

Anatomy of an IRS Audit of a Public Charity

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

Jennifer L. Franklin, Esq.
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What are the Types of IRS Audits of Public Charities?

Simpson
Thacher

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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

Simpson
Thacher

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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

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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