreditation agency	5.95% 5
Other (please specify)	11.90% 10
Total Respondents: 84	

Q10 When you need help completing Form 990-EZ where do you turn for that assistance?

Answered: 84 Skipped: 1,783



Answer Choices	Responses
Accountant	67.86% 57
Attorney	1.19% 1
IRS telephone "help" line	1.19% 1
IRS website	17.86% 15

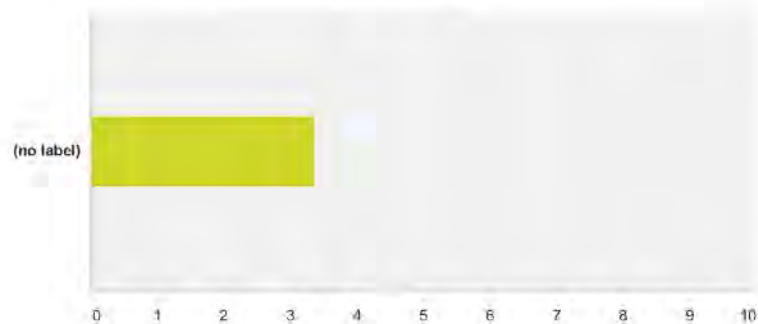
EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

Association (or other "industry organization")	2.38%	2
Other nonprofit organizations	3.57%	3
General website research	5.95%	5
Total		84

Q11 On a scale from 1 to 5, does the Form 990-EZ encourage responsible board governance and executive behavior? (5 being strongly encourages)

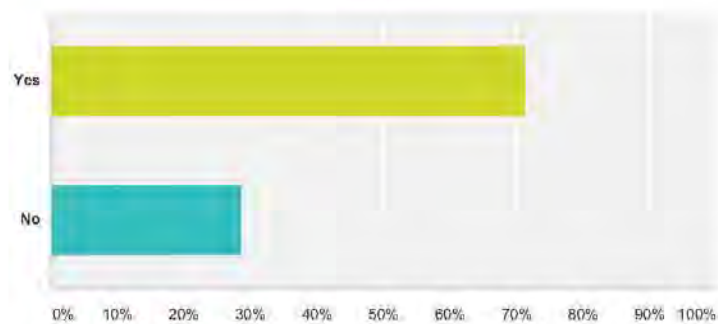
Answered: 84 Skipped: 1,785



	1	2	3	4	5	Total	Weighted Average
(no label)	5.95% 5	9.52% 8	40.48% 34	29.76% 25	14.29% 12	84	3.37

Q12 Does your organization have any paid staff?

Answered: 84 Skipped: 1,785



Answer Choices	Responses
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EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

Yes	71.43%	60
No	28.57%	24
Total		84

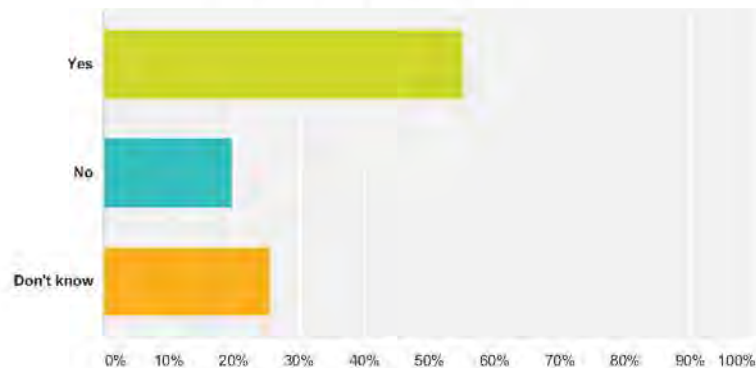
Q13 In what state is your nonprofit organization headquartered?

Answered: 84 Skipped: 1,785

Answer Choices	Responses
Name:	0.00% 0
Company:	0.00% 0
Address:	0.00% 0
Address 2:	0.00% 0
City/Town:	0.00% 0
State:	100.00% 84
ZIP:	0.00% 0
Country:	0.00% 0
Email Address:	0.00% 0
Phone Number:	0.00% 0

Q14 Do you file the Form 990 electronically?

Answered: 1,070 Skipped: 799



Answer Choices	Responses
Yes	55.05% 589

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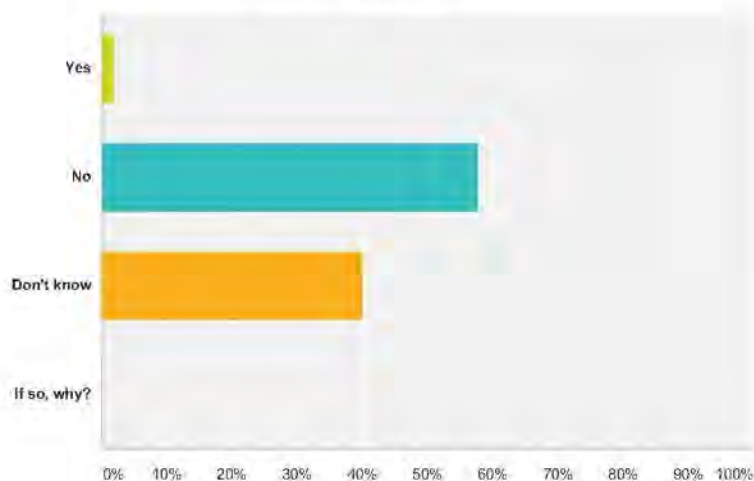
EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

No	19.53%	209
Don't know	25.42%	272
Total		1,070

Q15 If you were required to electronically file a Form 990, would this negatively affect your organization?

Answered: 468 Skipped: 1 / 101

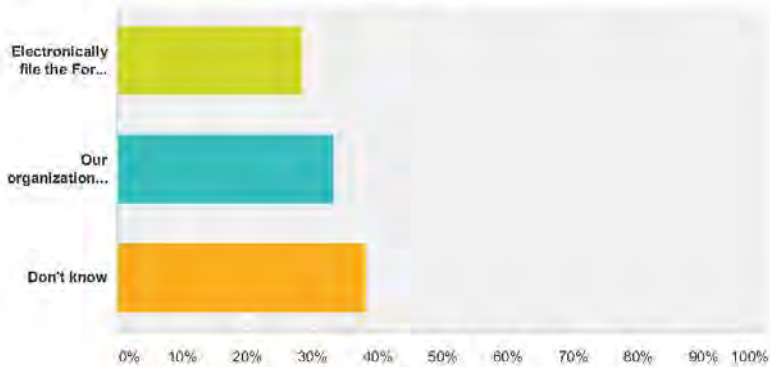


Answer Choices	Responses
Yes	1.92% 9
No	57.91% 271
Don't know	40.17% 186
If so, why?	0.00% 0
Total	468

Q16 Do you file the Form 990 electronically on a voluntary basis or is your organization required to do so?

Answered: 541 Skipped: 1,328

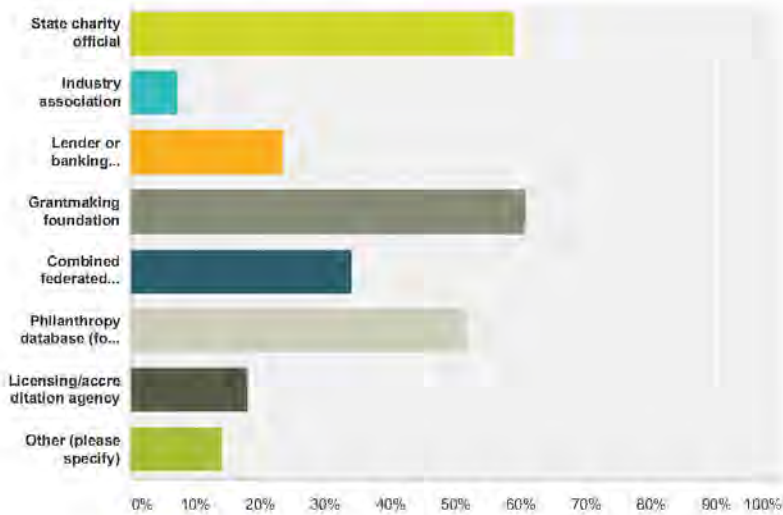
Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses	
Electronically file the Form 990 voluntarily	28.47%	154
Our organization is required to electronically file the Form 990	33.27%	180
Don't know	38.26%	207
Total		541

Q17 Other than filing the Form 990 with the IRS, where else do you submit or send a copy of the Form 990? Please check all that apply.

Answered: 732 Skipped: 1,137



EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

Answer Choices	Responses
State charity official	58.88% 431
Industry association	7.24% 53
Lender or banking institution	23.36% 171
Grantmaking foundation	60.66% 444
Combined federated campaign (includes CFC, United Way and others)	34.02% 249
Philanthropy database (for example, GuideStar)	51.64% 378
Licensing/accreditation agency	18.03% 132
Other (please specify)	13.93% 102
Total Respondents: 732	

Q18 On a scale of 1 to 5, how effective is the Form 990 for communicating with the public about your organization's governance, programs and operations? (5 being most effective)

Answered: 732 Skipped: 1,137



	1	2	3	4	5	Total	Weighted Average
(no label)	7.24% 53	24.18% 177	41.94% 307	21.31% 156	5.33% 39	732	2.89

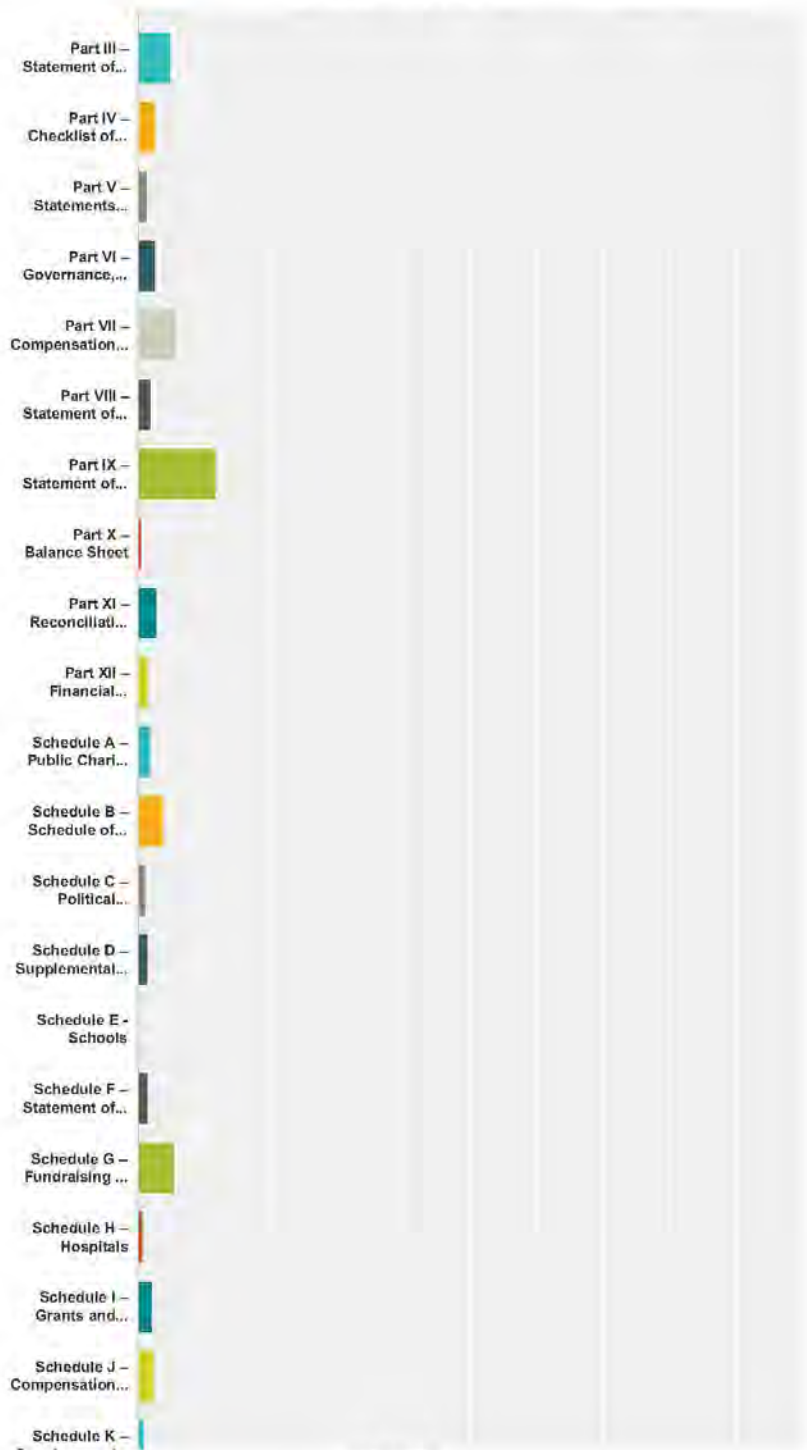
Q19 What Part/Schedule of the Form 990 does your organization find the most difficult to prepare, including gathering the appropriate data? Select one.

Answered: 732 Skipped: 1,137

Part I -
Summary

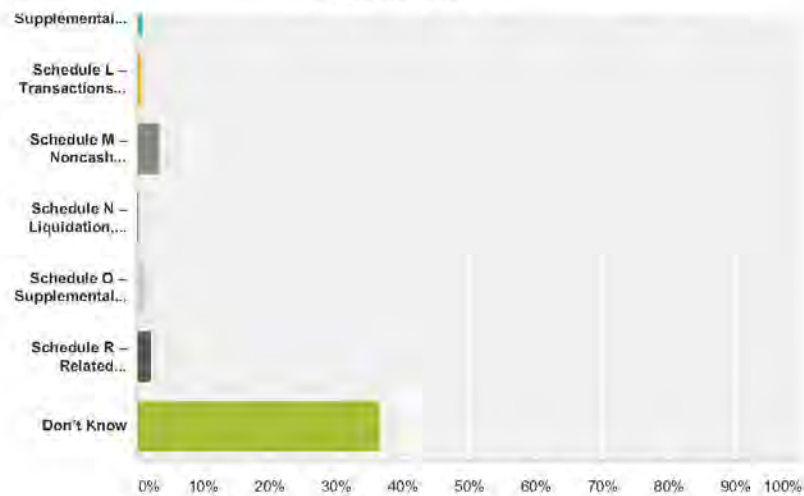
12 / 32

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses
Part I - Summary	0.41% 3
Part III - Statement of Program Service Accomplishments	4.78% 35
Part IV - Checklist of Required Schedules	2.60% 19
Part V - Statements Regarding Other IRS Filings and Tax Compliance	1.23% 9
Part VI - Governance, Management and Disclosure	2.60% 19
Part VII - Compensation of Officers, Directors, Key Employees, Highest Compensated Employees, and Independent Contractors	5.74% 42
Part VIII - Statement of Revenue	1.78% 13
Part IX - Statement of Functional Expenses	11.61% 85
Part X - Balance Sheet	0.41% 3
Part XI - Reconciliation of Net Assets	2.73% 20
Part XII - Financial Statements and Reporting	1.37% 10
Schedule A - Public Charity Status and Public Support	1.78% 13
Schedule B - Schedule of Contributors	3.69% 27
Schedule C - Political Campaign and Lobbying Activities	0.96% 7
Schedule D - Supplemental Financial Statements	1.50% 11
Schedule E - Schools	0.14% 1
Schedule F - Statement of Activities Outside the United States	1.50% 11
Schedule G - Fundraising and Gaming Activities	5.33% 39
Schedule H - Hospitals	0.68% 5

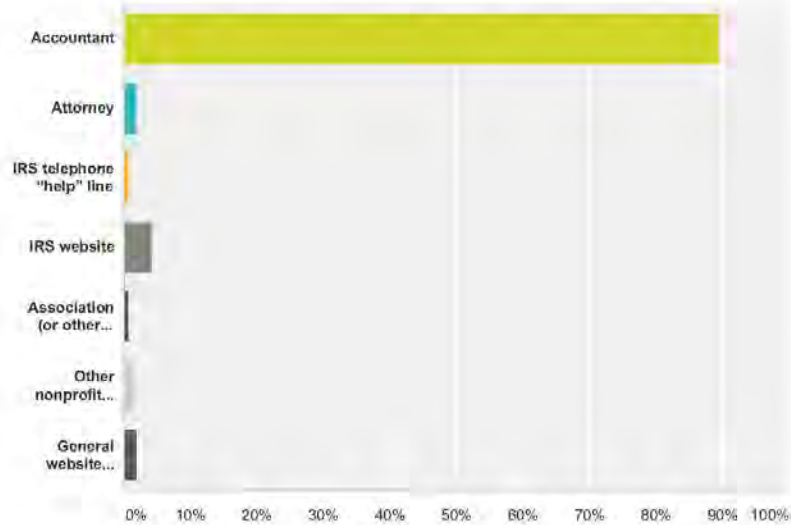
EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

Schedule I – Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.	2.05%	15
Schedule J – Compensation Information	2.32%	17
Schedule K – Supplemental Information on Tax-Exempt Bonds	0.82%	6
Schedule L – Transactions with Interested Persons	0.55%	4
Schedule M – Noncash Contributions	3.28%	24
Schedule N – Liquidation, Termination, Dissolution or Significant Disposition of Assets	0.27%	2
Schedule O – Supplemental Information	1.23%	9
Schedule R – Related Organization and Unrelated Partnerships	2.05%	15
Don't Know	36.61%	268
Total		732

Q20 When you need help completing Form 990 where do you primarily turn for that assistance?

Answered: 732 Skipped: 1,137



Answer Choices	Responses	
Accountant	89.48%	655
Attorney	1.91%	14
IRS telephone "help" line	0.55%	4

EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

IRS website	4.23%	31
Association (or other "industry organization")	0.68%	5
Other nonprofit organizations	1.37%	10
General website research	1.78%	13
Total		732

Q21 On a scale from 1 to 5, does the Form 990 encourage responsible board governance and executive behavior? (5 being strongly encourages)

Answered: 732 Skipped: 1 / 137



	1	2	3	4	5	Total	Weighted Average
(no label)	9.29% 68	20.49% 150	34.56% 253	26.09% 191	9.56% 70	732	3.06

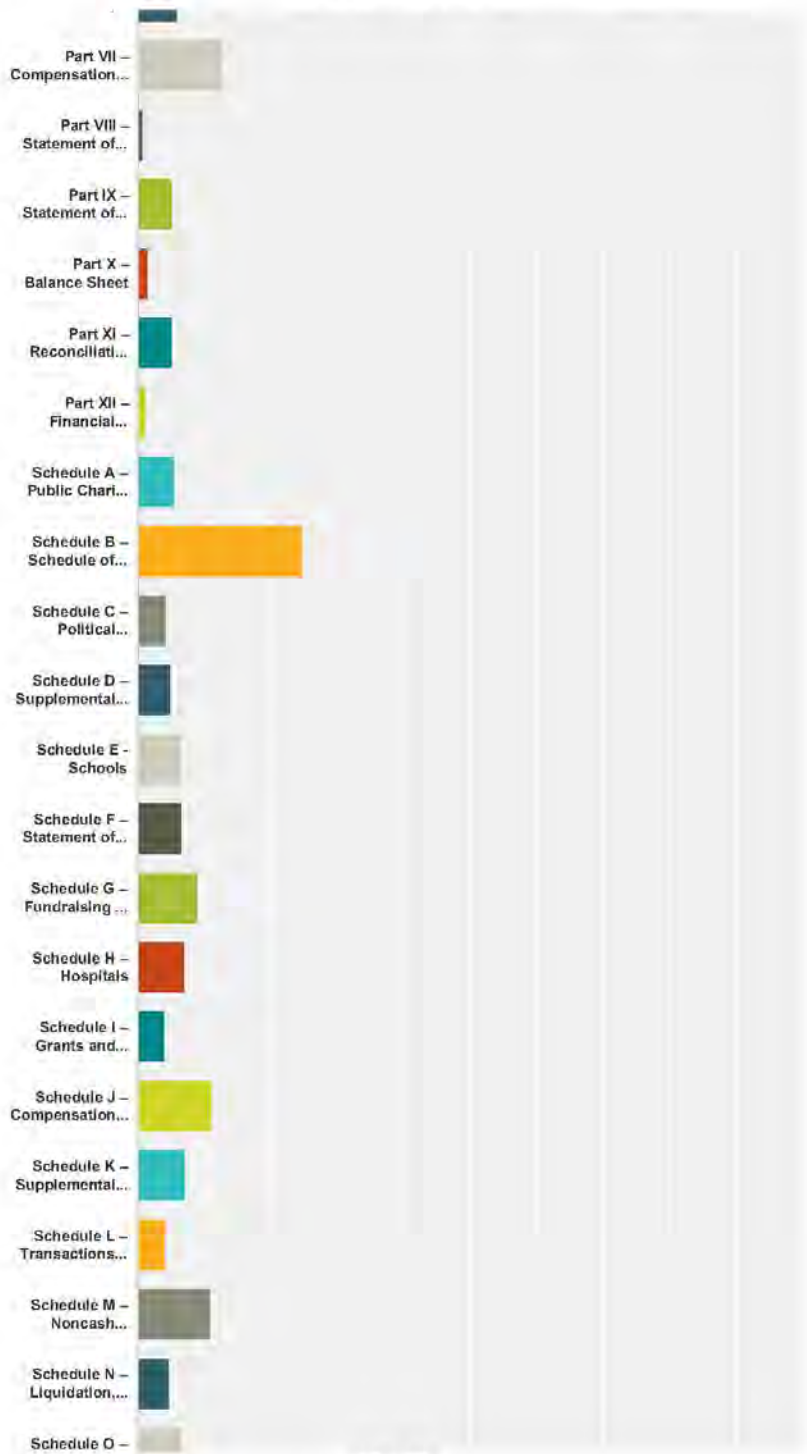
Q22 Are there any Parts/Schedules that you would like to see deleted from the Form 990? Select up to three.

Answered: 732 Skipped: 1 / 137



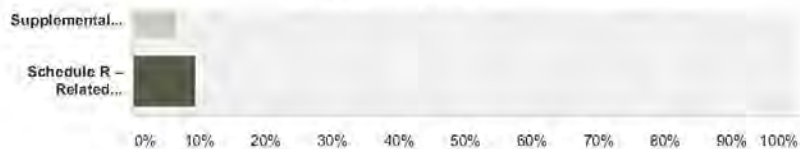
16 / 32

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses
Part I - Summary	2.19% 16
Part III - Statement of Program Service Accomplishments	3.69% 27
Part IV - Checklist of Required Schedules	8.20% 60
Part V - Statements Regarding Other IRS Filings and Tax Compliance	6.15% 45
Part VI - Governance, Management and Disclosure	5.87% 43
Part VII - Compensation of Officers, Directors, Key Employees, Highest Compensated Employees, and Independent Contractors	12.70% 93
Part VIII - Statement of Revenue	0.55% 4
Part IX - Statement of Functional Expenses	4.92% 36
Part X - Balance Sheet	1.37% 10
Part XI - Reconciliation of Net Assets	5.05% 37
Part XII - Financial Statements and Reporting	1.09% 8
Schedule A - Public Charity Status and Public Support	5.33% 39
Schedule B - Schedule of Contributors	24.73% 181
Schedule C - Political Campaign and Lobbying Activities	4.10% 30
Schedule D - Supplemental Financial Statements	4.78% 35
Schedule E - Schools	6.42% 47
Schedule F - Statement of Activities Outside the United States	6.42% 47
Schedule G - Fundraising and Gaming Activities	8.88% 65
Schedule H - Hospitals	6.83% 50
Schedule I - Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.	3.96% 29
Schedule J - Compensation Information	11.07% 81
Schedule K - Supplemental Information on Tax-Exempt Bonds	7.10% 52
Schedule L - Transactions with Interested Persons	3.96% 29
Schedule M - Noncash Contributions	10.93% 80
Schedule N - Liquidation, Termination, Dissolution or Significant Disposition of Assets	4.51% 33
Schedule O - Supplemental Information	6.42% 47
Schedule R - Related Organization and Unrelated Partnerships	9.43% 69

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Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

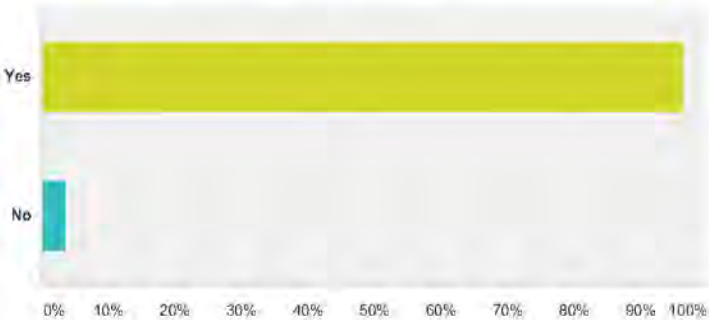
Total Respondents: 732

Q23 Is there anything not included on the Form 990 that you wish were included?

Answered: 112 Skipped: 1,757

Q24 Does your organization have any paid staff?

Answered: 732 Skipped: 1,137



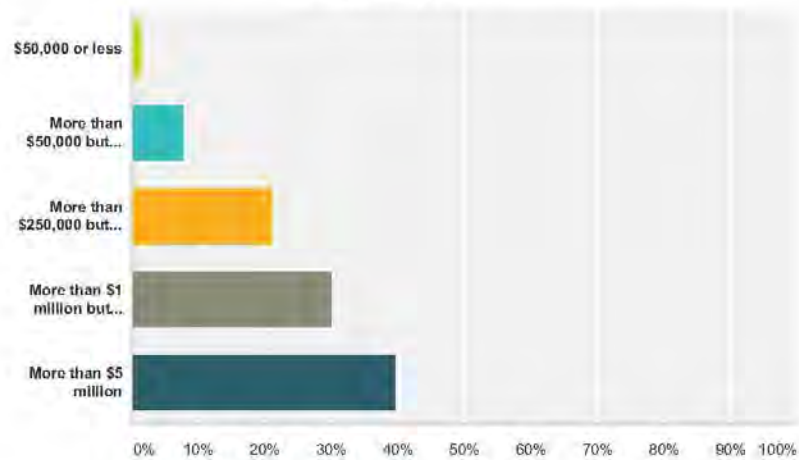
Answer Choices	Responses	
Yes	96.45%	706
No	3.55%	26
Total		732

Q25 What was your organization’s revenue for its most recently completed fiscal year?

Answered: 732 Skipped: 1,137

EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses
\$50,000 or less	1.37% 10
More than \$50,000 but less than \$250,000	7.79% 57
More than \$250,000 but less than \$1 million	21.04% 154
More than \$1 million but less than \$5 million	30.05% 220
More than \$5 million	39.75% 291
Total	732

Q26 In what state is your nonprofit organization headquartered?

Answered: 732 Skipped: 1,137

Answer Choices	Responses
Name:	0.00% 0
Company:	0.00% 0
Address:	0.00% 0
Address 2:	0.00% 0
City/Town:	0.00% 0
State:	100.00% 732
ZIP:	0.00% 0
Country:	0.00% 0
Email Address:	0.00% 0

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

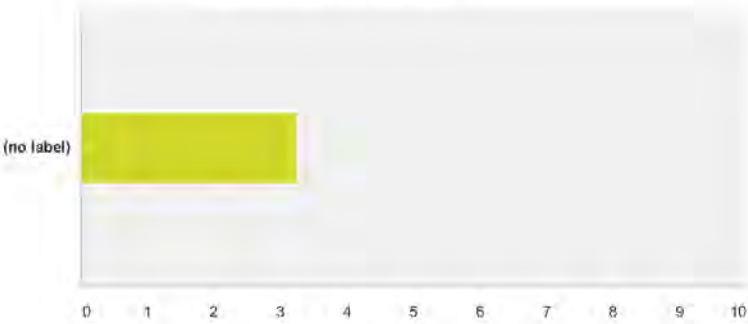
Phone Number:	0.00%	0
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Q27 Would you like to provide any other comments regarding the Form 990?

Answered: 167 Skipped: 1,702

Q28 On a scale of 1 to 5, how effective is the Form 990 for communicating with the public about an organization's governance, programs and operations? (5 being most effective)

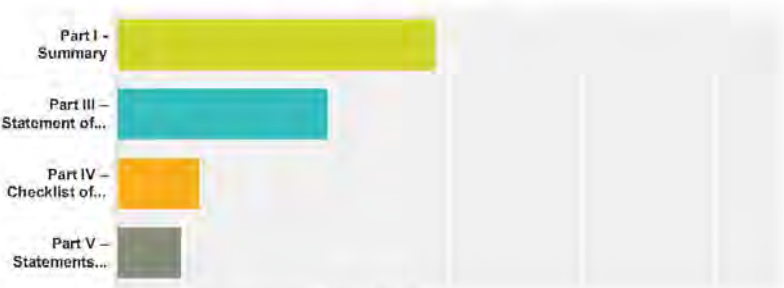
Answered: 399 Skipped: 1,470



	1	2	3	4	5	Total	Weighted Average
(no label)	4.51% 18	13.28% 53	43.11% 172	32.08% 128	7.02% 28	399	3.24

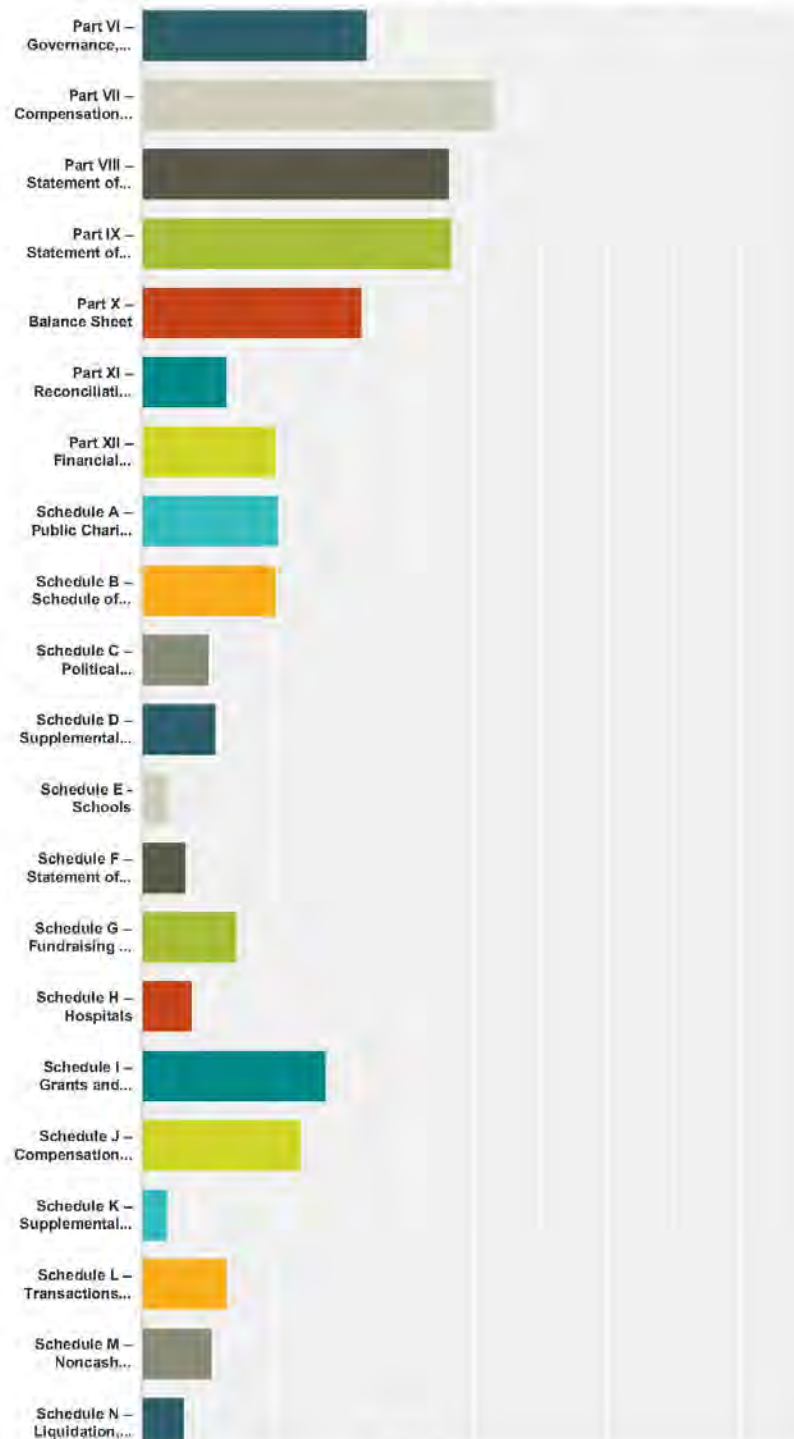
Q29 In your capacity as a reviewer of the Form 990, which Parts/Schedules of the Form 990 do you typically review? Select up to three.

Answered: 399 Skipped: 1,470



EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



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Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses
Part I - Summary	47.87% 191
Part III - Statement of Program Service Accomplishments	31.83% 127
Part IV - Checklist of Required Schedules	12.28% 49
Part V - Statements Regarding Other IRS Filings and Tax Compliance	9.52% 38
Part VI - Governance, Management and Disclosure	33.83% 135
Part VII - Compensation of Officers, Directors, Key Employees, Highest Compensated Employees, and Independent Contractors	52.88% 211
Part VIII - Statement of Revenue	46.12% 184
Part IX - Statement of Functional Expenses	46.62% 186
Part X - Balance Sheet	33.08% 132
Part XI - Reconciliation of Net Assets	12.78% 51
Part XII - Financial Statements and Reporting	20.05% 80
Schedule A - Public Charity Status and Public Support	20.55% 82
Schedule B - Schedule of Contributors	20.05% 80
Schedule C - Political Campaign and Lobbying Activities	10.03% 40
Schedule D - Supplemental Financial Statements	11.03% 44
Schedule E - Schools	4.01% 16
Schedule F - Statement of Activities Outside the United States	6.52% 26
Schedule G - Fundraising and Gaming Activities	14.29% 57
Schedule H - Hospitals	7.52% 30
Schedule I - Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.	27.57% 110
Schedule J - Compensation Information	23.81% 95
Schedule K - Supplemental Information on Tax-Exempt Bonds	3.76% 15
Schedule L - Transactions with Interested Persons	12.78% 51
Schedule M - Noncash Contributions	10.53% 42
Schedule N - Liquidation, Termination, Dissolution or Significant Disposition of Assets	6.27% 25
Schedule O - Supplemental Information	13.03% 52

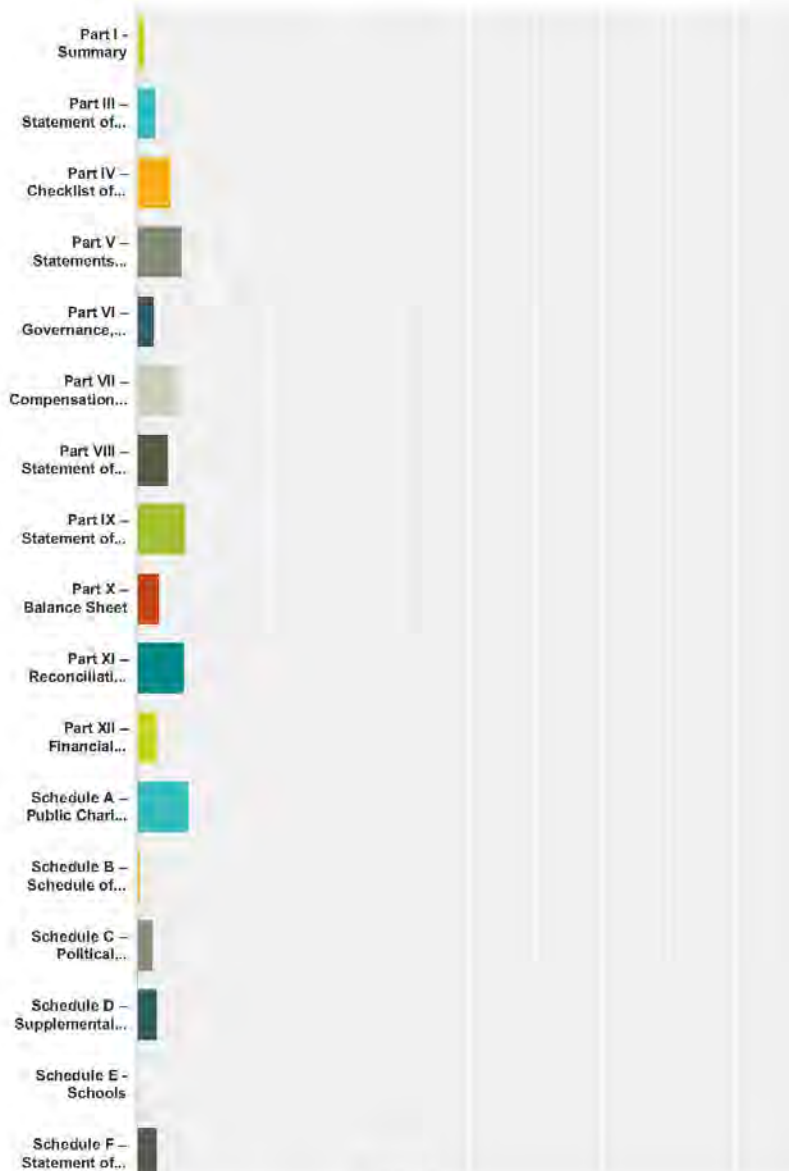
EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

Schedule R – Related Organization and Unrelated Partnerships	12.53%	50
Total Respondents: 399		

Q30 What Part/Schedule of the Form 990 do you find the information reported the most difficult to understand? Select one.

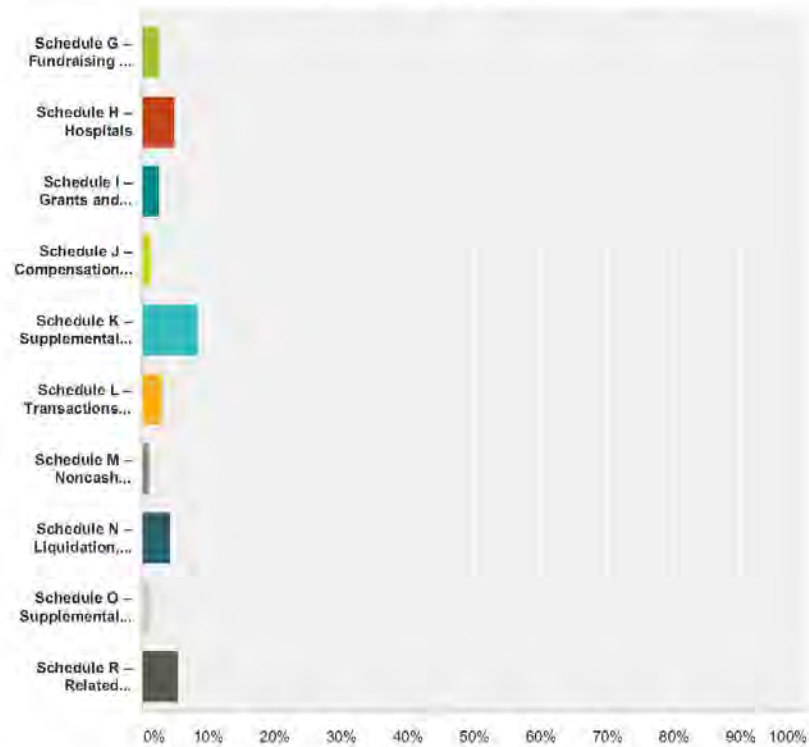
Answered: 399 Skipped: 1,476



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EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses
Part I - Summary	1.00% 4
Part III - Statement of Program Service Accomplishments	2.76% 11
Part IV - Checklist of Required Schedules	5.01% 20
Part V - Statements Regarding Other IRS Filings and Tax Compliance	6.77% 27
Part VI - Governance, Management and Disclosure	2.51% 10
Part VII - Compensation of Officers, Directors, Key Employees, Highest Compensated Employees, and Independent Contractors	6.02% 24
Part VIII - Statement of Revenue	4.51% 18
Part IX - Statement of Functional Expenses	7.27% 29
Part X - Balance Sheet	3.26% 13
Part XI - Reconciliation of Net Assets	7.02% 28
Part XII - Financial Statements and Reporting	3.01% 12
Schedule A - Public Charity Status and Public Support	7.77% 31
Schedule B - Schedule of Contributors	0.50% 2

EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

Schedule C – Political Campaign and Lobbying Activities	2.26%	9
Schedule D – Supplemental Financial Statements	3.01%	12
Schedule E – Schools	0.00%	0
Schedule F – Statement of Activities Outside the United States	3.01%	12
Schedule G – Fundraising and Gaming Activities	2.51%	10
Schedule H – Hospitals	4.76%	19
Schedule I – Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.	2.51%	10
Schedule J – Compensation Information	1.25%	5
Schedule K – Supplemental Information on Tax-Exempt Bonds	8.27%	33
Schedule L – Transactions with Interested Persons	3.01%	12
Schedule M – Noncash Contributions	1.00%	4
Schedule N – Liquidation, Termination, Dissolution or Significant Disposition of Assets	4.26%	17
Schedule O – Supplemental Information	1.25%	5
Schedule R – Related Organization and Unrelated Partnerships	5.51%	22
Total		399

Q31 On a scale from 1 to 5, does the Form 990 encourage responsible board governance and executive behavior? (5 being strongly encourages)

Answered: 399 Skipped: 1,470



	1	2	3	4	5	Total	Weighted Average
(no label)	4.51% 18	16.29% 65	38.35% 153	30.58% 122	10.28% 41	399	3.26

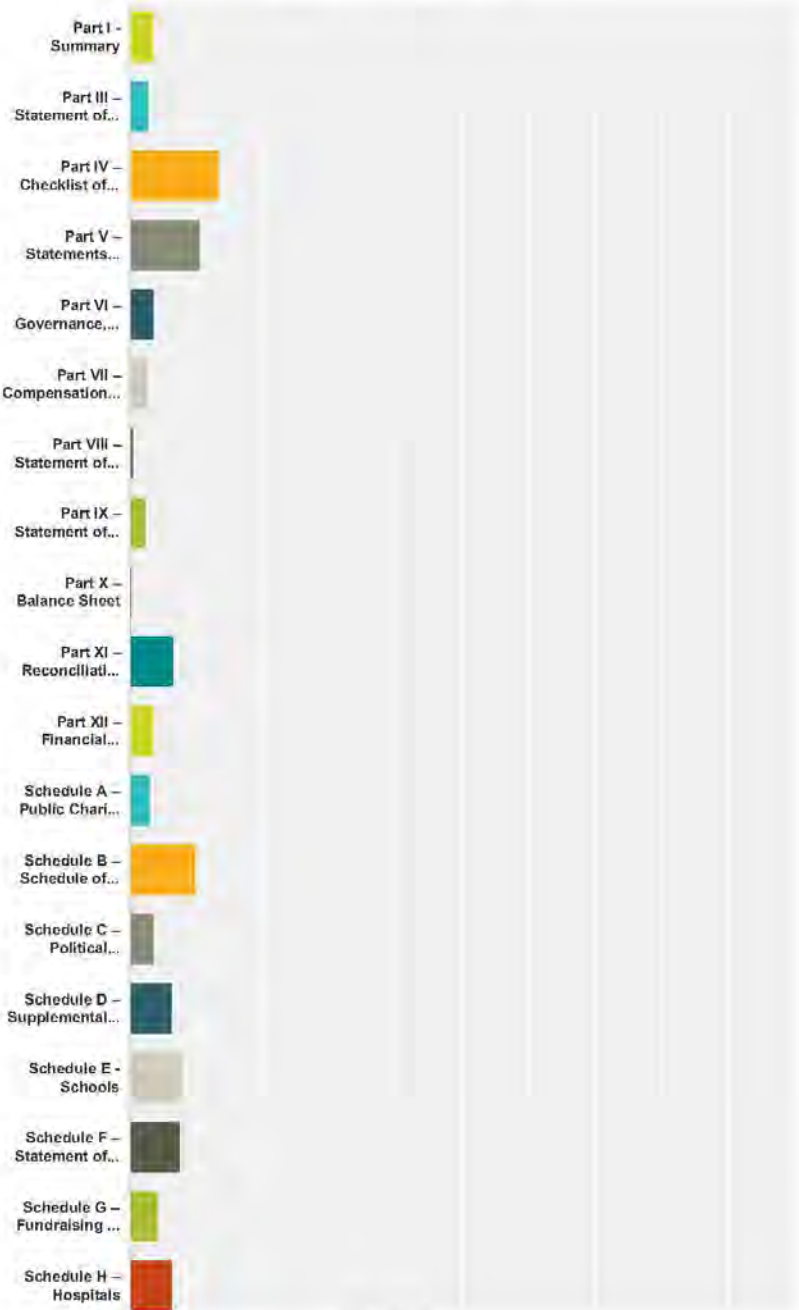
Q32 Are there any Parts/Schedules that you

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Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

would like to see deleted from the Form 990? Select up to three.

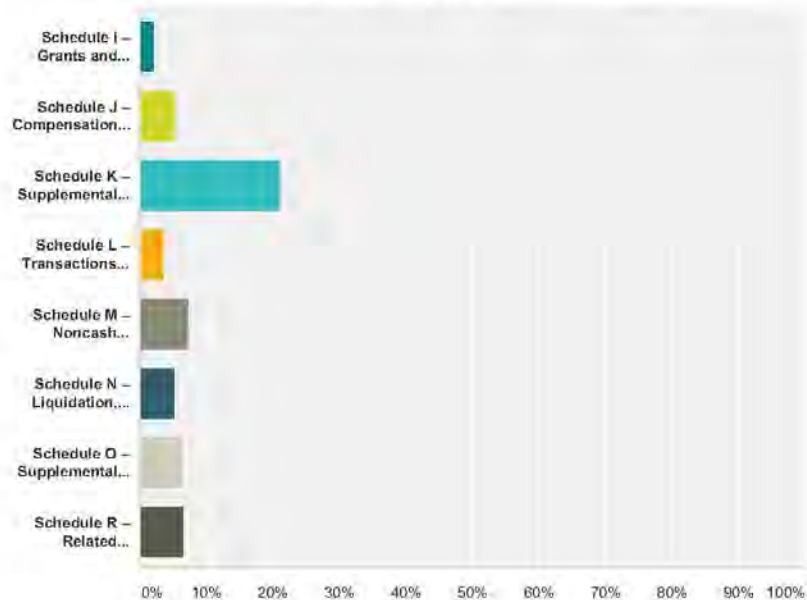
Answered: 399 Skipped: 1,470



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EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses
Part I - Summary	3.51% 14
Part III - Statement of Program Service Accomplishments	2.76% 11
Part IV - Checklist of Required Schedules	13.28% 53
Part V - Statements Regarding Other IRS Filings and Tax Compliance	10.53% 42
Part VI - Governance, Management and Disclosure	3.51% 14
Part VII - Compensation of Officers, Directors, Key Employees, Highest Compensated Employees, and Independent Contractors	2.51% 10
Part VIII - Statement of Revenue	0.50% 2
Part IX - Statement of Functional Expenses	2.26% 9
Part X - Balance Sheet	0.25% 1
Part XI - Reconciliation of Net Assets	6.52% 26
Part XII - Financial Statements and Reporting	3.51% 14
Schedule A - Public Charity Status and Public Support	3.01% 12
Schedule B - Schedule of Contributors	9.77% 39
Schedule C - Political Campaign and Lobbying Activities	3.51% 14
Schedule D - Supplemental Financial Statements	6.27% 25
Schedule E - Schools	7.77% 31

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

Schedule F – Statement of Activities Outside the United States	7.52%	30
Schedule G – Fundraising and Gaming Activities	4.26%	17
Schedule H – Hospitals	6.27%	25
Schedule I – Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.	2.01%	8
Schedule J – Compensation Information	5.26%	21
Schedule K – Supplemental Information on Tax-Exempt Bonds	21.05%	84
Schedule L – Transactions with Interested Persons	3.51%	14
Schedule M – Noncash Contributions	7.27%	29
Schedule N – Liquidation, Termination, Dissolution or Significant Disposition of Assets	5.26%	21
Schedule O – Supplemental Information	6.27%	25
Schedule R – Related Organization and Unrelated Partnerships	6.52%	26
Total Respondents: 399		

Q33 Is there anything not included on the Form 990 that you wish were included?

Answered: 131 Skipped: 1,738

Q34 Would you like to provide any other comments regarding the Form 990?

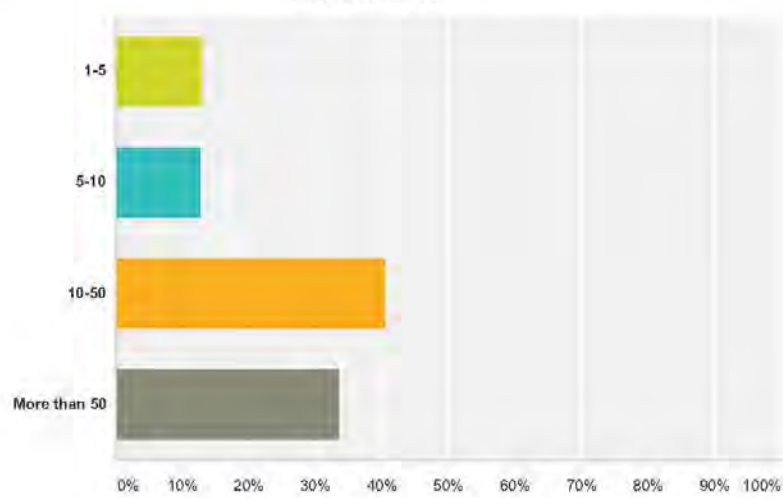
Answered: 132 Skipped: 1,737

Q35 Approximately how many Form 990s do you look at/prepare each year?

Answered: 399 Skipped: 1,470

EXEMPT ORGANIZATIONS – APPENDIX B

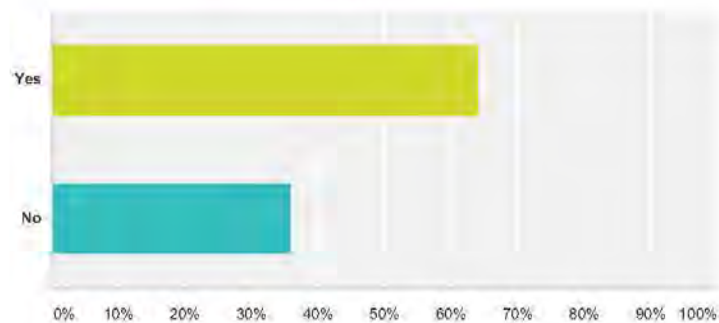
Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.



Answer Choices	Responses
1-5	13.03% 52
5-10	12.78% 51
10-50	40.60% 162
More than 50	33.58% 134
Total	399

Q36 Would you like to receive a link to a copy of the ACT final report once it is completed?

Answered: 1,236 Skipped: 633



Answer Choices	Responses
Yes	64.00% 791

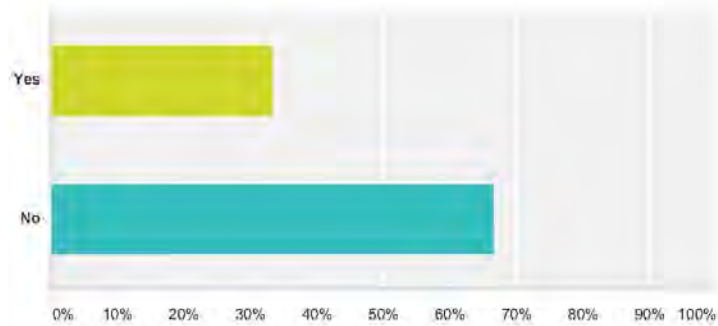
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Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

No	36.00%	445
Total		1,236

Q37 Would you be willing to talk with members of the ACT about your responses to this questionnaire?

Answered: 1,236 Skipped: 633



Answer Choices	Responses	
Yes	33.33%	413
No	66.67%	824
Total		1,236

Q38 If you answered 'Yes' to one or both of the questions above, please provide your email address below. Your responses will not be attributed to you or your organization unless explicit permission is obtained.

Answered: 693 Skipped: 1,176

Answer Choices	Responses	
Name:	0.00%	0
Company:	0.00%	0
Address:	0.00%	0
Address 2:	0.00%	0
City/Town:	0.00%	0
State:	0.00%	0

EXEMPT ORGANIZATIONS – APPENDIX B

Form 990 Questionnaire - Please respond to these questions in light of your experience with the most recently filed Form 990.

ZIP:	0.00%	0
Country:	0.00%	0
Email Address:	100.00%	003
Phone Number:	0.00%	0