

IRS Policy and the Future of Nonprofit Journalism

AN ISSUE BRIEF

For decades, nonprofit news organizations have produced some of the best journalism in the United States. Consider, for example, NPR, *National Geographic*, the Associated Press, *Consumer Reports*, the *Christian Science Monitor*, the *American Spectator*, *Mother Jones* and the Center for Public Integrity.

And the recent rise in the number of nonprofit journalism organizations has been heralded as one of the news industry's most promising recent developments. Veteran reporters, tech-savvy journalists and members of the public are starting vibrant journalism nonprofits to fill the gaps commercial media are creating as they consolidate and slash newsroom jobs.

However, due in part to the sharp increase in journalism applications for 501(c)(3) nonprofit status, the IRS is delaying approval for many new nonprofit news organizations and threatening to undermine this renaissance in local news. The IRS is working with a set of outdated policies that fail to account for the state of our media today.

In the short term, we need Congress to call on the IRS to approve current applications from reputable journalism organizations. In the long term, we need Congress to amend the tax code and clear the way for the growth of nonprofit journalism.

The Decline of Commercial Journalism

Hardly a day goes by without bad news for commercial journalism. Faced with an insatiable appetite for profits over investment in their news operations, commercial media outlets are hemorrhaging newsroom jobs; losing advertising revenue; dismantling foreign, Washington and statehouse bureaus; and shrinking their amount of original reporting.

- Between 2008 and 2010 we lost more than 30,000 newsroom jobs at newspapers alone.[†]
- Twenty-seven states have no full-time reporter assigned to Capitol Hill. Statehouse coverage has been slashed by a third in the past six years.
- An in-depth report from the Annenberg School shows that in the average 30-minute local news broadcast, less than 30 seconds is devoted to local government news.
- The physical dimensions of the daily paper are smaller, ads are common on front pages, entire sections have disappeared and some papers have stopped printing or delivering on “unprofitable” days.[‡]
- Since 2007, many prominent newspapers have ceased their print operations and moved to online-only publication, leaving behind those without access to affordable high-speed Internet.[†]

In the wake of these developments, noncommercial outlets have stepped in and provided a forum for the kind of public service-oriented journalism a democracy needs to thrive. But that trend could be at risk.

[†] <http://newspaperlayoffs.com/>

[‡] <http://www.stateofthedia.org/2009> and <http://www.stateofthedia.org/2010>

The Cost of the IRS Delay

Financial instability threatens many of the outlets awaiting word from the IRS on their applications for nonprofit status.

It's hard for nonprofit journalism outfits to get foundation donations for general operations while waiting for IRS approval. Many news organizations have had to work under "fiscal sponsors" that take a portion of every grant and donation to cover administrative costs. Journalism startups without nonprofit status cannot promise donors that their contributions will be tax deductible.

Many journalism innovators and entrepreneurs are waiting to launch projects until the uncertainty at the IRS is ironed out.

If the IRS decides against allowing nonprofit status for newsrooms, it could have a ripple effect and undermine even currently approved nonprofit media organizations.

In the past, journalism organizations have been granted tax-exempt status under the "educational" designation of Section 501 (c)(3) in the tax code. However, the IRS is increasingly unwilling to consider journalism organizations as educational charities.

Congress should clarify the tax code to relieve confusion in the marketplace and clear the way for new innovation and investment in journalism.

