

Part IV - Items of General Interest

Request for Comments Regarding Electronic Filing of Exempt Organization Returns

Announcement 2002-27

The Internal Revenue Service (IRS) is developing an electronic filing system for tax-exempt organizations' returns. To ensure that this process considers the needs of all who have an interest in the information returns filed by tax-exempt organizations, we are seeking comments from exempt organizations, state regulators, research and oversight organizations, practitioners, software vendors, and others.

BACKGROUND

The Internal Revenue Service Restructuring and Reform Act of 1998 requires the IRS to receive 80 percent of all returns electronically by 2007. Available information suggests that the ability to file exempt organization returns electronically would reduce the filing burden of organizations, as well as provide easier and quicker access to information for users of return data. Studies show that 80 percent of Forms 990 and 990-EZ filed are prepared using software. The IRS transcribes (manually inputs) a large amount of return data which is used by IRS and others.

The returns filed by exempt organizations are unique in several respects. They are filed by diverse organizations ranging from volunteer membership organizations to

complex hospital systems. In addition, they are primarily information returns rather than tax returns. As such, they typically include a significant amount of narrative text in addition to financial data. Another unique aspect is that most exempt organization information returns are subject to public disclosure. Finally, the returns assist with federal tax administration, state regulation, and public oversight of exempt organizations.

REQUEST FOR PUBLIC COMMENT

The success of an electronic filing system for tax-exempt organizations will depend on the extent to which exempt organizations can use it to fulfill reporting requirements and the extent to which various stakeholders can use it to satisfy their information needs. Accordingly, the IRS requests comments from exempt organizations and all interested stakeholders on factors to be considered in developing an electronic filing system, including the following:

1. Which Form 990 series returns should be introduced first, and why;
2. What factors or concerns would encourage exempt organizations to file electronically;
3. What factors or concerns would discourage exempt organizations from filing electronically;
4. What could be done to address concerns that would discourage exempt organizations from filing electronically;

5. How will your experience with any other IRS e-file program (for example, Form 941, Form 1040, or Forms 8871 and 8872) affect your decision to file your exempt organization returns electronically;
6. Should the system be designed so organizations can use it to satisfy multiple filing or reporting requirements (for example, state reporting requirements or grant reports);
7. What specific changes to the current Form 990 series of returns would facilitate electronic filing of these forms.

Exempt organizations and individuals authorized to submit comments on behalf of a specific organization are encouraged to include the following information to help insure that the needs of various types of exempt organizations are met:

1. Organization's gross receipts and net assets;
2. Who (attorney, accountant, employee, volunteer) prepares the organization's returns;
3. Form filed (990, 990-EZ, 990-PF, etc.)
4. How the returns are prepared (tax return software, forms software, spreadsheets, etc.).

Practitioners are encouraged to provide the following information:

1. Size of their organization (for example, sole practitioner, large accounting firm, large law firm);
2. Reports prepared (for example, 990, charitable solicitation, grant);
3. Volume of reports prepared on an annual basis.

All other interested parties are encouraged to provide a statement explaining their interest in an electronic filing system for exempt organization returns and any other information that will be useful in the development of such a system.

Public comments should be submitted in writing on or before April 18, 2002.

Comments should be sent to the following address:

Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224
Attn: Theresa Pattara
T:EO

Comments may also be sent via electronic mail to tege-eo-efile@irs.gov

DRAFTING INFORMATION

The principal author of this announcement is Theresa Pattara of Exempt Organizations. For further information regarding this announcement contact Theresa Pattara at (202) 283-8946 or Cheryl Chasin at (202) 283-8932 (not a toll-free call).