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To: OIRA_Submission@OMB.EOP.gov; PRA
Subject: Comments on Form 1023-EZ for your consideration
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Comment submitted by Jonathan Spack, Steering Committee Chair, National Network of Fiscal Sponsors, on behalf of NNFS:

Streamlining the process for reviewing applications for public charity status would be a welcome change. The current system is broken, leading to unconscionably long waiting times for many groups. Unfortunately the proposed Form 1023-EZ does far more than streamline the application process; it converts it into a *pro forma*, rubber stamp approval. Form 1023 may be cumbersome but it does weed out would-be charlatans and others who do not meet the standard for 501(c)(3) status.

The 501(c)3 designation serves as the gold standard for conferring a basic but widely established legitimacy to nonprofit organizations. If public charity status is obtainable instantly to anyone willing to check a few boxes, it will certainly reduce the current backlog but at the same time it will create a different – and potentially far worse - problem: monitoring the activities of a much larger number of organizations to assure that their activities meet the requirements of Chapter 501c3, after the fact. Putting that genie back in the bottle is likely to prove extremely difficult.

We understand that it is the intent of the Service to reallocate resources to the review of Form 990's and other compliance measures, focusing on what organizations are actually doing rather than what they say they're going to do. But that would only shift the problem from the front end to the back end of the process. With c3 status so easy to obtain, the number of nonprofits requiring compliance monitoring is sure to skyrocket.

Transferring staff from reviewing applications to monitoring 990's would be extremely unwise from a public policy perspective. Although the vast majority of 1023 submissions are legitimate, it is a logical fallacy to assume that if careful up-front review is eliminated the percentage of bona fide applications will remain constant. On the contrary, making exempt status automatic virtually guarantees that many who have self-selected out of the current daunting application – including some who would not pass muster today - will take advantage of the streamlined process. The proposed Form 1023-EZ would open the door for widespread abuses of the tax code.

Furthermore, if this change goes into effect, it will put a much greater burden on Attorneys General and Secretary of State offices, agencies that now rely on IRS approval as verification of the *bona fides* of the nonprofit organizations they oversee. There is also the likely prospect of chaos ensuing in the world of philanthropy - with respect to fundraising and foundation grantmaking - if the field is suddenly flooded with hundreds of thousands if not millions of newly minted c3's.

The National Network of Fiscal Sponsors urges the Internal Revenue Service to retract the proposed Form 1023-EZ and instead to gather input on better ways of streamlining the process for review and approval of applications for public charity status.

The National Network of Fiscal Sponsors is a national organization that promotes the best practice of fiscal sponsorship. Each of our 501(c)(3) member organizations vets the projects it sponsors to the standard of IRC 501(c)(3). Because we daily work with aspiring nonprofit organizations we are well aware of the confusion that exists in the general public about what is required to be a legitimate 501(c)(3) organization.