

LEGAL UPDATES

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IRS Set to Examine Compliance of Colleges and Universities

The IRS recently announced an initiative that may impact your university or college. At a May 9 American Bar Association meeting, Lois Lerner, IRS director of exempt organizations, announced that the IRS would soon be sending out “compliance check questionnaires” to a cross-section of approximately 500 colleges and universities. These questionnaires should be mailed out soon, and the IRS recommends that colleges and universities take the initiative to conduct an on-site audit of your school’s operations, activities and governance to ensure appropriate “best practices” are implemented. By initiating a self-directed audit, your school will be in a better position to address issues that the IRS may raise.

The questionnaire results will be used to determine whether the institution is fulfilling its charitable purposes under the “commensurate doctrine” and practicing proper governance and compliance. This announcement updates the status of the “compliance initiative” that the IRS Exempt Organization Division released earlier this year.

According to the IRS, the questionnaire is divided into four main parts:

Organizational information – size, area served, and affiliated organizations

Types of activities and whether those activities are reported on the Form 990-T

Endowment funds and how they are managed

Executive compensation package information

Based on the questionnaire responses, certain colleges and universities will be selected for focused IRS examinations.

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If you have any inquiries about this new initiative, or if you would like assistance with your questionnaires, please let us know.

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