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## **IRS Investigates 30 Colleges and Universities**

The IRS has launched investigations into 30 colleges and universities delving into the business activities of these tax-exempt academic institutions. The investigations focus primarily on unrelated business income and executive compensation issues. Colleges and universities are one of the largest non-profit entities in terms of revenue generated and assets held.

On Friday, the IRS released an interim report based on a survey it conducted among 400 public and private colleges and universities in October 2008. The interim report carries information on the respondents' organizational structures, demographics, exempt and unrelated business activities, endowments and executive compensation as well as governance practices.

The interim report found that 96% of the bigger colleges and universities reported having related entities. Among the midsized colleges and universities, 82% of them had related entities while the percentage among small organizations was 45%. The related entities include related tax-exempt organizations, taxable corporations with trusts, disregarded entities and partnerships in descending numerical order.

45% of large organizations were controlling entities, while 34% of midsized organizations and 26% of small sized organizations functioned as controlling entities. The number of entities they control increases with the number of students in the organizations.

In terms of revenue, among large organizations with at least one controlled entity, only 26% received any income from controlled entities. This is in contrast to 29% of the small organizations and 45% of the midsized organizations that received revenue from at least one controlled entity. All in all, less than half of the organizations reported income from controlled entities. This shows that they reported their income from controlled entities using Form 990-T.

But curiously, just under half (48%) of small universities and colleges reported that they never filled up a Form 990-T. The percentages of midsized and large universities and colleges who said the same thing were 29% and 4% respectively.

100% of large universities and colleges have their own endowment fund or had another organization hold or maintain an endowment fund on their behalf. 97% of midsized colleges and universities and 87% of small ones reported the same regarding endowment funds. These endowment funds are invested in a variety of financial instruments, predominantly US fixed

income and US equity investments. 82% of large, 67% of midsized and 53% of small universities and colleges invested in non-US equities.

As far as employee wages go, the large colleges and universities pay an average of \$361,000 per annum to their workers, with the highest ranked executive earning an average of \$428,000. The small colleges and universities median annual salary for workers are \$174,000 with their top officer's pay at an average of \$202,000 per year.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.