



Tax Exempt & Government Entities

Edward T. Killen

Commissioner, TE/GE

Robert S. Choi

Deputy Commissioner, TE/GE

Message from the Tax Exempt and Government Entities (TE/GE) Commissioners

Greetings,

Fiscal year 2022 was a year of transition for TE/GE. We successfully adapted to changing circumstances and overcame unprecedented challenges. We resumed normal operations and returned to IRS offices (in the third and fourth quarters) after more than two years of teleworking due to the COVID-19 pandemic. We said farewell to TE/GE's longtime Commissioner Sunita Lough when she retired on September 30 and we welcomed a new leadership team.

We continued to provide the tax-exempt sector with top-notch service while promoting voluntary compliance. We remained firmly committed to our mission and strategic goals and objectives — strengthening compliance, maintaining a taxpayer focused organization, hiring and training, collaborating with external and internal partners, improving processes, and enhancing data analytics and processing.

Every TE/GE employee played a role in the organization's success and significant achievements. Here's a quick snapshot of some highlights:

- Continued to strengthen our compliance strategies and enforcement efforts through collaborations with Criminal Investigation (CI), Large Business and International (LB&I), Small Business/Self-Employed (SB/SE), Wage and Investment (W&I), and Research, Applied Analytics & Statistics (RAAS) to identify potential noncompliance in the exempt sector. And we partnered with Information Technology (IT) on modernization efforts.
- Introduced a new Employee Plans (EP) pre-exam compliance program pilot designed to reduce taxpayer burden by allowing plan sponsors to self-correct their returns; thus, reducing the amount of time spent on retirement plan examinations.
- Developed compliance strategies and data-driven approaches using a combination of data analytics, machine learning, artificial intelligence (AI) algorithms and employee input/feedback.
- Under our Small Entity Compliance Initiative, we strengthened our relationship building approaches and expanded outreach strategies — adding post cards to our growing list of products that also included webinars, videos, presentations, and newsletter articles. We presented two seminars at the Nationwide Tax Forum reaching more than 17,000 attendees and conducted 71 virtual and two in-person outreach events that attracted approximately 35,500 participants.
- Successfully Returned to Office (RTO) in June 2022 and introduced Community Engagement Officers (CEOs) to help navigate RTO and cultivate employee engagement year-round. In fiscal year 2023, CEOs will host events that help create a welcoming environment and bring new hires and seasoned employees together building camaraderie.
- TE/GE hired 183 individuals throughout fiscal year 2022 and with **Inflation Reduction Act** (IRA) funding we're prepared to hire even more in fiscal year 2023.



Edward T. Killen
Commissioner, TE/GE



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We invite you to look inside for more detail about the past year's efforts to better serve the tax-exempt sector.

Thank you for reading.

Edward T. Killen

Robert S. Choi

TE/GE Snapshot

In October 2022, Edward T. Killen was named TE/GE Commissioner and we welcomed Robert S. Choi back as TE/GE Deputy Commissioner.

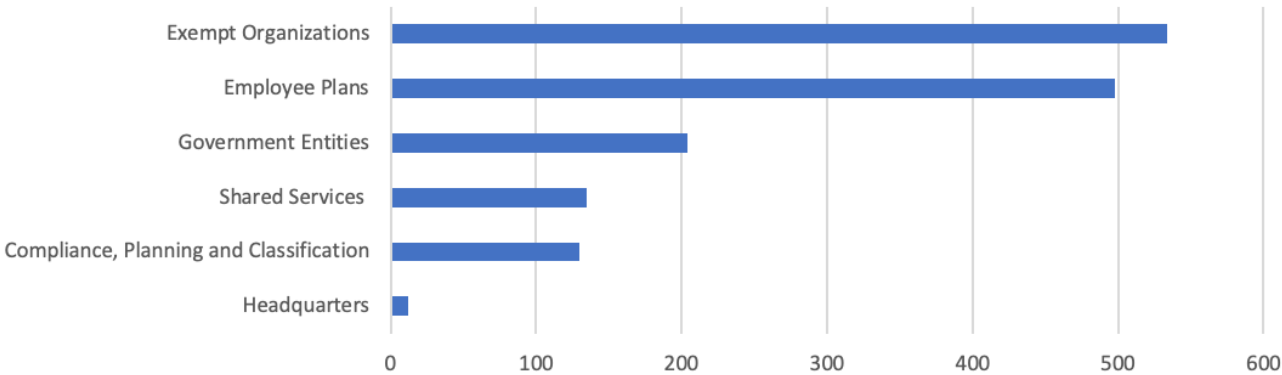
The entities that fall within TE/GE’s jurisdiction are diverse in form and function, ranging from exempt organizations and entities of all types to large and small business retirement plans to multi-billion-dollar bond issuances. The one thing they share is that they are all exempt from or not subject to federal income tax. Although these organizations are generally exempt from taxation on their income, they contribute substantially to the economy because they control trillions of dollars in assets and may be subject to other federal taxes, such as excise and employment taxes.

TE/GE’s Organizations

Employ 29% of the American workforce	Control nearly \$53 trillion in assets ¹
Account for about 26% of \$1.5 trillion in federal tax expenditures ²	

To help this diverse set of entities meet their tax obligations and to enforce the tax laws as part of the overall IRS initiatives, TE/GE continues to invest in its workforce. TE/GE started fiscal year 2022 with 1,521 staff on rolls. During the year TE/GE lost 187 employees resulting in a 12% rate of attrition and hired 183 employees (179 permanent and 4 temporary Tax Examiners), ending the fiscal year with 1,513 permanent staff on rolls. The 183 hired include 126 Revenue Agents, 6 Tax Compliance Officers, 13 Tax Examiners, 11 Analysts, and 27 other positions.

Figure 1: FY 2022 TE/GE Staffing



¹ In 2022 dollars. Represents the latest data available for assets for U.S. retirement plans (2021), F990/990EZ data estimates (2018), domestic private foundation estimates (2018) and outstanding municipal debt (2nd quarter 2022).

² Tax expenditures are defined in the Budget Act as “revenue losses attributable to provisions of the [federal] tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.” [Congressional Budget & Impoundment Control Act of 1974, Pub. L. No. 93-344, § 3(3), 88 Stat. 297].



In fiscal year 2022, TE/GE continued to identify compliance work through our compliance strategy and data-driven processes. Both processes require review and approval from the TE/GE Compliance Governance Board (TE/GE CGB) and allow us to address significant compliance and resource challenges through the strategic use of resources, training, and tools. This helps us focus on high-risk and emerging issues using different treatment streams – from examinations and compliance contacts to educational letters and technical guidance. We develop compliance strategies and data-driven approaches around areas of noncompliance using information collected through employee experience and input merged with data analytics. Using a web-based portal, TE/GE (and other IRS) employees submit issues to the TE/GE CGB for consideration. Once approved for a compliance treatment, these issues are considered priority work.

Since the inception of the compliance strategy portal in 2017, we received 563 submissions from employees and approved 86 compliance strategies and 7 data-driven compliance workstreams, 55% of which are currently underway as examinations or compliance checks with taxpayers.

To accomplish our mission, we deliver a platform of six programs that together promote tax law compliance by tax exempt and government entities.

- **Compliance Strategies:** Issues approved by the TE/GE CGB to identify, prioritize, and allocate resources within the TE/GE filing population.
- **Data-Driven Approaches:** Data and queries based on quantitative criteria, used to identify high risk areas of noncompliance, and focus on issues with the greatest impact.
- **Referrals, Claims and Other Casework:** Referrals of alleged noncompliance from internal and external sources, and claims for refunds, credits, or adjustments.
- **Compliance Contacts:** Correspondence contacts, known as compliance checks, addressing potential noncompliance, and educational letters to limit costs and taxpayer burden.
- **Determinations:** Letters issued to exempt organizations on exempt status, private foundation classification and other determinations related to exempt organizations, and qualified retirement plans that meet legal and regulatory requirements.
- **Voluntary Compliance and Other Technical Programs:** The Voluntary Correction Program (VCP) enables a plan sponsor (at any time before examination) to pay a fee and receive IRS approval for correction of plan failures. Other technical programs, including Knowledge Management (KM), work to ensure the quality and consistency of technical positions, provide timely assistance to employees and preserve and share TE/GE's knowledge base.

Improving Processes

In fiscal year 2022, TE/GE continued its Lean Six Sigma (LSS) efforts in three significant areas. The examination LSS team continued to work through the recommendations to improve exam-related processes and should be concluding these efforts in early 2023. The compliance check LSS team continued its work to develop a consistent TE/GE compliance check process, implementing efficiency opportunities, mitigating, or eliminating burdensome steps in the process, and implemented a process to provide meaningful real-time feedback on results. The team is developing procedural content related to the compliance check process for a new Internal Revenue Manual (IRM) which is scheduled to be published by the end of March 2023. Additionally, the team is developing a quality measurement system for the compliance check workstream and expects to implement it during the second quarter of fiscal year 2023. A new LSS team, formed during fiscal year 2022, focused on process improvements within the Correspondence Unit operating within the EO Rulings & Agreements function. The team completed an opportunity assessment identifying over 50 potential recommendations designed around processes which are intended to improve efficiencies, reduce duplicative steps, and minimize bottlenecks. The team will continue carrying out implementation steps of the remaining recommendations in fiscal year 2023.

³ Compliance Strategies may have more than one treatment. For example, one compliance strategy may have an examination and compliance check components. The "Other" category includes educational letters, newsletters, issue snapshots, data-driven queries, and revenue protection procedures.

Collaborative Partnerships

TE/GE collaborated with a diverse group of stakeholders to strengthen its programs in fiscal year 2022. We partnered with Information Technology to drive key components of the IRS modernization plan. We expanded the use of taxpayer digital communications (TDC) for the TE/GE community. TDC provides a secure mailbox capability allowing two-way exchange of messages and documents between the IRS and taxpayers (and their representatives) in a cloud environment certified for exchange of taxpayer data. This digital solution decreases case processing time while supporting our goal of electronic case files and reduces the need to send paper documents through the mail.

We continued our collaborative efforts in fiscal year 2022 with multiple releases of additional functionality of Enterprise Case Management (ECM) to our end users in Exempt Organization's Correspondence Unit (EOCU). We identified the target state for case management for our determinations processes and established a minimum viable product (MVP) for a future ECM release. We participated in the service-wide effort to design the future examination process in ECM. Our examination efforts will continue in fiscal year 2023, including partnering with other business operating divisions to standardize processes. We continued collaborating with IT to further develop a second robotics processing automation (RPA) in fiscal year 2022 and we plan on implementing it in fiscal year 2023. It will automate establishing most Exempt Organizations (EO) examination cases in our Reporting Compliance Case Management System (RCCMS) and some of the closing processes.

We also spent the year working with stakeholders across the agency to enhance our efforts in the areas of fraud, promoter investigations and abusive transactions. Our EO agents continue to work with Small Business/Self-Employed (SB/SE), Large Business and International (LB&I) and Criminal Investigation (CI) on syndicated conservation easement cases. TE/GE managers joined their SB/SE and CI counterparts for virtual compliance councils across the country, discussing compliance issues. We continued collaborating with CI and Research, Applied Analytics and Statistics (RAAS) to develop data and Artificial Intelligence approaches. In fiscal year 2022, TE/GE developed and tested several methods to identify potential noncompliance in the exempt organization community.

In fiscal year 2022, TE/GE continued to partner with LB&I and RAAS around high income/high wealth taxpayers and the identification of linkages involving TE/GE organizations. Collaboration in this area continued with finalizing the development and implementation of a joint exam deskguide and launched joint exams between IRS divisions. We expect the joint examinations to continue in fiscal year 2023.

Employee Plans (EP) has shared jurisdiction over ERISA with the Department of Labor's Employee Benefit Security Administration (EBSA) and the Pension Benefit Guarantee Corporation (PBGC). Throughout fiscal year 2022 Employee Plans collaborated closely with these agencies, resulting in enhanced customer service and improved compliance in the retirement plan community. EP and EBSA held joint workshops where technical topics that impact both agencies were discussed. The two agencies held a face-to-face summit where increased collaboration in a variety of arenas such as digital currency, fraud, and ESOPs were discussed. Collaboration at the local level continued throughout the year with field offices meeting to discuss issues, trends, and joint examinations. EP and PBGC held discussions regarding the referral process and took steps to improve how the agencies refer potential compliance issues. The two agencies also discussed enhanced data sharing related to the funding levels of multi-employer plans.

The Office of TE/GE Equity, Diversity & Inclusion (EDI) in support of the newly released IRS Equity, Diversity, Inclusion, and Accessibility (EDIA) Strategy and Roadmap focused its efforts to engage the TE/GE and IRS Workforce and enhance cultural awareness and recognition of diversity through EDIA workshops in fiscal year 2022. TE/GE EDI continued its education and outreach efforts to external organizations in support of the IRS Strategy and Roadmap's outreach objectives. Overall, during fiscal year 2022, TE/GE EDI hosted 95 EDIA workshops for 13,677 IRS and external attendees. These sessions break out as follows:

- Internal to TE/GE: Hosted 38 Lunch and Learns, New Hire EDI Orientations, and other EDIA virtual training workshops for a total of 5,676 attendees.
- Other IRS Business Units: Hosted 15 EDIA professional development virtual workshops for a total of 4,020 attendees.
- External to the IRS: Hosted 42 EDIA virtual and in-person workshops in support of outreach to external Federal Agency Partners and National Equal Employment Opportunity (EEO) and IRS Employee Organizations and Employee Resource Groups for a total of 3,981 attendees.

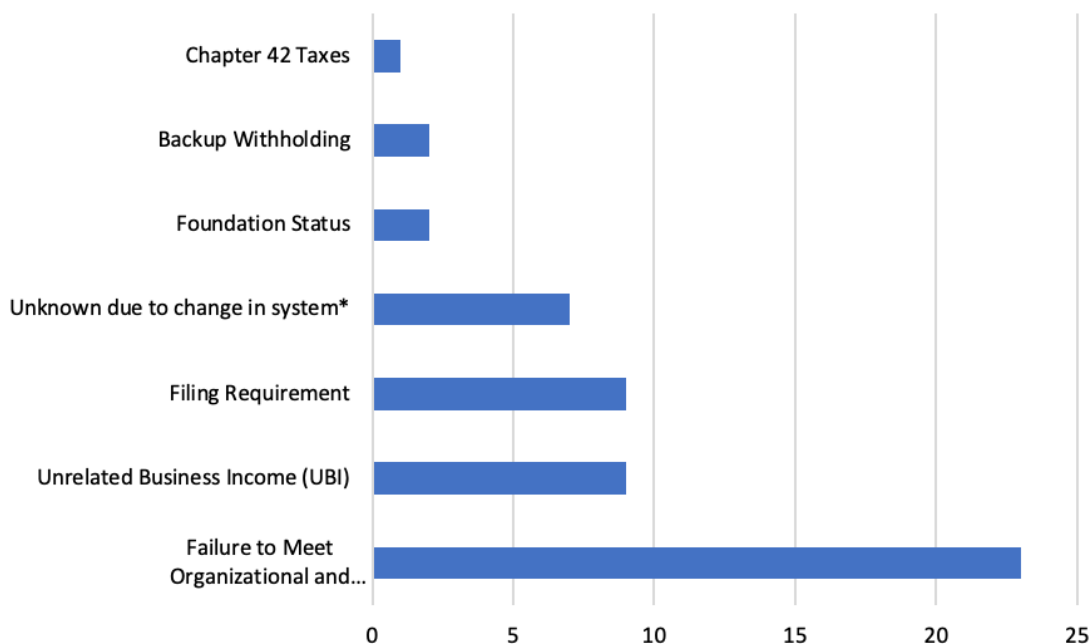
Exempt Organizations

Examinations

	Started	Closed	Change %	Pick-up %
Compliance Strategies	207	475	85.9%	43.4%
Data-Driven	711	938	84.4%	47.8%
Referrals, Claims and Other Casework	2,091	2,012	72.8%	28.6%
Totals	3,009	3,425	77.5%	35.3%

EO completed examinations of 3,425 filings in fiscal year 2022, including the Form 990 series (990, 990-EZ, 990-PF, 990-N, 990-T) and their associated employment and excise tax returns. Overall, 78% of closed examinations resulted in a tax change (change percentage) and 35% of the examinations were “picked-up” from a related examination (pick-up percentage). We proposed revocations for 53 tax-exempt entities because of these examinations.

Figure 2: FY 2022 EO Revocations by Issue



* Fiscal year 2022 was the first full year using RCCMS issue codes for closures rather than the Principal Issue Code (PIC) system. There were a few returns which were opened prior to the new system, and they didn't have the current issue codes input at closure.

Compliance Strategies

EO initiated and continued several compliance strategy examinations to address noncompliance in this sector, including:

- For-profit successors: Focused on organizations that operated as for-profit entities before their conversion to Internal Revenue Code (IRC) Section 501(c)(3) organizations.
- Private benefit and inurement: Focused on organizations that show indicators of potential private benefit or inurement to individuals or private entities through private foundation loans to disqualified persons.
- IRC Section 501(c)(7) entities: Focused on investment and nonmember income generated by exempt recreational and social clubs.
- Form 990-N filing eligibility: Focused on determining if an organization was eligible to file Form 990-N where related filings indicate the organization's gross receipts aren't normally \$50,000 or less.
- Hospital organizations with unrelated business income: Focused on unrelated business taxable income reported on Form 990-T, Exempt Organization Business Income Tax Return, where expenses materially exceed gross income.

The most prominent issues found in closed compliance strategy examinations relate to employment taxes, operational requirements, and self-dealing.

Data-Driven Examinations

Additionally, EO initiated and continued several data-driven compliance examinations, including:

- Organizations selected through compliance query sets based on information reported on Form 990, Return of Organization Exempt from Income Tax; Form 990-EZ, Short Form Return of Organization Exempt from Income Tax; Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation; and Form 5227, Split-Interest Trust Information Return.
- Organizations identified in collaboration with RAAS to research indicators of private benefit/inurement involving officer business partnerships, under-reported credit card income, and related employees and for-profit partnerships.

The most prominent issues found in these EO data-driven examinations relate to miscellaneous unrelated business income.

Referrals, Claims and Other Casework

EO also completed other casework vital to protecting the public interest, including:

- Organizations that filed and received exemption using Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.
- Organizations referred by both external and IRS sources.
- Organizations engaged in potentially abusive promoter schemes or transactions.

The most prominent issues found in EO's referrals, claims and other casework involve temporary workstreams pertaining to IRC Section 512(a)(7) (qualified transportation fringes) repeal and COVID-19-related employee retention credit claims. In terms of regular work, the most prominent issues found relate to employment taxes, filing requirements, and operating requirements.

Determinations

EO closed 136,708 determination applications in fiscal year 2022, including 119,926 approvals, 113,850 of which were approvals for 501(c)(3) status. Figure 3 shows receipts of applications for tax-exempt status, private foundation classification and other EO-related determinations. The figure reflects receipts by Form 1023-EZ, Form 1023 and other forms including Forms 1024, 1024-A, 1028 and 8940.

TE/GE pursues continuous improvement in the determinations process for exempt organizations. Use of Form 1023-EZ has grown since its introduction in 2014 and TE/GE continues its efforts to collect, monitor and evaluate data to understand the impact and opportunities from this important change to its determination process.

Figure 4 provides the taxonomy (as categorized by the National Taxonomy of Exempt Entities (NTEE) codes) of 501(c)(3) organizations approved in fiscal year 2022 by application type. The visual provides the categories with the highest proportion of organizations. Form 1023-EZ approvals in fiscal year 2022 were mostly organizations categorized as human services; education; arts, culture & humanities; and recreation & sports. Those organizations that were approved after filing a Form 1023 were largely organizations categorized as religion-related; human services; education; and philanthropy, voluntarism & grantmaking foundations.

Figure 3: EO Determination Receipts

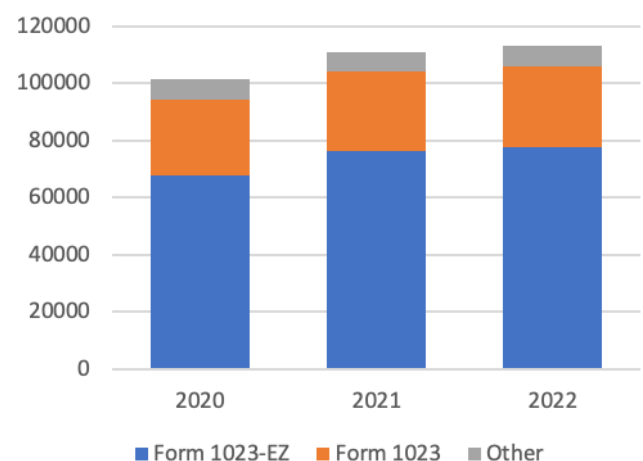
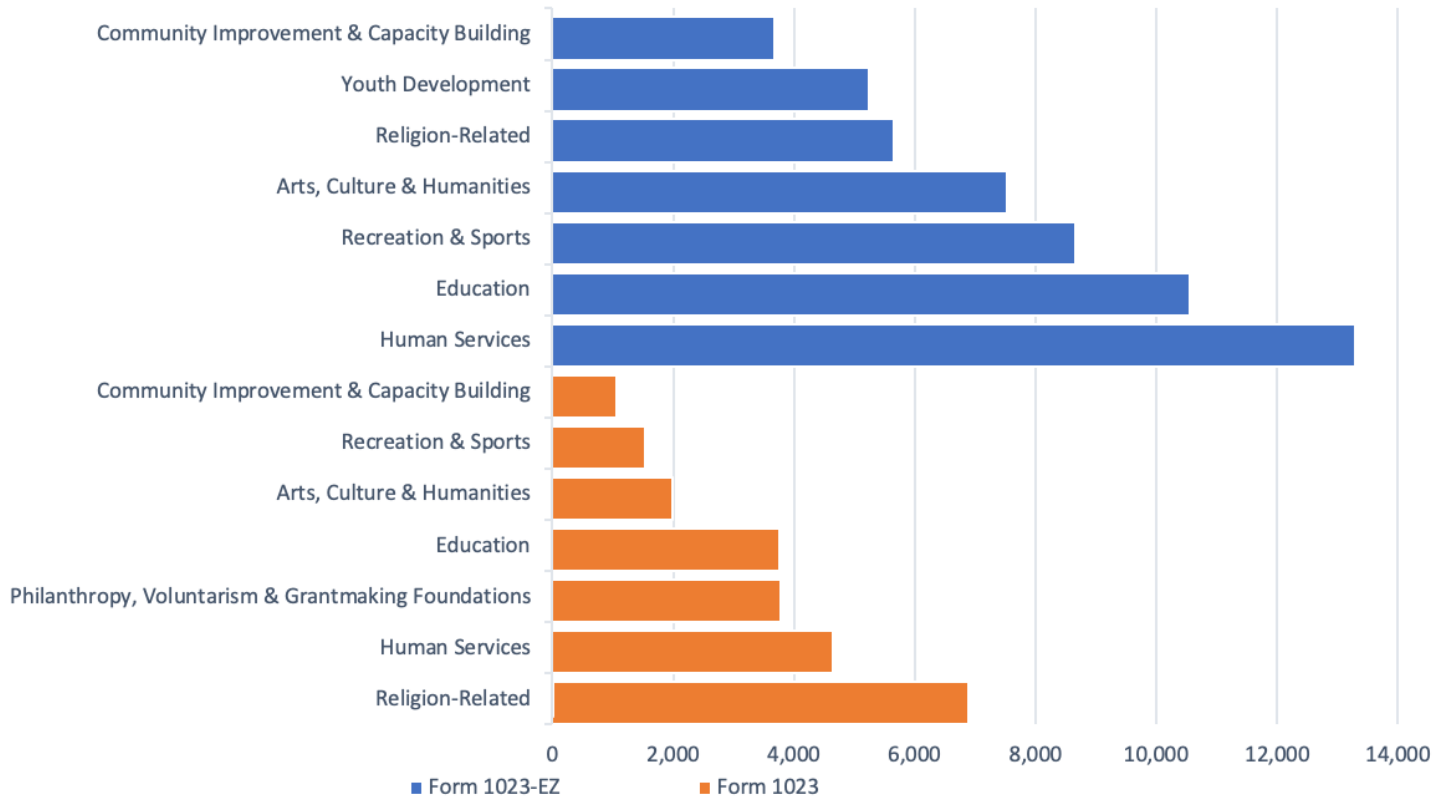


Figure 4: Taxonomy of 501(c)(3) Organizations Approved in FY 2022



Employee Plans

Examinations

	Started	Closed	Change %	Pick-up %
Compliance Strategies	659	888	73.3%	53.5%
Data-Driven	1,221	1,136	75.1%	51.0%
Referrals, Claims and Other Casework	2,365	1,920	78.8%	58.2%
Totals	4,245	3,944	76.5%	55.1%

EP closed 3,944 examinations in fiscal year 2022. We proposed revocations or disqualifications for five (5) plans in these examinations for issues including:

- Failure to amend, or timely amend, a plan document
- Failure to meet the non-discrimination requirements of IRC Section 401(a)(4)
- Failure to meet the eligibility/participation/coverage requirements of IRC Section 410
- Failure to meet the limitation on contributions or benefits requirement of IRC Section 415
- Failure to timely deposit salary deferrals in a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE IRA)

Compliance Strategies

EP continued examinations on the following compliance strategies:

- One-Participant 401(k) Plans: Reviewed one-participant 401(k) plans to determine if there were operational or qualification failures, income and excise tax adjustments, or plan document violations.
- Required Minimum Distributions in Large Defined Benefit Plans: Ensured that retirement plan sponsors distributed benefits according to IRC Section 401(a)(9).

The most prominent issues found in closed compliance strategy examinations include excess contributions and failing to meet the IRC 401(k) deferral test.

Data-Driven Examinations

EP continues to identify indicators of noncompliance with the tax laws for profit-sharing, money purchase, 401(k) and defined benefit plans, including:

- Participant Loans: verified whether participant loans of retirement plans that hold a high percentage of participant loans to total assets were being repaid timely if the loan balance didn't change or increased for more than one year.

The most prominent issues found in data-driven approaches relate to contributions, earning allocations, participation and coverage, plan document amendment failures and vesting issues.

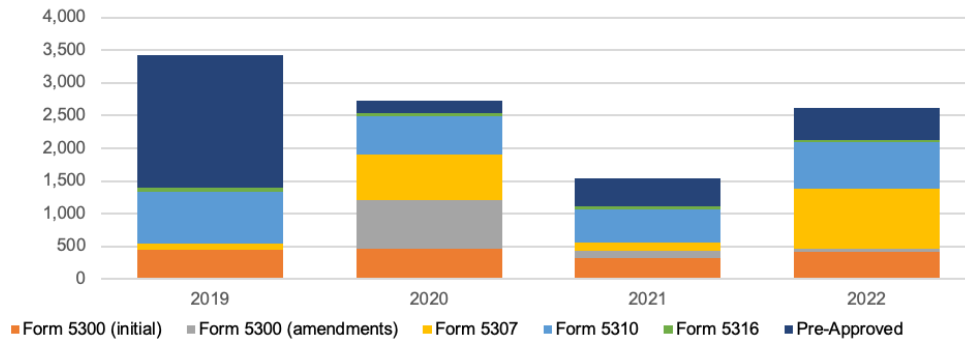
Referrals, Claims and Other Casework

EP also verified that non-bank trustees (NBT) satisfied the NBT regulations. This examination portfolio also included referrals from internal and external sources, claims initiated by taxpayers requesting a refund and fraud related work. This fiscal year, EP also continued to focus on open promoter investigations. As is common with promoter schemes, the plan is used as a conduit in a potentially abusive transaction. In addition, EP continued its work in supporting SB/SE-led investigations and assisting CI with fraud investigations as cooperating agents.

The most prominent issues found in EP's Referrals, Claims and Other Casework include delinquent amendment plan documents, inappropriate treatment of plan assets (timing of distributions, proper valuations, timely deposits, and reversions), 401(k)/(m) noncompliance, and ineligibility to sponsor SIMPLE IRA plans.

Determinations

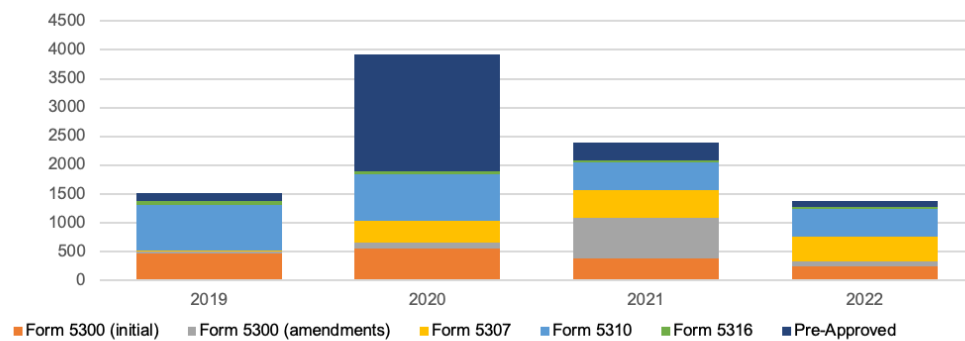
Figure 5: EP Application Receipts (FY 2019 - FY 2022)



EP split focus between determination and pre-approved plan applications programs and examinations during fiscal year 2022. EP closed 1,379 determination applications and 309 examinations. The figure above shows the EP determination letter and pre-approved plan applications received over the last four fiscal years. The cyclical 2-year open window for review of Forms 5307 (Application for Determination for Adopters of Modified Volume Submitter Plans) closed July 31, 2022, with a total of 909 applications received.

During fiscal year 2022, EP reviewed the defined benefit pre-approved plans. This review period will conclude on February 25, 2023. The window for 403(b) pre-approved plans opened on May 2, 2022, and will close May 1, 2023. Prior to the opening of the window, a Zoom meeting was held with the practitioner community to discuss the upcoming cycle, the new Form 4461-C (Application for Approval of Standardized or Nonstandardized 403(b) Pre-Approved Plans), and the cumulative list being reviewed.

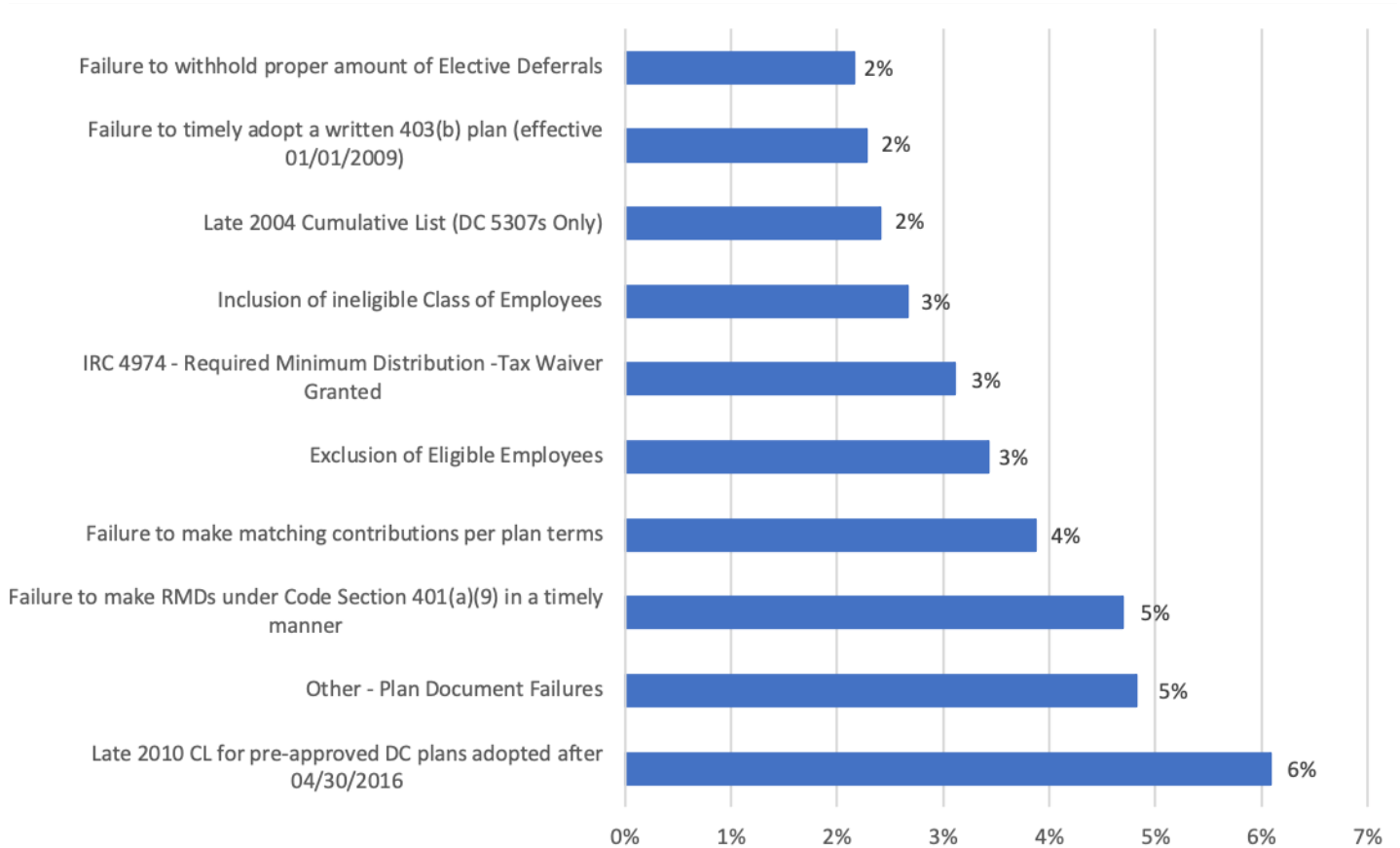
Figure 6: EP Application Closures (FY 2019 - FY 2022)



Voluntary Correction and Other Technical Programs

The VCP enables retirement plan sponsors (at any time before examination) to pay a fee and receive IRS approval for correction of plan qualification failures. In fiscal year 2022, EP received 1,501 voluntary correction applications and closed 1,059. Figure 7 lists the top 10 types of failures corrected through the VCP in fiscal year 2022.

Figure 7: Top 10 Failures Corrected Through EP VCP



Other technical programs, including KM, help to ensure the quality and consistency of technical positions, provide timely assistance to employees, and preserve and expand TE/GE's knowledge base. In addition, EP Technical focused on actuarial letter rulings, technical assistance, and correspondence work for EP taxpayers.

Government Entities

Federal, State and Local-Employment Tax (FSL-ET)

	Started	Closed	Change %	Pick-up %
Compliance Strategies	40	16	50.0%	0.0%
Data-Driven	724	688	65.4%	21.2%
Referrals, Claims and Other Casework	301	384	83.9%	89.1%
Totals	1,065	1,088	71.7%	44.9%

FSL-ET continues to address noncompliance issues with federal, state, and local government entities and employment tax issues with some tax-exempt organizations. The area completed 1,088 examinations in fiscal year 2022.

Compliance Strategies

FSL-ET closed 16 compliance strategy cases to address noncompliance with worker classification requirements.

Data-Driven Examinations

FSL-ET closed 688 examinations of government entities – including federal agencies and state and local governments, such as cities, counties, and schools – involving possible employment tax noncompliance. The most prominent issues found in these examinations relate to FICA taxes, employee classification, taxable fringe benefits, unreported compensation, and backup withholding.

Referrals, Claims and Other Casework

FSL-ET examined 384 referrals and training cases in fiscal year 2022, 94% of which resulted in tax changes. The most prominent issues found in these examinations relate to failing to file returns, FICA taxes and unreported compensation.

Indian Tribal Governments (ITG)

	Started	Closed	Change %	Pick-up %
Compliance Strategies	0	8	0.0%	0.0%
Data-Driven	74	140	30.7%	38.6%
Referrals, Claims and Other Casework	237	246	60.2%	54.9%
Totals	311	394	48.5%	48.0%

ITG continued to maintain a service and enforcement presence with tribal entities in fiscal year 2022. ITG closed 394 examinations. ITG continued to help tribes, as requested, or needed, based on a government-to-government relationship, comply with the tax law.

Compliance Strategies

ITG closed 8 compliance strategy cases that address noncompliance with worker classification.

Data-Driven Examinations

ITG closed 140 data-driven examinations that were selected using queries that identify possible employment tax noncompliance. The most prominent issues found in these change examinations relate to failing to file tax and information returns and backup withholding.

Referrals, Claims and Other Casework

ITG closed 246 returns in this category that includes referrals and training cases. ITG also continues to assist CI with fraud investigations as cooperating agents.

The most prominent issues found with the closed examinations were unreported compensation, FICA taxes, federal income tax withholding, failing to file tax and information returns, and backup withholding.

ITG Compliance Contacts

ITG also ensured tip reporting compliance of ITG entities and their tipped employees by:

- Securing tip agreements,
- Refreshing expiring tip agreements,
- Revoking tip agreements on noncompliant agreement holders, and
- Converting casinos using the Tip Rate Determination Agreement to the industry-specific Gaming Industry Tip Compliance Agreement (GITCA) when appropriate. GITCA provides a voluntary compliance agreement designed specifically for the gaming industry to promote tax compliance among tipped employees and establish tip rates for all participating employees.

Tax Exempt Bonds (TEB)

	Started	Closed	Change %	Pick-up %
Compliance Strategies	115	98	17.3%	7.1%
Data-Driven	0	0	0.0%	0.0%
Referrals, Claims and Other Casework	233	236	61.9%	32.2%
Totals	348	334	48.8%	24.9%

TEB closed 334 examinations in fiscal year 2022, which were comprised of compliance strategies and referrals, claims and other casework.

Compliance Strategies

TEB's fiscal year 2022 examination compliance strategies included:

- Open Market Securities – Fair Market Value: Determined arbitrage violations under IRC Section 148, specifically as to the fair market value requirements for yield restricted defeasance escrows.
- Large Airport Financings: Determined arbitrage violations under IRC Section 148, specifically pertaining to the investment of bond proceeds in higher yielding investments beyond the allowable temporary period and the requirement that at least 95 percent of the net proceeds are used to finance an airport facility.
- Issuer Prepared F8038-T: Determined arbitrage violations under IRC Section 148, specifically pertaining to the requirement to rebate any amount due resulting from non-purpose investment earnings.

TEB closed 98 compliance strategy cases. Several of these cases resulted in written advisories to the bond issuers to address issues such as incomplete returns and qualification issues.

Referrals, Claims, and Other Casework

TEB closed 236 examinations in this portfolio including training cases, tax credit bonds, and referrals. The most prominent issues found in the cases examined were arbitrage related, including claims for refund, rebate requirements, and yield restriction issues.

This compliance portfolio also includes ongoing work for fraud related casework. TEB continues to assist CI with fraud investigations as cooperating agents.

TE/GE Compliance Contacts

	Started	Closed	Change %
Totals	5,926	6,120	58.7%

In fiscal year 2021, TE/GE continued educating taxpayers through compliance checks and educational letters to improve return filings and filing accuracy on issues of noncompliance. These contacts allow us to establish a presence in the taxpayer community in a manner that reduces administrative costs and minimizes taxpayer burden.

TE/GE undertook compliance checks to address compliance with retirement plans, exempt organizations, Indian tribal governments, and federal, state and local governments. These compliance checks included:

- Retirement plan's recordkeeping and information reporting related to:
 - Funding deficiencies
 - Missing codes, such as business codes or plan characteristics on filed forms
 - Filers who stopped filing a required Form 5500/Form 5500-SF (short form)
 - Returns marked "Final" that have assets remaining in the trust
 - First Form 5500-EZ return filings
- Discrepancies between Form W-2, Wage and Tax Statement, and either Form 941, Employer's Quarterly Federal Tax Return, or Form 944, Employer's Annual Federal Tax Return, for entities under TE/GE's jurisdiction
- Noncompliance with IRC Section 501(r)(4) Financial Assistance Policy (FAP) by tax-exempt hospitals
- Exempt organizations that failed to file:
 - Form 940, Employer's Annual Federal Unemployment Tax Return
 - Form 4720, Return of Certain Excise Taxes under Chapters 41 and 42 of the Internal Revenue Code, to report and pay excise tax under IRC 4960
- Tax exempt and government entities that:
 - Have credit balances but failed to file employment tax returns
 - Reported backup withholding on Form 1099-series returns but did not file Form 945, Annual Return of Withheld Federal Income Tax, to report and pay backup withholding taxes

TE/GE also continues to review approximately 3,000 tax-exempt hospitals (on a rolling three-year basis) for adherence to IRC Section 501(r). In fiscal year 2022, TE/GE completed 1,260 reviews and referred 67 hospitals for examination for possible noncompliance. The most common issues found related to the hospitals' lack of a Community Health Needs Assessment under IRC Section 501(r)(3) and Financial Assistance Policies under IRC Section 501(r)(4).

TE/GE sent almost 62,000 educational letters to retirement plan sponsors and exempt organizations to remind them of their responsibilities under the tax law related to:

- Top Heavy Minimum Contributions
- Failure to disclose that certain contributions made to charities are nondeductible
- IRC 501(c)(19) membership composition
- Form 990-N mis-filers
- New electronic filing requirements for Form 990-EZ, Short Form Return of Organization Exempt from Income Tax

Outreach

In fiscal year 2022, TE/GE continued its education and outreach efforts. During the year, TE/GE employees participated in 71 virtual and 2 in-person outreach events, reaching over 35,459 people. Of the 73 events:

- 18 addressed exempt organizations and their representatives
- 16 addressed federal, state and local government partners
- 17 addressed employee plan sponsors, administrators, and their representatives
- 14 addressed Indian tribal governments
- 6 addressed tax-exempt bond stakeholders
- 2 were for multiple TE/GE stakeholders

TE/GE presented two seminars at the 2022 IRS Nationwide Tax Forum, conducted virtually, with each reaching approximately 8,500 attendees. The Employee Plans seminar focused on the common mistakes many small employers make in their retirement plan, and included resources on how to find, fix and avoid these mistakes. Exempt Organizations' session focused on small exempt organizations' electronic filing requirements and how to use Tax Exempt Organization Search (TEOS) to access a charity's status and filings. TE/GE also maintained a virtual exhibit booth at the Tax Forum. The booth allowed attendees to ask questions using the chat feature and provided resources for small exempt organizations, and retirement plan sponsors and participants.

In addition to outreach events, TE/GE reached taxpayers through sending 68 electronic news messages to subscribers, including:

- 3 TE/GE-wide messages (to subscribers of all functional newsletters)
- 14 EO Updates
- 17 EP News
- 16 ITG News
- 9 TEB Community Updates
- 9 FSL-ET News

TE/GE posted 9 videos and webinars to the IRS video portal for taxpayers. We also posted 8 Issue Snapshots to IRS.gov including 6 for EO and 2 for EP. The table below lists the snapshots posted in fiscal year 2022.

Function	Topic
EO	Qualified Parking Fringe Benefit
	Private Foundations: Incidental and Tenuous Exception to Self-Dealing Under Treas. Reg. 53.4941(d)-2(f)(2)
	Private Foundations: Estate Administration Exception to Indirect Self-Dealing Under Treas. Reg. 53.4941(d)-1(b)(3)
	Private Foundations: Treatment of Qualifying Distributions IRC 4942(h)
	Employer Contributions to 457(b) Plans
	Private Foundations: Private Pass-Through (Conduit) Foundations under IRC Section 170(b)(1)(F)(ii)
EP	Third Party Loans from Plans
	Calculation of Plan Compensation for Partnerships

Small Entity Compliance Initiative

As part of the Small Entity Compliance Initiative (SECI), TE/GE continued its effort to expand outreach to small entities and underserved taxpayers using various communication methods including live outreach events and online resources. C&L presented the following virtual outreach events designed to help small entities fulfill their tax obligations:

- Who is an Employee?
- Reconciliation of Payroll
- Sports Wagering Tax Requirements
- Navigating the BSA E-filing System for Casinos
- Bank Secrecy
- Employment Tax and Payroll workshops
- IRS Stakeholder Liaison Practitioner meetings
- Department of Labor – Employee Benefits Security Administration (DOL-EBSA) Spanish-language webcast
- Bar Association presentations
- Revisions of Form 8038-CP
- Enterprise Case Management

To use varied forms of communication to promote resources to small entities and underserved communities, TE/GE initiated three postcard campaigns. These postcards for Exempt Organizations (EO), Federal, State, and Local Governments (FSL/ET), and Tax-Exempt Bonds (TEB) included friendly URLs directing taxpayers and practitioners to TE/GE webpages with helpful tax information relevant to SECI audiences.

Expanding online resources was a priority in fiscal year 2022 and remains an effective tool for assisting small entities and underserved communities. Tax information was advertised in e-newsletters and with social media campaigns. TE/GE also posted the following helpful videos:

- Furnishing Forms 1099-G Electronically
- Revisions to Form 8038-CP
- When to use Form 1099 MISC and 1099 NEC
- How to Apply for EIN Online
- Maintaining 501(c)(3) Tax-Exempt Status, and
- Small to Mid-Size 501(c)(3) Organizations

In conclusion, we're proud of our accomplishments and we thank you for the steadfast support you provided in fiscal year 2022. We look forward to reaching to new heights in fiscal year 2023 – as we begin implementation of the [Inflation Reduction Act \(IRA\)](#), which allocates nearly \$80 billion to the IRS during the next 10 years.

As you know, we've been operating with reduced funding and staffing for several years. With additional resources, we can enhance the taxpayer experience, focus on the substantive areas of noncompliance, promote voluntary compliance, and provide more employee training and developmental opportunities. Hiring and training remain one of our top priorities as we explain in our [FY 2022 Program Letter](#), which outlines our fiscal year 2023 strategic priorities.

Thank you for reading.