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MEMORANDUM

To: Reporters and Editors
Re: IRS questionnaire of colleges, universities
Da: Wednesday, Oct. 1, 2008

Approximately four hundred U.S. colleges and universities will begin receiving compliance questionnaires from the Internal Revenue Service in the next few days as part of the agency's focused effort to study key areas in the tax-exempt community. Sen. Chuck Grassley, ranking member and former chairman of the Committee on Finance, has long urged the IRS to beef up its Form 990, the disclosure form for tax-exempt groups, to include specific information on hospitals and universities. The IRS has made significant progress toward those goals, releasing an improved Form 990 and revised schedules for certain entities. Grassley made the following comment on today's announcement of a new IRS questionnaire of colleges and universities.

"This questionnaire is overdue. Colleges and universities should be much more transparent about their activities, just as tax-exempt hospitals are being asked to do. Transparency brings accountability. As tuition increases go through the roof, and families are struggling, colleges need to show they're going the extra mile to control costs and provide financial support to students. They need to show they're making good use of the tax exemption and other federal subsidies they receive. I urge the IRS complete this study more quickly than its study of nonprofit hospitals, which it began more than two years ago. I also encourage the IRS to be quick about creating a separate Form 990 schedule for colleges and universities. The questions the agency is asking of these 400-some institutions should be asked of all tax-exempt colleges and universities as soon as possible."

The text of today's IRS press release follows here.

IRS Sends Compliance Questionnaires to 400 Colleges and Universities

IR-2008-112, Oct. 1, 2008

WASHINGTON – Approximately four hundred U.S. colleges and universities will begin receiving compliance questionnaires from the Internal Revenue Service in the next few days as part of the agency's focused effort to study key areas in the tax-exempt community. The college and university questionnaire will focus on unrelated business income, endowments, and executive compensation practices. The questionnaires are being sent to a cross-section of small, mid-sized and large private

and public four-year colleges and institutions.

Private nonprofit universities are generally exempt from tax under Internal Revenue Code section 501(c)(3) and like state universities are subject to unrelated business income tax.

“This effort reflects our work to build a better understanding of the largest, most complex organizations in the tax-exempt sector,” said Doug Shulman, IRS Commissioner. “The information gathered will help us identify issues and areas that may need more outreach and education or further scrutiny.”

Among other things, the questionnaire will gather information from the schools about how they report revenues and expenses from their trade or business activities, classify their activities as exempt or taxable activities, and calculate and report income or losses on taxable activities. The questionnaire also will gather information regarding how the organization invests and uses its endowment funds and determines compensation of certain highly paid individuals.

The IRS said it expects to receive most of the responses within the next several months, analyze the results of the compliance questionnaire, and conduct examinations of a sample of the organizations. The IRS said it expects to issue a report on the project in 2009.