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Anatomy of an IRS Audit of a Public Charity

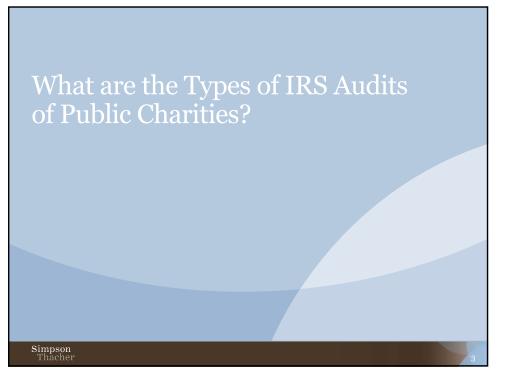
The University of Texas School of Law 2017 Nonprofit Organizations Compliance and Internal Review Workshop

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What are the Types of IRS Audits of Public Charities?

- •Recent Statistics on IRS Audits of Exempt Organizations
 - -During 2016 fiscal year, IRS completed 4,984 audits of exempt organizations (as of 6/30/16)
 - °Over 2100 audits focused on exemption issues
 - •Over 1300 audits focused on employment tax issues
 - -During 2016 fiscal year, IRS revoked tax exemption of 43 exempt organizations (as of 6/30/2016)
 - -IRS has hired 10 more examiners to begin working on exempt-organization audits during 2017 fiscal year

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What are the Types of IRS Audits of Public Charities?

Audit Versus Examination

- -Synonymous terms
- -Two kinds of audits: (1) Office/correspondence audit and (2) Field audit

Not an Audit—Compliance Check

- -Record-keeping and information-reporting requirements being followed?
- -Activities consistent with stated tax-exempt purposes?
- -Books and records typically not examined
- -Tax liability typically not questioned

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What are the Types of IRS Audits of Public Charities?

•Office/Correspondence Audit

- -Generally conducted through correspondence or over telephone
- Generally limited in scope and focused on one to four return items/issues
- -May evolve into field audit if issues become more complex

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