



May 23, 2014

Via Electronic Mail

Ms. Sunita Lough
Commissioner, Tax Exempt and Government Entities Division
Ms. Tamera Ripperda
Director, Exempt Organizations
United States Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

RE: Proposed Internal Revenue Service Form 1023-EZ, OMB Number 1545-0056

Dear Sunita and Tammy:

I am writing to follow up on our May 6 conversation addressing NASCO's concerns about the IRS's implementation of the 1023-EZ. As we mentioned during the call and in our April 30 comments to the OMB and Treasury, NASCO does not oppose the idea of a more streamlined "core form" 1023. We are concerned, however, that the most recent draft of the 1023-EZ fails to obtain the minimum amount of information necessary to identify organizations that should not be approved or should be monitored closely in back-end compliance. Accordingly, we strongly recommend that the following information be requested in the 1023-EZ:

- Provision of articles and by-laws as well as Part III of the current 1023 that requires organizations to state where their purpose is in

- organizing documents and greater specifics (beyond mere attestation) on provisions for distribution of assets upon dissolution.
- Detailed information regarding compensation and other financial arrangements with officers, directors, and key employees of the organization. Information provided here could be a source for red flags (for example, the organization will be all volunteer, the executive director's salary will be 70% of total revenue, organization will receive goods/services from an organization associated with an officer or director, etc.) – the vast majority of questions in the current Part V should be required.
 - Some financial reporting should be required – at minimum revenues and expenses.
 - Part VI is also a source for potential concerns and serves a valuable educational purpose for the many well-meaning organizations that do not realize they cannot form a tax-exempt charity to raise funds for a single individual.
 - Organizational history, i.e., whether the organization is a successor organization or has submitted an application more than 27 months after formation.
 - Part VIII (specific activities) could be somewhat limited as proposed in the current 1023-EZ, but should also include questions on fundraising activities and contracts, whether the organization is affiliated with a governmental entity, and planned activities with other organizations (joint ventures, loans, etc.).

Other items that could be included on a 1023 application that would be helpful to state regulators and the IRS alike would be questions regarding relationships to previously revoked (c)(3)s, criminal backgrounds of officers and directors, and/or affiliations of the applicant charity with other charities that have been subject to legal action. Even if bad actors are inclined to not answer these questions truthfully, the sheer fact that the questions are asked may deter some people from using tax-exempt status for nefarious purposes, and untruthful responses could provide a basis for state enforcement actions for fraud or impermissible private benefit.

NASCO very much appreciates the opportunity to provide the IRS with feedback regarding its rollout of the 1023-EZ, and we hope that you seriously

consider our suggested modifications to the current form. We look forward to continuing to work with you as you implement these changes.

Sincerely,



Alissa Hecht Gardenswartz
NASCO President (2013-2014)
First Assistant Attorney General
Office of the Colorado Attorney General
Ralph L. Carr Judicial Center
1300 Broadway, 7th Floor
Denver, CO 80203
(720) 508-6204
(720) 508-6040 (fax)
Alissa.gardenswartz@state.co.us

cc: Ruth Madrigal, Attorney Advisor
Office of Tax Policy, U.S. Dept. of the Treasury (via email)