

# Electronic Filing of Form 990s is Here

05.04.21 | Linda J. Rosenthal, JD



Almost two years ago, we told you about a change coming in how exempt organizations will submit their annual Form 990 series returns to the Internal Revenue Service. Soon – we explained – almost all nonprofits will have to switch from paper to electronic filing. See [Mandatory E-Filing For 990s On The Way](#) (June 24, 2019).

For most groups, that time is now.

Many nonprofits around the nation will be e-filing for the first time. Fortunately, help is available on all the particulars: “who, what, when, how” and “why.”

The Internal Revenue Service, which regularly offers online resources and assistance, has once again come through with helpful explanations and guides on this new mandate.

But the best link we’ve found so far is the 10-page [Introductory Guide to E-Filing](#), published on April 7, 2021 by the Aspen Institute’s Program on Philanthropy and Social Innovation.

## Congressional Mandate

Let’s start with the “what.”

Already by 2019, the Treasury Department and IRS were well into serious efforts to automate their systems. One of the goals was to reach 100% electronic filing in lieu of paper submissions through the mail.

That’s when Congress stepped in with a legislative proposal called the Taxpayer First Act of 2019. It was a comprehensive mandate to “modernize and refine processes to make the IRS more efficient.” One small part of this proposed legislation was a specific timeline for all exempt organizations that are required to file [a return in the Form 990 series](#) to switch to electronic filing.

Now, the “what” and the “who.” Before the passage of the Taxpayer First Act, the only organizations already required to file electronically were: (a) the largest exempt organizations – (those with assets over \$10 million and meeting other criteria) – and (b) the smallest organizations (gross receipts less than \$50,000 a year) that filed an “e-postcard” which is a short-form 990-N.

As enacted, the 2019 law extended the e-filing duty to all tax-exempt organizations that are otherwise required to file Form 990-series returns.

## *The When*

So how is it that a mandatory electronic filing law that was passed almost two years doesn’t come up on our radar screens until now?

Here’s how: Although the law was effective immediately, it applies only to tax years beginning on or after July 2, 2019. So, for a nonprofit that uses the calendar year as its fiscal period, the change would affect only tax years beginning with 2020. But the 990 return for the tax year of 2020 isn’t due in 2020. It’s due on the fifth day of the fifth month after the close of that year.

That’s right now: May 15, 2021. (This year, the 15th is on a Saturday, so the due date is extended to Monday, May 17, 2021.)

There are a few exceptions and delays. For instance, Form 990-EZ filers are provided a bit more transitional relief; they are permitted to file by paper for all tax years ending before July 31, 2021.

And for (overdue) returns for tax years before July 2, 2019, the organization can still file the delinquent return on paper.

Note a special rule in the case of nonprofits with unrelated business income tax liability: The electronic filing mandate began for all returns due on or after April 15, 2021.

While all of this and more is explained in *IRS News Release (12/18/20)* (scroll down a bit), go first to the Aspen Institute’s invaluable explanations and handy set of charts in the *Introductory Guide to E-Filing*.

## *The How*

Aspen Institute’s free online publication also provides an overview of the “how.”

An organization may e-file either using a paid tax provider or on its own, using the software or web application of its choice. But either way, there must be an option to electronically transmit your return to the IRS [either directly – (as an IRS-approved online provider from this list) – or indirectly, through an arrangement they have with an IRS-approved online provider.]

These options will generally involve fees, but the organization is not required to apply for an Electronic Filing Information Number (EFIN). That eliminates a big, complicated IRS “suitability check.”

The IRS's [Exempt Organizations Modernized e-File \(MeF\) Providers](#) page has information on software providers that support electronic filing.

## *The Why*

It's always comforting when we understand that a change in government procedures and requirements is made for a good reason and not simply because the bureaucratic haze has haphazardly spewed out another batch of red tape and confusion.

According to the House Ways and Means Committee Report for the 2019 Taxpayer First Act, this change "will improve efficiency, reduce costs and generally improve oversight of tax-exempt organizations." In particular, it will "increase the transparency of, and enhance public access to information about, tax-exempt organizations, particularly charitable organizations."

The Internal Revenue Service, for its part, must "make the information provided on the forms available to the public (consistent with the disclosure rules of section 6104) ... in a machine-readable format as soon as practicable."

The combination of the electronic filing mandate with the requirement for the IRS to release the forms in the most usable format makes this change by the Taxpayer First Act a win-win all around.

In Aspen Institute's publication, the authors summarize the "benefits of e-filing & open form 990 data":

- Communicating Nonprofit Stories: Organizations gain "the tools to advance public understanding of their organizations' missions, finances, and programs, through information that can easily be searched and analyzed."
- Increased Nonprofit Transparency. More information available to leaders in the nonprofit sector, for policymakers, and for the public "to understand trends in the field, measure where nonprofits stand in comparison to their peers, and make more informed decisions for their organizations."
- Helpful Information for Donors. More resources on a nonprofit's "missions, funding, governance, and more" to help the public make more informed decisions on giving.

There are additional advantages. The nonprofit sector gains better "opportunities for innovation" and "e-filing reduces common errors in paper filing, such as inaccurate calculations." And, for the government, "e-filing lowers the costs of processing returns and enables the IRS to use resources more efficiently, thus saving taxpayer money." It also aids in "computer analysis, making fraud detection easier for charity officials."

## *Conclusion*

These latest developments help complete the transformation of the Form 990 series from "[a routine disclosure of basic information](#) about a tax-exempt organization" to much more.

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