

# IRS EXEMPT ORGANIZATIONS FY 2012 ANNUAL REPORT & FY 2013 WORKPLAN



## LETTER FROM THE DIRECTOR

Greetings,

FY 2012 was another busy year for Exempt Organizations (EO) — full of projects, legislation implementation, compliance, determinations and outreach work. In FY 2013, we will be moving to the next steps in much of that work, as well as beginning some new efforts.



We appreciate the exempt sector's interest in EO's annual reports and workplans, and we strive to make them as informative as possible. Although past workplans have given you a general description of our projects, we haven't provided much information about what we do behind the scenes to prepare for and implement them. I believe that has created a mismatch between your expectations of when a project will be completed and our reality of what it takes to execute and finalize a project. So, beginning with the FY 2012 Annual Report and FY 2013 Workplan, we will work to provide you with a clearer picture of the many elements that make up a project and give you a better sense of which elements we will be taking on within a particular fiscal year. We believe this approach will enable us to provide you with better, more timely information about ongoing projects.

Many of EO's projects are complex and require sophisticated planning and execution, so they rarely fit conveniently into a fiscal or calendar year and may go through several phases over their lifetimes. Phases can include:

- Project planning
- Questionnaire development
- Statistical sample design
- Specialized training for our revenue agents
- Focused data gathering — both internally and externally
- Data analysis and issue identification
- Examinations

Add to that the fact that the work on a particular project must accommodate other ongoing priority work assigned to staff. Coordination among the various offices that have pieces of the projects — Rulings and Agreements, Review of Operations, EO Compliance Unit, Determinations, Research, and Customer Education and Outreach — is sometimes challenging.

Despite the challenges, EO is committed to looking for ways to increase transparency about the status and findings of our projects by providing a clearer picture of our fiscal year goals and reporting on interim findings where possible. We hope this approach will provide the sector with a better understanding of how EO balances targeted projects with the overall compliance, determinations, guidance and education activities our stakeholders expect from us.

Sincerely,

Lois G. Lerner  
Director, Exempt Organizations

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# Organizational Information

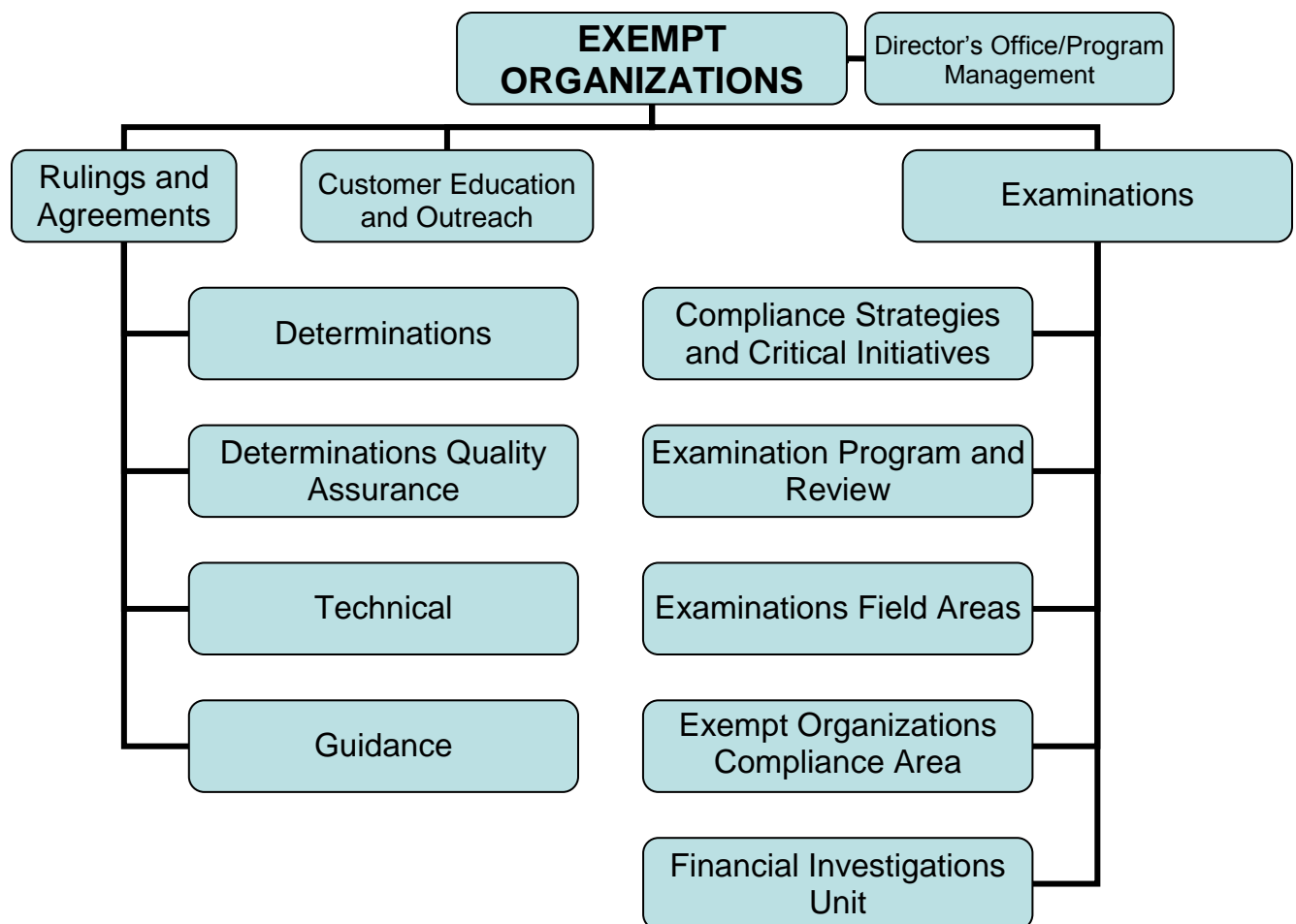
## Exempt Organizations Staffing

Exempt Organizations (EO) is organized by three functional areas: Rulings and Agreements, Examinations, and Customer Education and Outreach.

Figure A: Employees over a 3-year period

	Rulings and Agreements	Examinations	Customer Education and Outreach	Director's Office/Program Management	Total
<b>2010</b>	337	538	13	12	900
<b>2011</b>	332	531	12	14	889
<b>2012</b>	335	516	12	13	876

Figure B: Organizational chart



# GLOSSARY

## **Compliance Strategies and Critical Initiatives (CSCI)**

Identifies areas of noncompliance and develops strategies to improve compliance through examinations, compliance checks, educational programs and other activities that may not involve the examination of books and records.

## **Customer Education and Outreach (CE&O)**

Develops and delivers programs and products designed to help exempt organizations understand their tax responsibilities. Supports the development of internal and external communications, forms and publications and external education and outreach efforts.

## **Determinations**

Processes applications for tax exempt status under [IRC 501\(a\)](#) and [IRC 521](#), along with certain other requests. This includes reviewing applications, determining whether the information provided by the applicant meets legal requirements, and issuing determination letters.

## **Determinations Quality Assurance**

Provides technical and procedural accuracy reviews of determination cases, provides feedback to determination groups on quality of work products and errors, and provides technical assistance to managers and employees.

## **Examinations**

Analyzes the operation and finances of exempt organizations through examinations (audits). Exam agents propose tax assessments or changes to exempt status when necessary, as well as advise organizations about how to comply with the law in the future.

## **Examinations Field Areas**

Exam managers and agents are situated in five geographical areas:

- Great Lakes: Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Nebraska, North Dakota, South Dakota, Wisconsin
- Gulf Coast: Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, Texas
- Mid-Atlantic: Delaware, Maryland, North Carolina, Ohio, Pennsylvania, South Carolina, Virginia, West Virginia, Washington, DC
- Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont
- Pacific Coast: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Oregon, Nevada, New Mexico, Utah, Washington, Wyoming

## **Examinations Program and Review (EPR)**

Responsible for EO Examinations program planning, monitoring and analysis; work plan; training plan development and monitoring; reports and briefings; workload studies; case selection, building and delivery; processing claims; screening and classifying all referrals; performing technical and procedural accuracy reviews of field examination cases; providing feedback to examination groups on quality of work products and errors; and providing technical assistance to managers and employees.

## **Exempt Organizations (EO)**

IRS division responsible for oversight of the large and diverse sector of nonprofits — charities, foundations, churches and others — that are exempt from federal income tax. EO works to increase the sector's understanding of compliance requirements for federal tax-exempt status and promotes transparency, accountability and effective governance throughout the tax-exempt sector.

### **Exempt Organizations Compliance Area (EOCA)**

Brings organizations into compliance using compliance checks, questionnaires and correspondence examinations. EOCA's Review of Operations (ROO) also conducts non-contact compliance reviews of exempt organizations' operations and activities to ensure they are operating in accordance with their exempt purposes. Where appropriate, they may refer organizations for examination.

### **Financial Investigations Unit (FIU)**

Staffed with fraud specialists, forensic accountants and agents with expertise in identifying fraud and tracking foreign grant activities, FIU detects and deters fraudulent transactions in the exempt organization community by examining organizations identified as potentially involved in fraud. Additionally, the staff works jointly with law enforcement agencies, such as the Joint Terrorism Task Force and the Criminal Investigation Division, to support criminal investigations and expert testimony at trials.

### **Guidance**

Provides formal and informal guidance that explains how certain laws, such as regulations, revenue rulings, revenue procedures, notices and announcements, may apply to exempt organizations.

### **Director's Office/Program Management**

Supports the Director, EO and all of EO's functional areas, tracks EO's budget, monitors hiring and promotions, measures and reports EO's performance and performance goals internally, and helps ensure that EO is responsive to the needs of TE/GE HQ and the Commissioner.

### **Rulings and Agreements (R&A)**

Composed of Determinations, Determinations Quality Assurance, EO Technical and EO Guidance. R&A processes applications for tax exemption and provides direction through private letter rulings, technical advice memoranda and formal and informal guidance; responds to taxpayer and Congressional correspondence, and supports EO Examinations initiatives with technical advice and the development of questionnaires, checksheets and reports.

### **Technical**

Provides direction through private letter rulings and technical advice memoranda and processes complex applications for exemption.