



INDEPENDENT SECTOR

*Advancing the common good
by leading, strengthening, and
mobilizing the independent sector.*

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February 28, 2005

CC:PA:LPD:PR (REG-130671-04)
Room 5203
Internal Revenue Service
POB 7604
Ben Franklin Station
Washington, DC 20044
Attn: Michael E. Hara

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Dear Mr. Hara:

We are pleased to submit the following comments on the temporary regulations requiring certain organizations to file their Form 990 and 990-PF electronically. These comments are submitted by INDEPENDENT SECTOR, a national coalition of charitable organizations, foundations, and corporate giving programs that collectively represent tens of thousands of charitable groups in every state across the nation. INDEPENDENT SECTOR advances the common good by leading, strengthening, and mobilizing the nonprofit and philanthropic sector.

We support the proposed regulation requiring certain organizations to file their Forms 990 electronically in 2006/2007. We understand that the proposed regulation will affect only a small number of organizations since the requirement for electronic filing is limited to those organizations filing at least 250 returns during the calendar year. We therefore strongly encourage Congress and the IRS to move forward as expeditiously as possible to require electronic filing for all charitable organizations that file an information return provided there are appropriate phase-in provisions to allow public charities and private foundations to acquire the necessary software and other resources to file their returns electronically.

Procedures and Criteria for Hardship Waivers

INDEPENDENT SECTOR acknowledges that requirements for electronic filing might create hardships for certain organizations due to limited financial, technological or human resources. These hardships can be minimized by assuring that financial and technical assistance is available, especially for smaller organizations, during the start-up phase of electronic filing, and that electronic filing software is affordable and easily adapted to organizations of various sizes and purposes. To accommodate smaller organizations, a waiver procedure and criteria will be necessary when electronic filing requirements are initiated.

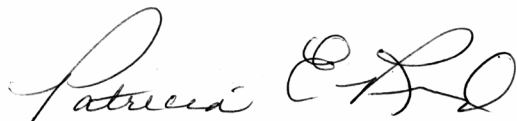
INDEPENDENT SECTOR has consistently supported electronic filing for charitable organizations. In March 2004, in response to the IRS's request for comments on the administrative burden on nonprofits filing Forms 990 and accompanying schedules, INDEPENDENT SECTOR submitted comments stating its strong support of the Service's launch of an electronic filing option for Forms 990 and 990-EZ in February 2004 and plans to accept the 990-PF for electronic filing in 2005. Electronic filing is but one step in a more streamlined process for reporting, managing and disseminating accurate, timelier information about nonprofit organizations. We therefore encourage the Congress and IRS to:

1. Revise the Forms 990 and 990-PF as soon as possible so that the forms will convey information that is not only timely but also more accurate and consistent throughout the sector;
2. Work closely with state officials to provide exempt organizations an integrated, streamlined electronic system for reporting, managing and disseminating information in a uniform manner;
3. Provide educational and technical assistance for exempt organizations to ensure compliance with electronic filing of the Forms 990 series;
4. Enable Form 990-PF filers to attach forms and schedules, along with other documents, to the return in Portable Document Format (PDF) to reduce the reporting burden on private foundations that have lengthy investment schedules frequently entailing hundreds of pages; and
5. Expeditiously provide the public with electronic access, in searchable form, to accurate "real time" data reported by exempt organizations on their returns. Currently, the only access to Forms 990 information is from digitized images of IRS documents that are available on GuideStar. Because these images are scanned prior to IRS editing and coding, they do not pass validation checks and are not necessarily complete.

These comments also reflect the interests of the Electronic Data Initiative for Nonprofits (EDIN), a national collaborative project led by INDEPENDENT SECTOR with the Council on Foundations, GuideStar, the National Council of Nonprofit Associations, and OMB Watch. The National Center for Charitable Statistics serves as an advisor.

If you have any questions concerning our comments, or would like further information about the work of INDEPENDENT SECTOR or EDIN, please feel free to contact me.

Sincerely,

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

Patricia Read
Senior Vice President, Public Policy and Government Relations
Co-Chair, Electronic Data Initiative for Nonprofits (EDIN)