Transparency, Accuracy, and Innovation:

Electronic-Filing of IRS Forms 990 for Open Data

WHETHER battling natural disasters or everyday calamities such as poverty, subpar public education, or serious health and nutritional problems, the nonprofit sector has proven to be a valuable resource for generating real, tangible change. Not only does the nonprofit sector contribute $887 billion to our nation's annual GDP, it is also a major source of jobs: nearly one in 10 workers in the U.S. is employed by a nonprofit organization.

ONE of the greatest sources of information on the nonprofit sector is the Form 990, which nonprofit organizations are required to file annually with the IRS and make public to anyone who asks for it. Current law requires very large organizations (those that file at least 250 returns during the calendar year) and very small organizations (those with gross receipts of less than $50,000 annually) to file a Form 990 electronically. The majority of nonprofits still file paper tax returns. A recent Aspen Institute report finds that the current system used by the IRS for delivering Form 990 data to the public is hardly efficient, cost-effective, or timely.
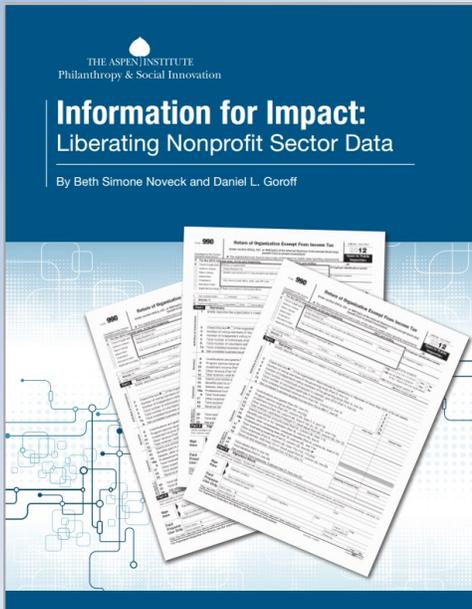
THE PROBLEM: Currently, the IRS makes 990 forms available to the public by providing images of them in TIF format (Tagged Image File) via DVDs. The process of manually converting these individual images into usable data is inefficient and expensive. It also delays access to this information and increases the potential for serious errors and omissions.

THE SOLUTION: As included in President Obama's FY 2016 budget, as well as Rep. Dave Camp's Tax Reform Act of 2014, Congress should require that all nonprofits file their Form 990s electronically, and direct the IRS to release 990 data in an accessible, "computable" format in a timely manner. This provision, which was rated revenue-neutral by the nonpartisan Joint Committee on Taxation, will provide **many benefits including:**

- **INCREASED TRANSPARENCY** of nonprofits, helping nonprofit leaders, donors, businesses, policymakers and the public to make better decisions, understand trends in the field and gauge where nonprofits stand in comparison to their peers.

- **REDUCTION OF FRAUD** by making it easier for officials to detect and locate potential problems, which are more easily identified through computer analysis.

- **IMPROVED ACCURACY** of information provided to the public, since e-filed returns, as opposed to paper-filed returns reduce errors such as inaccurate calculations, and cut down on mistakes, such as the unintentional disclosure of private information, e.g. confidential donor lists.

- **MORE INNOVATION AND BUSINESS OPPORTUNITIES** by entrepreneurs and innovators who use the data to develop new, useful "apps" that can help solve problems in our communities.

- **GIVE CITIZENS HELPFUL INFORMATION** through web tools that use form 990 data to provide information on everything from trends in philanthropy to how the nonprofit sector impacts employment and the economy.

Information for IMPACT...
How "open" data can change nonprofit sector

In 2013, the Aspen Institute released a report on the IRS Form 990 entitled *Information for Impact: Liberating Nonprofit Sector Data* by Beth Noveck and Daniel Goroff. After interviewing over 40 nonprofit, government, and business leaders, the authors concluded that there is an urgent need for better, more usable Form 990 data commensurate with the nonprofit sector's growing importance. Noveck and Goroff call for congressional action that would require e-filing for all nonprofits and require the IRS to release truly "open" 990 data that is available to all in a free, standard, machine-readable format that allows for bulk download and data analysis. For more on this report, please visit :

http://www.aspeninstitute.org/psi.

The Nonprofit Data Project

Today, as government, civic and business leaders address a wide range of serious challenges, many will reach out to nonprofit groups for help only to find themselves hampered by a lack of up-to-date information on this important sector in our society.

The Aspen Institute's Program on Philanthropy and Social Innovation (PSI) convenes leading figures in the field of nonprofit research to discuss and assess our nation's nonprofit data.

Primary participants include representatives from GuideStar, the Center on Nonprofits and Philanthropy at The Urban Institute, The Foundation Center, the Lilly Family School of Philanthropy at Indiana University, and the Center for Civil Society Studies at Johns Hopkins University. Together these groups play a critical role in informing our society of the size and scope of the nonprofit sector, the level of charitable giving and volunteering, the contribution of the sector to the nation's economy, the level of employment in the nonprofit sector, nonprofit performance, and other important aspects of social sector activity.

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