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CLIENT ALERT

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IRS RELEASES INTERIM REPORT ON COLLEGES AND UNIVERSITIES

This week the Internal Revenue Service released an interim report as part of its Colleges and Universities Compliance Project. This represents the next step in the IRS's study of complex exempt organizations.

The compliance review of colleges and universities focused on:

- Activities that may generate unrelated business taxable income and how that income is reported;
- Investment, management, and use of endowment funds;
- Executive compensation practices; and
- Governance issues related to these areas

The interim report summarizes findings based on 400 questionnaires sent by the IRS in October 2008 to public and private colleges and universities. The questionnaire requested information for the organizations' tax year ending in 2006. The IRS acknowledges that in light of recent economic factors, responses from 2006 may not be representative of an organization's current situation. The interim report sets forth findings in the following categories:

- Organizational information (demographics)
- Activities
- Endowment funds
- Compensation
- Governance

To date, the IRS has opened formal examinations of 13 organizations that did not respond to the questionnaire and another 30 based on responses received.

The report is available at:
http://www.irs.gov/pub/irs-tege/cucp_interimrpt_052010.pdf

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