From: Linda Czipo
To: OIRA_Submission@OMB.EOP.gov; PRA
Subject: Comments: 79 FR 18124 - IRS proposed Form 1023-EZ
Date: Wednesday, April 30, 2014 5:39:00 PM
Attachments: image002.png
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Center FOR NON-PROFITS
Helping organizations build a better New Jersey

Re: Citation 79 FR 18124

To Whom it May Concern,

I write on behalf of the Center for Non-Profits, a 501(c)(3) statewide umbrella organization serving New Jersey's charitable community, to express concern about the Internal Revenue Service's proposed Form 1023, Application for Recognition of Exemption, which would offer a streamlined application for organizations with projected gross receipts of less than $200,000.

While the idea of simplifying the application process for smaller organizations is laudable and we appreciate the Service's efforts to streamline a form that is admittedly extremely complicated for many applicants,we feel that the proposed Form 1023EZ goes much too far in the opposite direction. In essence, the new 1023EZ is a 2-page form, consisting of a series of attestation checkboxes and requiring no submissions of governing documents, projected financials, or similar documents to actually demonstrate that an organization's purpose, governance structure, proposed operations and the like, are appropriate for tax exemption. Although a charity is supposed to review the requirements in advance and attest to having the requisite purposes and documents, this proposal removes the crucial step of having someone independent (in this case, the IRS) to verify the existence of these documents or ensure that the required provisions are actually in place. Although we believe that few applicants truly intend to skirt the law, a lack of familiarity or understanding about the requirements of obtaining or keeping 501(c)(3) tax exemption recognition could easily result in certifications being made inaccurately or prematurely. We feel that without the safeguard of IRS review in place, the door could be opened for improper approval of thousands of applications each year. It is our believe that in order for this concept to be implemented responsibly, the IRS would have to reinstate some sort of advance ruling period during which an organization's documents, governance structure and operations could be reviewed more fully.

Additionally, this proposal could wreak added havoc for regulators, since the rigorous review of exempt organization applications will not have been done beforehand, opening the door for all kinds of problems in terms of non-compliance (intentional or otherwise) and enforcement issues for both state and federal regulators. In terms of wise utilization of IRS resources, this may actually cost more in the long run, and could seriously undermine public trust in the non-profit community if problems end up increasing as a result.

Finally, given the drastic extent of the simplification of the proposed Form 1023EZ, we believe that the proposed $200,000 ceiling is too high. According to Urban Institute extracts of IRS data, an estimated ***84% of registered public charities had reported revenues of $250,000 or less*** *[Citation: Internal Revenue Service, Exempt Organizations Business Master File (501(c)(3) Public Charities, 2013, Dec)*
The Urban Institute, National Center for Charitable Statistics, http://nccsdataweb.urban.org/]. It is therefore safe to assume that the overwhelming majority of applicants would be eligible to submit the new form – far in excess of the 17% that the IRS has estimated. The IRS has also not articulated whether it intends to also reduce the user fee for applicants submitting Form 1023EZ.

While we welcome the prospect of a revised, clearer Form 1023, we are concerned about the speed with which this particular proposal is being put forth, and about its potential unintended consequences for the integrity of the exempt organization community, and on the long-term success and effectiveness of the individual organizations seeking recognition of tax exemption.

We urge you to delay implementation of this proposal in favor of a more deliberate approach that would more fully incorporate the input of the charitable community, regulators, and other stakeholders.
Thank you for your consideration.

Very truly yours,

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