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September 8, 2008

Mr. Joseph Durbala
Internal Revenue Service, Room 6129
1111 Constitution Avenue, NW
Washington, DC 20224

Re: Comments on Form 990-EZ

Dear Mr. Durbala:

Independent Sector submits these comments in response to the Internal Revenue Service's request for comments on the Form 990-EZ, Short Form Return of Organization Exempt From Income Tax. The notice, which was published in the Federal Register on July 8, 2008 in accordance with the Paperwork Reduction Act of 1995, asks for comments on several questions, including "... (c) ways to enhance the quality, utility, and clarity of the information to be collected;" and "(d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology" Independent Sector will direct its comments to the quoted issues.

Changes to Form 990-EZ

As a result of major revisions in the Form 990, the IRS has made corresponding changes in the short Form 990-EZ filed by smaller nonprofit organizations. Form 990-EZ filers will continue to attach Schedule A, Public Charity Status and Public Support, as well as Schedule B, Contributors, if they meet the donation threshold. Due to revisions in the schedules accompanying Form 990, filers of the short Form 990-EZ, depending on their activities, may also be required to complete Schedule C for political or lobbying activity, Schedule F if they are a school, parts of Schedule G for fundraising, Schedule L to report loans and certain transactions with interested persons, and parts of Schedule N regarding termination.

The core Form 990-EZ for 2008 also has a new Section VI which incorporates questions that have been moved from revised Schedule A regarding compensation, lobbying and political activities, and transfers to other 501(c) or 527 organizations.

Comments

Independent Sector commends the IRS for easing the transition to the revised Form 990 by temporarily raising the thresholds for organizations that may file the simpler Form 990-EZ. Public charities with annual receipts of less than \$1 million and assets less than \$2.5 million may file the Form 990-EZ for tax year 2008. Setting this higher filing threshold will significantly minimize the reporting burden for many small organizations and provide appropriate transition relief that will give organizations sufficient time to revise their information collection system.

In order to enhance the quality, utility and clarity of information about tax-exempt organizations, Independent Sector urges expansion of required electronic filing of the Form 990 series. The annual information returns filed by nonprofit organizations serve as the primary document providing information about an organization's finances, governance, operations, and programs for federal regulators, the public, and many state charity officials. Research has shown that many filed returns include inaccurate or incomplete data. Review of these returns by the IRS is currently a costly, labor-intensive, manual process. When errors or omissions are detected, the IRS then sends a notice to the filing organization requiring it to submit an amended return which can add considerable time before the complete, correct information is available to the public and regulators.

The IRS currently has the authority to require larger organizations to file tax returns electronically. For tax years ending on or after December 31, 2006, entities with assets of more than \$10 million are required to file electronically if they file more than 250 returns (including W-2s and other returns). Private foundations with at least 250 returns are also required to file Form 990-PF electronically, regardless of total assets. Additionally, since the beginning of 2008, tax-exempt organizations that are not required to file the Form 990 because they have gross receipts of less than \$25,000 are required to file electronically an annual notification to the IRS containing basic contact and financial information.

Expanded electronic filing will promote effective tax form preparation and tax administration by providing feedback on incomplete and potentially inaccurate information before returns are filed. Electronic filing software provides organizations with immediate checks on incomplete and potentially inaccurate information before they file returns, and e-filing also allows the IRS to reject and provide immediate feedback to organizations about incomplete returns and those with obvious inaccuracies.

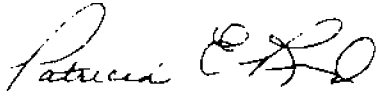
Independent Sector has long supported electronic filing of the annual information returns filed by nonprofit organizations because it enhances compliance and transparency, improves oversight and enforcement by the IRS, and provides more timely, accurate information to the public. We share the view of IRS¹ and President Bush's FY 2008 budget proposal, that

¹ Testimony of Steve Miller, Commissioner, Tax Exempt and Government Entities Division, before the Oversight Subcommittee of the House Ways and Means Committee; July 24, 2007; page 12.

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Congress should amend the Internal Revenue Code to give the IRS authority to expand the scope of returns that are required to be filed electronically by lowering the number of returns that trigger the requirement to file electronically from 250 filed per year to five per year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patricia Read".

Patricia Read
Senior Vice President, Public Policy and Government Relations
Independent Sector