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## **Ensuring Compliance by Tax Exempt Non-filers**

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The Treasury Department's Inspector General (IG) for Tax Administration recently issued a memorandum to the IRS that suggests more must be done to identify exempt organizations that have not complied with their filing requirements. According to the memorandum, the timely filing of returns by tax-exempt organizations is critical to taxpayers who need operational information so they can make informed contribution decisions.

The IG suggests the development of a comprehensive non-filer strategy. The strategy could address several areas where efforts should be improved, including:

- Creating overall program goals and performance measures related to all non-filer efforts. Such a program could set goals to improve the voluntary compliance rate.
- Establishing plans for conducting analyses of non-filer project results. For example, trend analyses could be used to develop educational materials to reduce noncompliance.
- Analyzing collection services to assess how data and resources can best be used to make the non-filing strategy more effective and efficient. The memorandum indicated that 76 percent (126,585) of tax-exempt organization cases were closed by shelving or suspending further IRS action, which means the returns may still not be filed.

The IG indicated that creating a comprehensive non-filer strategy with goals and measures would put the IRS in a better position to:

- Evaluate and improve case selection criteria to ensure that cases with the best potential for affecting the non-filer population are selected;
- Allocate sufficient resources to work non-filer cases;
- Develop indicators specific to the non-filer inventory; and
- Measure the effectiveness of the non-filer strategy and make changes as needed.

In response to the memorandum, the IRS plans to take action more or less in line with the IG's recommendations. Consequently, the nonprofit community may experience additional enforcement initiatives to ensure compliance with filing requirements. However, the memorandum suggests that such initiatives may not be in place until after 2009.

Questions about this matter may be directed to Vincent Ruocco, LLC, CPA at 203.932.2931

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