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Nonprofit Organization Fundamentals
January 19, 2021

IRS Audits



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Agenda

- INTRO
- TYPES OF IRS CONTACT
- PRACTICAL GUIDANCE
  - Before an Audit
  - Audit Process
  - Audit Parameters
  - Discovering Errors & Mistakes
  - Submissions & Responses
- AUDIT OUTCOMES
- Q&A

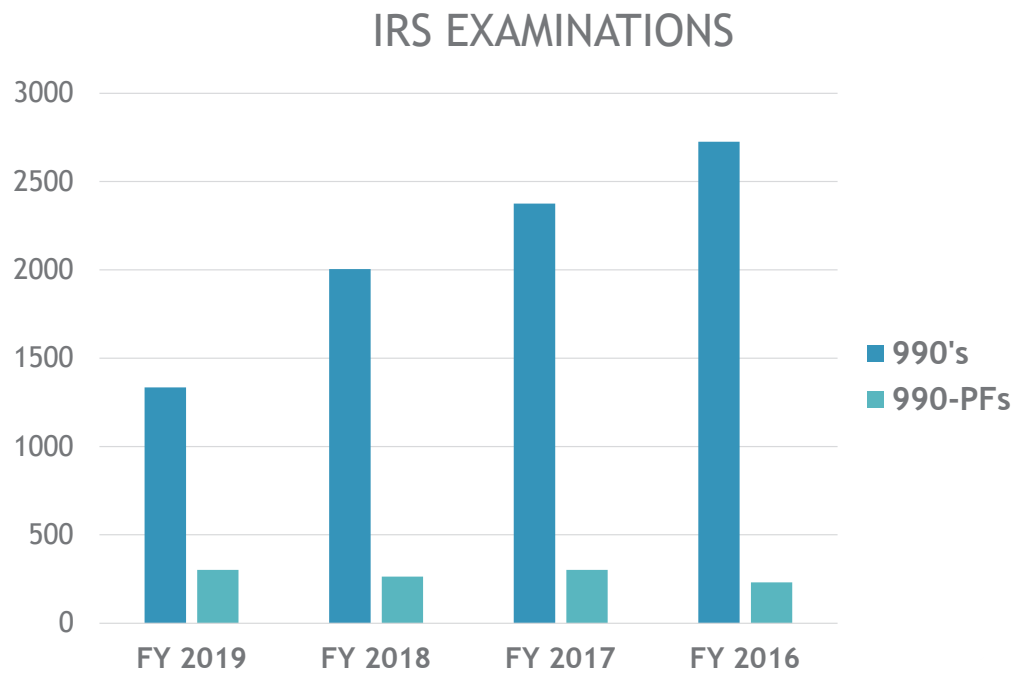
I. Intro

A. Welcome

B. IRS Focus in EO space = Education and Compliance (vs. raising revenue/yanking exemptions)

   i. Audit numbers trending down

I. Intro



I. Intro *(continued)*

C. KEY TAKEAWAY = BEST DEFENSE IS GOOD OFFENSE

D. IRS identifies orgs to audit through:

i. Referrals (internal, another agency, public)

ii. Statistical sampling

iii. Data analytics (aka "query sets")

- Largely from Form 990
  - Inconsistencies or mismatches (*i.e.* UBTI on Form 990 but no 990-T filed, employment tax items)
  - "Yes" to substantial contraction on Form 990 PF

I. Intro *(continued)*

iii. Data Analytics (aka "query sets") *(continued)*

- 990-T claims for refunds

- Best practices to consider:
  - Take 990 seriously – involve more than just accountants in the review
  - E-filing (helps identify non-compliance, mandatory in 2021 or 2022 at latest – Taxpayer First Act)
  - Consider reviewing peer Form 990s
  - Keep good records of everything submitted to IRS

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First appeared as part of the conference materials for the
2021 Nonprofit Organizations Fundamentals session
"IRS Audits"