



January 11, 2021

Internal Revenue Service
ATTN: Kinna Brewington
Room 6526, 1111 Constitution Avenue NW, Washington, DC 20224

RE: Public Comments on Exempt Organization IRS Forms
85 FR 71992, Doc. No. 2020-25012, published November 12, 2020

Dear Ms. Brewington,

I write on behalf of Colorado Nonprofit Association (hereafter the Association) and its more than 1,400 501(c)(3) nonprofit member organizations to comment on IRS forms for exempt organizations, particularly the Form 990 and 1023 series. Our mission is to lead, serve, and strengthen Colorado's nonprofit community to improve the quality of life throughout our state.

Our comments are as follows:

1. **We request that the IRS extend the comment period for an additional 90 days.** The IRS released the request for comments in early November, which preceded the holiday giving season for nonprofits and December office closures. Besides the overall impact of COVID-19 pandemic on nonprofit organizations' employment and finances, extensions of federal and state tax deadlines mean it has likely taken longer for nonprofits to complete returns, schedule independent audits, and wrap up year-end finances.

More time to provide comments should be provided because these exempt organization forms are primary sources of information for the public about nonprofit organizations' activities and finances. Form 1023, 1024, and other similar forms ensure that founders of exempt organizations sufficiently understand the legal responsibilities of managing these organizations. For these reasons, 90 more days would help more nonprofits give substantive feedback to the IRS on these important forms.

2. **We recommend that the IRS work with stakeholders representing the community of exempt organizations on how to collect information on revenues on Form 990, Part VIII in a way that is easily understood by the public.** This approach would be helpful for providing information to the public on nonprofits' partnerships with governments. These partnerships include grants provided by government agencies to deliver public services to their constituents, contracts that provide services to governments rather than the general public, Medicaid or Medicare reimbursements for services provided to beneficiaries, and other such partnerships.

From reading Form 990, it can be difficult for members of the public to know exactly how much total funding a nonprofit receives from federal, state, and local governments. Nor is it easy to tell if the public or the government (or both) are beneficiaries of these



services. On the current Form 990, nonprofits report government grants as if they are contributions when they are often payments or reimbursements for services delivered. Also, the IRS should discuss with stakeholders whether or not Medicaid and Medicare reimbursements should be more clearly delineated as they are different from other fees nonprofits charge for services rendered.

Other than government funding, it can be difficult for the public to understand the different types of revenues reported under the categories of contributions, program service, other and miscellaneous. This gets particularly confusing when determining where fees for services should be reported on Part VIII and how to calculate total sales when an exempt organization sells both tangible personal property and services. By working with stakeholders, the IRS should be able to determine how to present this information in way that also works for exempt organizations and the public.

3. **We recommend that the IRS work with stakeholders on an alternative to the 1023-EZ.** While it seems reasonable to have a streamlined application process for nonprofits with annual revenues of \$50,000 or less, filers of Form 1023-EZ can easily check boxes, rather than providing narratives, to indicate their understanding of how to lawfully manage a nonprofit organization. The IRS should not grant federal tax exemption to applicants that fail to adequately demonstrate eligibility and understanding of the legal duties of nonprofit management and governance. By working with stakeholders, the IRS can find a solution that balances a streamlined application process with diligent application review.
4. **We recommend that the IRS collect more information on Form 990-N.** 990-N filers must only check a box each year indicating their revenues are less than \$50,000 instead of providing the total amounts of their revenues and expenditures. Nor does the Form 990-N indicate total numbers of how many people are employed by and volunteer for each nonprofit. Adding questions about total revenues, spending, employees, and volunteers would help the public better understand how these small organizations operate.
5. **If a nonprofit has received a contribution or money or property from a business or corporation that is reportable on Form 990, Schedule B, then the form should provide space to enter the name of the business or corporation.** This would help the public determine whether the contribution is from an individual or is made on behalf of a business or corporation.

Thank you for the opportunity to comment and your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Mark Turner".

Mark Turner, Senior Director of Public Policy