

The IRS has increased audits of exempt organizations by 42% over the last three years, why? what should you do ?

There's a lot going on right now with the IRS in regards to nonprofits. The IRS has increased the number of people working in the exempt organizations staffing from 837 in 2008 to 942 in 2010. Audits of exempt organizations have increased from 7,861 in 2008 to 11,449 in 2010. These number represent a major commitment on the part of the Internal Revenue Service to ensure nonprofit compliance. With the redesigns of the 990 in 2008 and greater filing enforcement it is much easier for the IRS to reach more organizations with fewer resources.

If the IRS contacts you by mail you need to respond to them in a timely manner. Make sure you clearly understand what they want and why if possible, before you send anything. Your response will likely satisfy their inquiry or lead to more inquiries and the possibility of an audit.

The IRS is focusing on several area and using all of the available tools at its disposal. From the social security administration and banks to working much more closely with the states.

- The IRS has begun cross referencing what compensation has been reported to the social security administration and then comparing it to what's been reported on the form 990, the W-2's and the 941 for any discrepancy. Are your employment taxes correct and have they been filed on a timely basis.
- Are you reimbursing officers, board of directors, employees or volunteers? Do you have an accountable plan set up? Are you collecting written proof, receipts or mileage logs to make the appropriate reimbursements in accordance with your accountable plan. If you're not doing any or all of these things are you creating a taxable event for your nonprofit or the people who work with you? **(lots of questions, make sure you know the answers.)**
- Is your nonprofit a clearly charitable organization ? If the IRS determines you are primarily self serving your status as a nonprofit will be revoked.
- Has your nonprofit been politically involved, the IRS prohibits many political activity by exempt organizations.
- Has your nonprofit loaned any money to key employees, officers, directors or trustees. The IRS is very focused on loans, errors with the loans, and whether your properly reporting the loans.

All nonprofits need to have their books accurately set up in accordance with (GAAP) accounting standards. I would recommend you tailor your books to reflect the requirements when filing your form 990. Make sure that everyone in your organization is aware of the rules in regards to tax compliance, offer training at all levels, especially to key employees in this area. If you have any questions, suggestions or comments, please feel free to contact me by phone (508) 525- 6522 or e-mail Mikep494@gmail.com.

Thank You,
Michael Gleason