



CLIENT ADVISORY

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The following are priorities of the IRS Exempt Organizations (EO) division for FY 2007:

1. New Projects:

The most important new project is the focus on implementing the changes brought about by the Pension Protection Act of 2006 and the Tax Increase Protection & Reconciliation Act of 2005 (TIPRA). In particular the EO Division will be training employees and providing guidance, education and outreach in the following areas impacted by the new law:

- Donor-advised funds
- Section 509(a)(3) supporting organizations
- Credit Counseling
- New annual filing requirement for small organizations
- New disclosure requirements for sharing information with states
- Provisions that are related to curbing abuses of non-cash donations including:
 - Easements of both open space and façade
 - Recapture of any tax benefit from a charitable contribution of exempt-use property that is not used for an exempt purpose, and the related penalty against anyone who intentionally identifies donated property as exempt-use property knowing that it is not

- Contributions of fractional interests in tangible personal property, and
- Transactions where the charity is serving as an accommodation party in an abusive tax-avoidance transaction (legislative change from TIPRA)

Other new projects include:

- Gaming activities conducted by non-profits
- Employment taxes (proper reporting and payment)
- Telephone excise tax refund
- Community foundations (compliance with 501(c)(3))
- College and university unrelated business income tax (UBIT)
- Form 990 redesign (plan on having a draft form and instructions available for comment in 2007)
- Development of a tool called “cyber assistant” which is an interactive program for completing Form 1023’s

2. The EO will continue to focus on the following issues that they have identified as critical initiatives:

- Political Activity (focus on political intervention and contributions)
- Credit Counseling
- Executive Compensation
- Tax-Exempt Hospitals

- Down-Payment Assistance to home buyers
 - Donor-Advised Funds
 - Section 509(a)(3) Supporting Organizations
 - Charities Facilitating Abusive Transactions – Accommodation Parties
3. The IRS will continue to work with Chief Counsel and the Treasury to issue new guidance to comply with the complex tax laws governing exempt organizations, including:
- Guidance on political activities by section 501(c)(3) organizations.
 - A revenue procedure on processing exemption applications that will replace Rev. Proc. 90-27.
 - Final regulations under sections 501(c)(3) and 4958 on revocation standards (Proposed regulations were published on September 9, 2005).
 - Guidance on advance and definitive rulings for publicly supported organizations.
 - Guidance under section 509(a)(3) regarding supporting organizations.
 - Guidance under section 527(l) with respect to the reasonable cause standard for penalties imposed on political organizations for failing to comply with notice and reporting requirements.
 - Regulations under section 529 regarding qualified tuition programs.
 - Guidance on section 516 of TIPRA, regarding the involvement of accommodation parties in potentially abusive tax shelter transactions.
4. The IRS will continue to provide quality education and outreach programs such as:
- Expanding efforts to increase the readership of the electronic newsletter
 - Debut of new web-based training programs that will provide users with an understanding of what 501(c)(3) organizations must do to keep their tax exempt status
 - Offer phone forums on topics of critical interest
5. The IRS will continue to use technology to improve its business processes, including:
- Implementation of the TE/GE Determinations System (TEDS), which will replace and improve the current methods used for processing and tracking applications for tax-exempt status
 - Roll-out of the TE/GE Reporting and Electronic Examination System (TREES), an information system that will allow examination personnel to manage in-process inventory and track issues, examination results, and education and outreach activities

