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IRS Disclosure Rules for Some Exempt Organizations Changed

On July 17, 2018, the Treasury Department issued new guidance for certain tax exempt organizations. The guidance pertains to the disclosure of the names and addresses of donors to organizations exempt from federal income taxes under Section 501(c) of the Code, other than organizations exempt from taxes under Section 501(c)(3) (generally charities, religious organizations, and schools) or political organizations exempt under Section 527. Organizations to which the guidance applies will no longer be required to report the names and addresses of donors to the IRS, unless the IRS determines this information is required from a specific organization.

The Treasury Regulations generally require Section 501(c) organizations to include on their annual tax return, Form 990, the names and addresses of persons who have contributed to the organization \$5,000 or more in a single year. Revenue Procedure 2018-38 announces that the IRS is exercising its authority under the Treasury Regulations to exempt certain organizations from the reporting of this information on the exempt organization's tax returns. The IRS has determined that collecting names and addresses is not required for its obligations to enforce the tax laws. Exempt organizations will, however, continue to be required to maintain such information in their records for IRS review. The IRS will have the right to request the names and addresses of donors if it believes the information is necessary to enforce the tax laws.

This change in policy will be particularly important with respect to organizations described in Internal Revenue Code Section 501(c)(4) (social welfare organizations) and Section 501(c)(6) (trade associations). Notably, federal law permits both types of organizations to engage in certain limited political activities without necessarily triggering requirements that are imposed on traditional political organizations. The

IRS announcement about this change in policy regarding disclosure of donors may provide increased comfort for some potential contributors to these organizations. It is important to note, however, that this change in policy does not affect any state reporting or disclosure rules that may otherwise be imposed on the organization, nor does this policy change affect traditional political organizations.

It should be noted that the information that the IRS has announced no longer needs to be disclosed on tax returns was historically not subject to public disclosure, even though it was reported to the IRS. Thus, this policy change will not affect the public's knowledge, or lack thereof, with respect to donors to these organizations.

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