

# **The HONEST Act**

## **The Higher Education Oversight for Nonprofits Ensuring Standards and Transparency Act**

*Led by Representative Alma Adams (D-NC12) & Rep. Jamie Raskin (D-MD8)*

**Endorsed by: American Council on Education (ACE), American Association of State Colleges and Universities (AASCU), National Association of Independent Colleges and Universities (NAICU)**

### **Purpose:**

Modeled on existing protections for houses of worship, the HONEST Act establishes clear, neutral procedures for how the IRS conducts inquiries and audits of colleges and universities. It ensures that enforcement is based on law and evidence, not political or ideological disagreement, while still preserving full accountability under existing tax rules.

### **What the HONEST Act Does:**

- **Requires evidence before IRS Action**

The IRS may not begin an inquiry or audit unless a senior Treasury official documents a reasonable belief that a school may be violating current federal tax law.

*Example: Operating a for-profit business unrelated to a university's mission.*

- **Applies to all nonprofit and public institutions**

Covers nonprofit institutions described in section 501(c)(3), as well as public institutions under section 115 and state institutions subject to section 511(a)(2)(B).

- **Extends endowments and affiliated organizations**

Applies the same procedures to related organizations, including university foundations and endowment entities, as defined in section 4968(g)(2).

- **Requires notice and an opportunity to respond**

The IRS must provide written notice and allow the institution to request a conference before an examination begins.

- **Sets clear limits on scope and timing**

Audits must be tied to specific tax questions and completed within defined timeframes, including a two-year limit on examinations.

- **Prevents repeat or duplicative investigations**

The IRS may not reopen similar inquiries within 5 years unless new evidence arises.

- **Ensures Congressional Oversight**

Treasury must notify the House Committee on Ways and Means and the Senate Committee on Finance when inquiries or examinations begin.

This bill promotes fairness, transparency, and institutional independence in federal tax enforcement.

### **Why It Matters:**

The HONEST Act ensures that federal tax enforcement against universities is based on clear violations of law, not political or ideological disagreements. It protects existing 501(c)(3) standards while requiring fair procedures, time limits, and transparency in how inquiries and audits are handled, giving universities the confidence to continue their missions without fear of undue federal pressure.

For more information or to cosponsor, please contact Ruben Cedillo in Representative Adams's office at [Ruben.Cedillo@mail.house.gov](mailto:Ruben.Cedillo@mail.house.gov) or Julia Friedman in Representative Raskin's office at [Julia.Friedman@mail.house.gov](mailto:Julia.Friedman@mail.house.gov)