

ALERT

# IRS Finalizes Regulations Eliminating Donor Disclosure Requirement for Certain Tax-Exempt Organizations

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The Internal Revenue Service (IRS) has issued final regulations to eliminate donor reporting requirements for certain tax-exempt organizations.

As *Election Law News* reported back in September 2019, the IRS had proposed regulations to eliminate the requirement that certain tax-exempt organizations (i.e., those other than 501(c)(3) and 527 organizations) report the names and addresses of their donors on Schedule B of Form 990. Those regulations were the IRS' attempt to end the drama that had been unfolding in recent years as certain groups and state officials argued that such information was necessary.

However, the IRS made clear in a revenue procedure in July 2018 that it "does not need the names and addresses of [donors] in order to carry out the internal revenue laws" and that the regulations "will have no effect on information currently available to the public" (since the IRS is prohibited by law from disclosing donor names and addresses). That revenue procedure was set aside by a Montana federal court solely on procedural grounds, which the IRS has now remedied by issuing these regulations.

In the final regulations, the IRS explained that the donor disclosure requirement imposed compliance burdens on exempt organizations and administrative costs on the IRS. The IRS further cited to instances of "inadvertent disclosure" of the donor information by the IRS and state authorities that could result in the harassment of contributors. The IRS concluded that these burdens and risks – particularly when

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compared to the “lack of administrative need” for this information – made it appropriate to remove the disclosure requirement.

Exempt organizations will continue to be required to report the *amounts* of substantial contributions on Schedule B, and must maintain a record of the names and addresses of substantial contributors, which will need to be provided to the IRS upon request.

The regulations are effective for all tax returns filed after September 6, 2019.