



November 15, 2023

Andres Garcia
Internal Revenue Service
1111 Constitution Avenue NW, Room 6526
Washington, DC 20224

**Re: Comments on Internal Revenue Service Notice 2023-20897 (OMB Control No. 1545-0047):
Proposed Collection; Requesting Comments on Tax-Exempt Organization Forms**

Dear Mr. Garcia,

The Capital Research Center (CRC) submits this comment in response to the Internal Revenue Service's request for "comments concerning forms used by tax-exempt organizations." Specifically, we respond to the agency's request for comment on "ways to enhance the quality, utility, and clarity of the information to be collected" on Form 990: Return of Organization Exempt from Income Tax, Form 990-PF: Return of Private Foundation, and all associated schedules.

CRC's comment consists of two articles which it has previously published on the topic:

- *Some Suggestions for Improving the Form 990* (March 28, 2022):
<https://capitalresearch.org/article/some-suggestions-for-improving-the-form-990/>
- *Require Nonprofits to Disclose their Foreign Grantmaking* (September 12, 2023):
<https://capitalresearch.org/article/require-nonprofits-to-disclose-their-foreign-grantmaking/>

We request that these articles (reproduced below) and the recommendations they contain be included as part of our comment. Thank you for your consideration.

Robert Stilson
Capital Research Center
Washington, DC

Some Suggestions for Improving the Form 990

Parsing a few sections, parts, columns, and schedules

By Robert Stilson

March 28, 2022

<https://capitalresearch.org/article/some-suggestions-for-improving-the-form-990/>

Each year, tax-exempt, nonprofit organizations and foundations are required to file returns with the Internal Revenue Service (IRS). Most of these groups—such as those formed as charities under § 501(c)(3) of the Internal Revenue Code, social-welfare organizations under § 501(c)(4), or labor unions under § 501(c)(5)—file Form 990, while § 501(c)(3) private foundations file Form 990-PF. These filings are made publicly available on the IRS website and via a number of private resources.

Forms 990 and 990-PF provide a great deal of information on the filing organization’s financials, operations, leadership, and more. They could, however, be made better. Here are some suggested revisions to improve the current Form 990/990-PF—and, by extension, the ability of Americans to evaluate tax-exempt nonprofits.

Suggestion No. 1: Enforce Foundation Investment Disclosures

As explored in detail [here](#), current IRS instructions require private foundations to attach certain schedules to their Form 990-PFs listing and describing the specific assets in which their endowments are invested. In practice, however, many foundations do not provide meaningful detail on individual holdings. For example, a foundation might simply report a giant lump sum as invested in “corporate stock” or in “global equity funds,” without listing any of the individual corporations or funds in which the money is invested.

The only exception is for government obligations, which the instructions specifically allow to be reported as lump sums based on issuer category (federal or municipal bonds, for example). The IRS should revise its instructions for [Part II, Balance Sheets](#), saying that all other types of investments must be itemized to the extent practicable on the required schedules and noting that lump-sum reporting is unacceptable.

Suggestion No. 2: Improve Grants Reporting

Many nonprofits have similar names, operate under more than one name (for example, an entity “doing business as” another name), are commonly referred to by different variations on their name, or exist as one of a number of nearly identically named (but legally distinct) affiliates or chapters—sometimes sharing the same address. This can cause considerable confusion when attempting to analyze reported grants, because it is not always clear exactly which group is the one that received the grant.

The Form 990 largely addresses this problem by including a column for the recipient’s employer identification number (EIN). This is a unique, nine-digit code that can usually—assuming meticulous accuracy on the part of the filer—be used to unambiguously identify a recipient. The Form 990-PF used by foundations, however, does not include this column. While foundations may sometimes make grants to recipients that do not have an EIN, the IRS should add a column to the Form 990-PF wherein the grantee’s EIN is to be listed, if and when applicable, which is almost always.

Another issue with grants reporting involves the use of attachments, rather than listing grants directly in the filing. Occasionally, these attachments are not included with the rest of the Form 990/990-PF when it is released to the public.

For example, the [Rockefeller Family Fund](#) reported paying out more than \$17 million worth of grants on its [2019 Form 990](#), which is available on the IRS website. The attached Schedule I—which is used to report all grants in excess of \$5,000 made to domestic recipients—directs readers to “See Schedule I-1,” but no such schedule is attached to the filing. Anyone wishing to see the Rockefeller Family Fund’s 2019 grantees cannot find this information on its Form 990 as posted by the IRS.

The instructions should either clarify that grants must be listed directly in the prescribed sections of the form or the IRS must ensure that important attachments are always, in fact, attached to the copy made available for public disclosure.

Finally, foundations report grants made to foreign entities on the Form 990-PF in the same manner that they report grants made to domestic entities—including listing the name and address of the foreign recipient. Nonprofits filing the Form 990, however, are [instructed](#) to omit the names of foreign grant recipients on Part II of the applicable Schedule F. They disclose only the purpose of the grant, the amount, and the geographic region.

An IRS [background paper](#) detailing 2008 revisions to the Form 990 explained that the idea of reporting identifying information about foreign grantees prompted commenters to raise security concerns about “work in certain unsafe foreign areas.” The IRS should reconsider whether such legitimate concerns are nevertheless outweighed by the significant public interest in foreign-grants reporting—particularly since the Form 990-PF freely discloses this information—or if there are alternative methods of addressing these concerns.

Suggestion No. 3: Include Fiscally Sponsored Projects

Fiscal sponsorship presents some unique issues for the Form 990. Briefly, a fiscal sponsorship is an arrangement through which an existing tax-exempt nonprofit houses a “project” group that does not have its own tax-exempt status. The sponsor provides administrative services to—and in the case of § 501(c)(3) projects, accepts tax-deductible donations on behalf of—the project. Sponsors generally charge a fee for these services.

Grants or contributions made to the project are technically made to the fiscal sponsor, and projects do not file their own Form 990s with the IRS. This greatly limits the public’s ability to obtain information about the project, including its financials, leadership, and more. This can become rather important when a project achieves national prominence for its activism on controversial sociopolitical issues—as occurred in the case of the [Black Lives Matter Global Network Foundation](#) in 2020, for a recent example.

Some have [suggested fiscal-sponsorship reforms](#), including requiring both the sponsoring organization and the project to file separate 990s. [Another idea](#) is to simply modify the Form 990 to include a new schedule solely for listing any projects sponsored by the filing nonprofit. That schedule could require basic information about each project—such as its name and address, simplified financials, the identities of executive leadership, the date on which it became a sponsored project, and whether or not the project has applied for its own tax-exempt status.

On the funding side, a simple change to the instructions for both Form 990's Schedule I and Form 990-PF's Part XIV could significantly improve transparency regarding grants made to sponsored projects. The IRS should instruct filers who have made a grant to a nonprofit for the purpose of supporting one of that nonprofit's sponsored projects to clearly indicate as such in the grant description/purpose column of their Form 990/990-PF. Some organizations already do this, but the practice should be universal.

Suggestion No. 4: Expand Highest-Paid Employee and Contractor Disclosures

In addition to requiring the filing organization to identify certain officers and directors and disclose how much each was paid during the year, both the Form 990 and 990-PF also require a list of the organization's top five highest-paid employees and highest-paid independent contractors. The threshold for listing both an employee and a contractor is \$100,000 on the Form 990 and \$50,000 on the Form 990-PF. Though only the top five highest-paid employees and contractors must be specifically named, the filing organization must also report the total number of each who were paid in excess of those thresholds during the year.

Some nonprofits and foundations have numerous highly compensated employees and contractors. The five individuals listed on Stanford University's [2019 Form 990](#) were paid amounts ranging from about \$2.2 million to \$4.5 million that year. The lowest-paid "highest-paid" employee at the [Bill and Melinda Gates Foundation](#) in [2019](#) still made more than \$1 million. The [New Venture Fund](#) reported paying more than \$100,000 to 198 different contractors in [2020](#), yet it was only required to report the top five (including almost \$27 million paid to [Arabella Advisors](#) alone).

The sections for listing the highest-paid employees and independent contractors on both the Form 990 and 990-PF should be expanded to allow for more-extensive disclosure—perhaps the top 15 or 20 in each category, if applicable. A threshold dollar figure for reporting should still be maintained, and there are arguments that can be made for whether it should be raised or kept at its current level.

While raising the current thresholds could account for inflation, they could perhaps just be kept at current levels, but with more-extensive reporting of contractors who perform smaller-dollar services for a number of different nonprofits, and who are thus influential in the aggregate. The IRS could also consider utilizing different thresholds for employees and independent contractors.

An Invitation for Consideration

These suggestions are not meant to be exhaustive. Indeed, those who regularly work with the Forms 990 and 990-PF may have additional or differing thoughts on how they may be modified or improved. Because they often serve as the only means through which the public can obtain detailed information about a nonprofit's financials and operations, regularly considering how these forms may be enhanced serves an important public purpose.

[This article](#) first appeared in the Giving Review on March 18, 2022.

Require Nonprofits to Disclose Their Foreign Grantmaking

Contemplating a framework for Schedule F that would default to full disclosure of all foreign grant recipients, but also provide an exception allowing for redaction when there is a genuine safety threat.

By Robert Stilson

September 12, 2023

<https://capitalresearch.org/article/require-nonprofits-to-disclose-their-foreign-grantmaking/>

The House Ways and Means Committee recently [announced](#) an examination of, among other things, “whether foreign sources of funding are being funneled through [nonprofit] organizations to influence America’s elections.” That is a worthy investigation to perform, but there is another major transparency black hole involving funds flowing the opposite direction: from American nonprofits to foreign groups.

Currently, nonprofits are required to publicly identify their domestic grant recipients, but not their foreign ones. This should not be the case—all grantees should be disclosed—but the Internal Revenue Service (IRS) has indicated that the particulars of requiring this would probably necessitate new statutory authority. Congress should work with the IRS and other interested parties to devise legislation allowing the agency to request this information from nonprofits on Form 990 and disclose it publicly, while also providing an exception in those cases where disclosure would create a genuine security threat.

Grant Disclosure on Form 990

Most nonprofits organized under § 501(c) of the Internal Revenue Code are required to file Form 990 with the IRS every year. These are public documents, and they are generally considered to be the most-authoritative source of financial and other operational information about American nonprofits.

Depending on its activities, a nonprofit may be required to attach various schedules to its Form 990. One of these is Schedule I, wherein it lists all domestic organizations and governmental entities to which it gave more than \$5,000 during the year. Each grant listed on Schedule I must include the grantee’s name, address, employer identification number (EIN), amount given, and the grant’s purpose.

Accordingly, there is usually little to no ambiguity as to the identity of each domestic grant recipient.

Nonprofits that make grants to *foreign* recipients report having done so on a separate schedule—Schedule F—under an entirely different disclosure framework. Crucially, the IRS [instructs](#) filers to omit the actual name of each foreign grantee, and disclose only the geographic region in which the grant was made (for example, Europe or South America), the amount and purpose of the grant (which is often very vague), and a handful of other minor bits of information. An example of a disclosure from the [Tides Foundation](#)’s 2021 Form 990 is illustrative:

Schedule I (domestic):

Schedule I (Form 990)		TIDES FOUNDATION					51-0198509	Page 1
Part II Continuation of Grants and Other Assistance to Domestic Organizations and Domestic Governments (Schedule I (Form 990), Part II)								
(a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance	
JOBS FOR THE FUTURE INC. 88 BROAD ST, 8TH FLOOR BOSTON, MA 02110	06-1164568	501(C)(3)	3,762,500.	0.			EQUITY, HUMAN RIGHTS, AND ECONOMIC EMPOWERMENT	

Schedule F (foreign):

Schedule F (Form 990)		TIDES FOUNDATION					51-0198509		Page 2				
Part III Continuation of Grants and Other Assistance to Organizations or Entities Outside the United States. (Schedule F (Form 990), Part III, line 1)													
1													
(a) Name of organization		(b) IRS code section and EIN (if applicable)		(c) Region		(d) Purpose of grant		(e) Amount of cash grant		(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
				EUROPE (INCLUDING ICELAND AND GREENLAND)		EQUITY, HUMAN RIGHTS, AND ECONOMIC EMPOWERMENT		422,758.		ELECTRONIC FUND/WIRE TRANSFER	0.		

The upshot is that it is impossible to identify a nonprofit's foreign grant recipients using its Form 990. This is a rather significant transparency problem for the tax-exempt sector—one that is made even more conspicuous by the fact that Form 990-PF (used by private foundations) makes no such distinction between foreign and domestic grants. The [Ford Foundation](#), for instance, discloses the names and addresses of its many foreign grantees right alongside those located in the United States.

Contrast that with the [New Venture Fund](#), which is organized as an ordinary 501(c)(3) public charity. In [2021](#), it disclosed grants to more than 700 different domestic entities (mostly other nonprofits) on its Schedule I, all of which were specifically identified. It also listed over 200 grants to foreign recipients on its Schedule F, none of which was identified. With more than \$1.1 billion in net assets and almost \$330 million worth of grants paid in 2021, the New Venture Fund is the largest constituent member of the nonprofit network managed by [Arabella Advisors](#)—one of the most-important political and public-policy funding apparatuses in the country. Americans have every bit the interest in understanding its foreign grantmaking that they do in understanding its domestic.

Why No Disclosure of Foreign Grants?

Understanding why nonprofits do not identify their foreign grantees requires going back to the 2008 tax year, when the IRS implemented a package of revisions to Form 990. A [background paper](#) on the redesign explained that the agency had originally intended for the names of foreign grantees to be disclosed on Schedule F, but it had received numerous public comments from those who were concerned that making such information public could jeopardize the safety of individuals who worked with the nonprofit in dangerous foreign localities. Commentors suggested that the IRS should redact identifying information about foreign grant recipients, refrain from disclosing the information publicly, or not require reporting for every country.

The IRS responded by explaining that it “may not redact or withhold from public disclosure information reported on the Form 990 unless it is expressly authorized by statute.” Since it had been given no such authority for the information it was requesting on Schedule F, the agency decided simply not to request identifying information about a nonprofit's foreign grantees. Notably, it clarified that “if redaction or withholding from public disclosure becomes feasible in the future, Schedule F will be modified to require reporting on a country-by-country basis, as well as more specific grantee information.”

Such safety concerns are valid, even if they represent a small minority of cases. There are certainly places in the world where grantees could be targeted for violence or harassment (from private parties or the government itself) simply because they received money from an American nonprofit. This is true even though private foundations freely disclose this information on Form 990-PF.

Improving Schedule F

So blanket nondisclosure is unacceptable because of the total lack of transparency, while blanket full disclosure is unacceptable because it could put people at risk. A compromise is necessary—a framework for Schedule F that would default to full disclosure of all foreign grant recipients, but also provide an exception allowing for redaction when there is a genuine safety threat. The IRS has indicated that something like this would require Congressional action, so Congress should give this issue its attention.

As for the specifics, it is impossible to imagine the IRS adjudicating each individual claim that a particular grantee's identity must be withheld due to security concerns, so the judgment would almost certainly need to be left to the filing nonprofit's discretion. Appropriate standards and safeguards against abuse would need to be developed to guide such a determination.

One approach could involve an affidavit or certification filed in conjunction with Schedule F, in which the filing nonprofit attests to having withheld identifying information about its foreign grantees for the sole purpose of protecting them (or others) from safety threats that it has a good-faith basis to believe exist. Congress or the IRS could conceivably produce a list of factors to be considered in this evaluation, potentially in conjunction with a list of "presumably unsafe" foreign localities. Disclosure of the country to which the grant was made could still be required, even when a grantee's identity is redacted.

Whatever the particulars, the bottom line is that American nonprofits should be required to provide the same level of detail about their foreign grant recipients as they are currently required to provide about their domestic ones. Congress should devise a legislative solution that empowers the IRS to request this information on Schedule F and disclose it publicly, while also ensuring that nonprofits are able to adequately protect those associated with their work overseas from genuine threats of harm.

[This article](#) originally appeared in the *Giving Review* on September 5, 2023.