

# Exempt Organizations- The Annual Report From The IRS

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The IRS has recently issued the Exempt Organizations (EO) Annual Report and Fiscal Year 2009 Work Plan. In the spirit of the EO's continued emphasis of the importance of transparency among not-for-profit organizations, they have issued this annual report to not only summarize their accomplishments in the last year, but to communicate their plans and projects for the upcoming year. EO is responsible for enforcement activities over tax exempt organizations, reviewing applications for tax exempt status, providing technical advice and guidance, and helping exempt organizations understand their tax responsibilities through education and outreach. It is helpful to be aware of EO's plans and future areas of focus in order to ensure your organization's compliance and to avoid any activities that could possibly jeopardize your tax exempt status.

According to the annual report, EO's accomplishments in this past year include the following:

- Added compliance checks (questionnaires to gather information about specific issues or sectors) to enforcement efforts. This has almost doubled the quantity of enforcement contacts.
- Worked to improve case selection for examinations (IRS audits) to focus on organizations with a higher potential for noncompliance.
- Processed more than 70,000 applications for tax exempt status and worked to decrease the application processing time and to improve communications with applicants.
- Elimination of the advance ruling period.
- Expanded efforts to provide information to non-profit organizations at the "Charities and Non-Profits" section of IRS.gov, meeting the needs of greater public reliance on the internet. EO also introduced five mini-courses at *stayexempt.org*.
- Increased the number of subscribers to *EO Update* (e-newsletter) by 129% over the prior year.

- Completed the Form 990 redesign project.

The EO's FY 2009 Work Plan includes the following projects for the upcoming year:

- Education on the revised Form 990 (workshops, on-line mini-courses, webinars).
- Outreach plan for those required to file the new Form 990-N (e-Postcard).
- Issuance of new guidance on a voluntary compliance program to help bring non-filers into compliance before their tax exempt status is revoked.
- Development of a new educational tool to develop and educate future non-profit leaders.
- Continuation of work on compliance initiatives. Compliance initiatives involve strategic planning to detect emerging areas of non-compliance, followed by compliance checks, questionnaires, or examinations of identified organizations. EO plans on these new 2009 compliance initiatives:

- The charitable spending initiative is to learn more about sources and uses of funds and their impact on the accomplishment of the tax exempt purpose. *Does your organization have unusual fundraising levels? How about unrelated business activity, but low program service expenditures.*
- EO plans to monitor and track any correlation between governance and compliance issues to determine if one has an impact on the other. *Does effective board governance equal compliance?*
- EO began a hospital project a couple of years ago and plans to obtain additional research and analysis in the upcoming year relating to community benefit expenditures, taking into account various demographics. *A non-profit hospital is tax exempt (compared to for-profit hospitals) based on the community benefit and charity care it provides. Is your hospital tracking this activity effectively?*
- EO will continue with their initiatives developed to secure delinquent returns from exempt organizations focusing specifically on gaming organizations, employment taxes, intermittent Form 990 filers with reported high dollar gross receipts, Form 990-T filers with no corresponding Form 990 filing, and Form 1098-C filers (contributions of motor vehicles) reporting high dollar donations to an organization who has not filed a Form 990. *You are not required to file a Form 990 if your organization has gross receipts of less than \$25,000, but if you have filed in the*

*past, we recommend you file annually for consistency and to avoid any “red flags” to the IRS.*

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