

EOTS NewsFlash

Exempt Organizations Tax Services

May 17, 2012

House Oversight Subcommittee holds first in series of hearings on tax-exempt organizations

May 16th marked the first in a series of hearings to be conducted by the United States House of Representatives' Ways and Means Subcommittee on Oversight exploring tax-exempt issues and related IRS compliance efforts. On October 6, 2011, Congressman Charles W. Boustany Jr., MD (R-LA), Chairman of the Subcommittee, sent a [letter](#) to the IRS seeking information related to the agency's administration and oversight of tax-exempt organizations in an effort to help the Committee understand the current relationship between the IRS and tax-exempt entities.

In his opening remarks, Chairman Boustany recognized the important role tax-exempt organizations, especially charitable organizations, serve in society and the connection they have with their communities and the overall economy. The Chairman indicated that the Committee's goal in reviewing the substantive rules that apply to tax-exempt organizations, IRS compliance efforts, and the operations and governance of tax-exempt organizations, is to give taxpayers "confidence that tax-exempt organizations, especially charitable organizations, are operating efficiently and hopefully using good governance practices to maximize benefits provided to the community." In addition, he stated the Committee wants to ensure that the IRS has the information it needs to effectively interact with tax-exempt organizations.

In this first hearing, Members of the Committee heard testimony from five witnesses:

- **Mr. Roger Colinvaux**, Associate Professor, Columbus School of Law, The Catholic University of America ([Testimony](#)). Mr Colinvaux's testimony called for a shift in federal tax policy in the exempt sector to focus on promotion of activities, rather than purposes and exemption, and to require more from the sector than avoiding bad outcomes. He asserted the tax policy focus should be on whether there is a need to tighten eligibility for tax benefits other than exemption, including by changing the charitable deduction to a credit, and testified that this shift in focus would lead to a greater emphasis on promoting, encouraging, and rewarding certain types and levels of output of public goods, rather than curbing abuses.
- **Ms. Diana Aviv**, President & Chief Executive Officer, Independent Sector ([Testimony](#)). Ms. Aviv's testimony described the adverse impacts the

economic downturn had on the charitable sector as the need for their services increased dramatically. She emphasized the need for Congress to enact expired tax extenders, including the IRA charitable rollover and enhanced incentives for donations of food, books, computer equipment, and conservation easements. Ms. Aviv urged Congress to keep the value of charitable giving in mind as Congress considers comprehensive tax reform.

- **Ms. Joanne M. DeStefano**, Vice President for Finance and Chief Financial Officer, Cornell University, testifying on behalf of the National Association of Colleges and University Business Officers ([Testimony](#)). Ms. DeStefano described the experience that Cornell University had in responding to the IRS College and University Study questionnaire and undergoing the follow-up IRS audit. She noted that colleges and universities had significantly increased their tax compliance staffing and efforts over the past 20 years, and have worked with the IRS to improve compliance and reporting. Ms. DeStefano called on the IRS to eliminate its proposal contained in the 2011 IRS Form 990 instructions that would require income, expense and balance sheet items related to partnership investments to be reported on Form 990 based on Schedule K-1 tax information rather than on books and records.
- **Mr. Michael Regier**, Senior Vice President of Legal and Corporate Affairs, VHA Inc. ([Testimony](#)). Mr. Regier's testimony focused on the Internal Revenue Code section 501(r) requirements enacted by Congress in 2010 establishing additional exemption standards for tax-exempt hospitals, and IRS Form 990 Schedule H reporting relating to the new requirements. He testified that hospitals will have a number of challenges complying with the statutory requirements and the related Form 990 reporting. Mr. Regier called on the IRS to streamline and simplify the Schedule H, and urged Congress not to take any action that would jeopardize income tax exemption for hospitals, tax-exempt financing for hospital facilities, or the charitable contribution deductions for hospital donors.
- **Mr. Bruce R. Hopkins**, Senior Partner, Polsinelli Shughart ([Testimony](#)). Mr. Hopkins testified regarding the exemption standards that apply to educational institutions, organizations that promote health, social welfare organizations, religious organizations, and business leagues. He provided an inventory of current developments, including IRS involvement in the nonprofit governance area, the implications of the redesigned Form 990, IRS compliance checks, and exempt organizations' involvement in political activity.

Additional information, including a video of the hearing, is available on the [House Ways and Means Committee website](#).

For additional information, please contact a National Tax Services Exempt Organizations Tax Services Practice representative:

<i>Marci Krause</i>	<i>202-414-1012</i>	<i>marci.k.krause@us.pwc.com</i>
<i>Rob Friz</i>	<i>267-330-6248</i>	<i>robert.w.friz@us.pwc.com</i>
<i>Travis Patton</i>	<i>202-414-1042</i>	<i>travis.patton@us.pwc.com</i>
<i>Gwen Spencer</i>	<i>617-530-4120</i>	<i>gwen.spencer@us.pwc.com</i>
<i>Kaye Ferriter</i>	<i>617-530-4063</i>	<i>kaye.b.ferriter@us.pwc.com</i>
<i>Laura Parello</i>	<i>646-471-2472</i>	<i>laura.j.parello@us.pwc.com</i>
<i>Howard Schoenfeld</i>	<i>202-414-1717</i>	<i>howard.schoenfeld@us.pwc.com</i>
<i>Ron Schultz</i>	<i>202-346-5096</i>	<i>ronald.j.schultz@us.pwc.com</i>
<i>Caroline Burnicki</i>	<i>617-530-5767</i>	<i>caroline.n.burnicki@us.pwc.com</i>
<i>Erin Couture</i>	<i>617-530-6179</i>	<i>erin.couture@us.pwc.com</i>
<i>Larry Desalvo</i>	<i>267-330-6322</i>	<i>larry.desalvo@us.pwc.com</i>
<i>Eric McNeil</i>	<i>267-330-6415</i>	<i>eric.m.mcneil@us.pwc.com</i>
<i>Michelle Michalowski</i>	<i>202-414-1615</i>	<i>michelle.g.michalowski@us.pwc.com</i>

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors. This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding U.S. federal, state or local tax penalties.

SOLICITATION

© 2012 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP, a Delaware limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.