

# Treasury Department and IRS Announce Significant Reform to Protect Personal Donor Information to Certain Tax-Exempt Organizations

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## *Policy Relieves Burdens on Taxpayers While Preserving Transparency*

**WASHINGTON**—The Treasury Department and IRS announced today that the IRS will no longer require certain tax-exempt organizations to file personally-identifiable information about their donors as part of their annual return. The revenue procedure released today does not affect the statutory reporting requirements that apply to tax-exempt groups organized under section 501(c)(3) or section 527, but it relieves other tax-exempt organizations of an unnecessary reporting requirement that was previously added by the IRS.

Nearly fifty years ago, Congress directed the IRS to collect donor information from charities that accept tax-deductible contributions. That statutory requirement applies to the majority of tax-exempt organizations, known as section 501(c)(3) organizations, receiving contributions that can be claimed by donors as charitable deductions. This policy provided the IRS information that could be used to confirm contributions to those organizations.

By regulation, however, the IRS extended the donor reporting requirement to all other tax-exempt organizations—labor unions and volunteer fire departments, issue-advocacy groups and local chambers of commerce, veterans groups and community service clubs. These groups do not generally receive tax deductible contributions, yet they have been required to list the names and addresses of their donors on Schedule B of their annual returns (Form 990).

“Americans shouldn’t be required to send the IRS information that it doesn’t need to effectively enforce our tax laws, and the IRS simply does not need tax returns with donor names and addresses to do its job in this area,” said U.S. Treasury Secretary Steven T. Mnuchin. “It is important to emphasize that this change will in no way limit transparency. The same information about tax-exempt organizations that was previously available to the public will continue to be available, while private taxpayer information will be better protected. The IRS’s new policy for certain tax-exempt organizations will make our tax system simpler and less susceptible to abuse.”

## Summary of New IRS Policy

- Tax-exempt organizations described by section 501(c), other than section 501(c)(3) organizations, are no longer required to report the names and addresses of their contributors on the Schedule B of their Forms 990 or 990-EZ.
- These organizations must continue to collect and keep this information in their records and make it available to the IRS upon request, when needed for tax administration.
- Form 990 and Schedule B information that was previously open to public inspection will continue to be reported and open to public inspection.
- The Internal Revenue Code expressly governs the tax-return reporting of donor information by charities that primarily receive tax-deductible contributions (under section 501(c)(3)) and political organizations (under section 527). The IRS action today does not affect those organizations.

After careful review, Treasury and the IRS have decided to relieve these tax-exempt organizations (other than organizations described in section 501(c)(3) or section 527) of a requirement that Congress never imposed for several reasons:

- *First, the IRS makes no systematic use of Schedule B with respect to these organizations in administering the tax code.* Donor information for many of these organizations was once relevant to the federal gift tax, but Congress eliminated that need in 2015 by making gifts to many of these tax-exempt organizations tax-free. The IRS has no tax administration need for continuing the routine collection of donor names and addresses as part of an exempt organization's annual tax return. If the information is needed for purposes of an examination, the IRS will be able ask the organization for it directly.
- *Second, the new policy will better protect taxpayers by reducing the risk of inadvertent disclosure or misuse of confidential information*—an especially important safeguard for organizations engaged in free speech and free association protected by the First Amendment. Unfortunately, the IRS has accidentally released confidential Schedule B

information in the past. In addition, conservative tax-exempt groups were disproportionately impacted by improper screening in the previous Administration, including what the Treasury Inspector General for Tax Administration concluded were inappropriate inquiries related to donors. Ending the unnecessary collection of sensitive donor information will reinforce the reforms already implemented by the IRS in the wake of the political targeting scandal and enhance public trust in the agency.

- *Third, the new policy will save both private and government resources.* On the taxpayer side, the previous policy added needless paperwork. On the government side, the IRS has been forced to devote scarce resources to redacting donor names and addresses (as required by federal law) before making Schedule B filings public. Now, the IRS will no longer require personally-identifiable donor information that the IRS does not regularly need and the public does not see. The public information will continue to be available, just as before.

The IRS's new policy will relieve thousands of organizations of an unnecessary regulatory burden, while better protecting sensitive taxpayer information and ensuring appropriate transparency.

The IRS guidance is available [here](#). 

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