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VIA ELECTRONIC MAIL

Chairman Lynn Jenkins  
Ranking Member John Lewis  
House Ways and Means Oversight Subcommittee  
[irsreform@mail.house.gov](mailto:irsreform@mail.house.gov)

**RE: Discussion Draft: The Taxpayer First Act**

On behalf of the National Association of State Charity Officials (“NASCO”), I write in support of provisions in the Discussion Draft for The Taxpayer First Act that mandate electronic filing of Internal Revenue Service (“IRS”) Forms 990, 990EZ and 990PF (“IRS Forms 990”) and require the IRS to make the Forms 990 data available to the public in machine-readable format.

NASCO is an association of agencies of the 50 states, the District of Columbia and the United States territories charged with oversight of charitable organizations that hold assets and those who solicit charitable contributions from the public. Through NASCO, all states work cooperatively to prevent and take action against fraud in charitable solicitations and use of charitable assets.

For example, in 2015, all 50 states, the District of Columbia and the Federal Trade Commission joined together in a lawsuit against four scam cancer charities and the individuals who controlled them for using most of the \$187 million they had received in charitable donations from the public over a four year period for their own personal benefit, rather than for charitable purposes. It took four years to develop and prepare the Cancer Fund case for filing, in large part because of the need to analyze thousands of pages of financial data collected by the states in static paper or PDF format.

It is compelling to realize that preparation for the Cancer Fund case would have taken less than a year, instead of four years, if machine readable financial and IRS Forms 990 data had been available. If we had had access to electronic Forms 990 data when the states began their investigation, the defendants' fraudulent activities would have been identified, terminated and prosecuted several years earlier.

Over the past two years, the Michigan attorney general's office has proven the value of having access to machine-readable 990 data. With just three staff members dedicated to charitable enforcement, Michigan used searchable, electronic 990 data to efficiently identify potential fraudulent fundraising activity in the state. Michigan's ability to electronically

manipulate and analyze the searchable data resulted in actions against a dozen organizations that either completely shut down the sham entities, or terminated the organization's activity in the state due to deceptive fundraising. Access to and ability to manipulate the 990 data helped make these extraordinary results in this short time period possible. Other states are following Michigan's lead.

The IRS's release in June of 2016 of electronically filed Forms 990 in machine readable format is making it increasingly possible for states to conduct investigations more efficiently and intervene more quickly to stop fraudulent activity and protect charitable assets. However, since the Internal Revenue Code does not require electronic filing of all IRS Forms 990, approximately one-third of Form 990 filers submit paper forms. It would be completely impossible to achieve the results demonstrated by the Michigan attorney general's office with manual review and audit of individual paper Forms 990 or static images of the Forms. Those who engage in fraudulent fundraising may be encouraged to file paper forms under the present circumstances, gambling that the activity is less likely to be identified by charities regulators.

There is a corresponding consumer service component to mandatory electronic filing of IRS Forms 990 and public access to the electronic data from those filings. In addition to complying with the federal requirement to file a Form 990 with IRS annually, thirty-nine states require charities to register and file annual financial reports with them. Most of those states require submission of IRS Form 990 as a charity's primary financial report (and the Form is submitted in paper or pdf format). Charities spend tens of thousands, and possibly hundreds of thousands, of charitable dollars each year to comply with the inefficient overlap and duplication in these multiple government filing requirements.

NASCO is partnering with Guidestar and CityBase to develop a single system for compliance with all state's filing requirements for charities. The system will have the ability to prepopulate electronically filed IRS Forms 990 data.<sup>1</sup> The potential for administrative efficiencies for charities could result in returning to charitable mission significant resources currently devoted to compliance with government filing requirements.

Having electronic data for all Forms 990 filers is necessary in order to fully realize these potential savings for charities, and to ensure that the states have ability to identify and stop fraudulent activity that harms charities and donors more quickly and effectively.

NASCO has been a long-time advocate for mandatory electronic filing of IRS Forms 990 and public access to the electronic data from those filings. Including provisions for these measures in the Discussion Draft recognizes the importance of having machine-readable 990 data to maintaining the integrity of charitable assets and fundraising for charitable purpose.

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<sup>1</sup> <http://globenewswire.com/news-release/2018/04/04/1460249/0/en/NASCO-GuideStar-Multistate-Registration-and-Filing-Portal-and-CityBase-Creating-Single-System-for-State-Charity-Registration-and-Reporting.html>

Thank you for opportunity to offer comments.

Sincerely,

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