

BlumShapiro

Accounting | Tax | Business Consulting

The passion to unlock potential
for Educational Institutions



Higher Education Tax Services

BlumShapiro is passionate about keeping our higher education clients up-to-date on the latest tax developments affecting colleges and universities – tax legislative, regulatory and administrative developments – through our webinars, eNewsletters, website and face-to-face meetings. Our tax-exempt specialists are on the forefront of identifying emerging tax developments and trends in the higher education industry with the Internal Revenue Service. We communicate with clients to help keep them in compliance, manage any tax risk, avoid reputational risk, and stay ahead of the curve.

Following are brief descriptions of tax services we provide to our higher education clients:

Form 990 compliance: You know your organization's Form 990 is open for the world to see. You want to make sure you put your best foot forward. Make sure that your Form 990 tells the most favorable story possible and reflects your organization as highly as deserved. Are there any disclosures that can be improved? Are there any inconsistencies in the return? The Form 990 has many technical questions and various schedules, with definitions that are not always intuitive, so inconsistencies are not uncommon! Avoid some common pitfalls, implement policies, procedures or improvements, if needed, and make sure that your Form 990 is in the highest class of excellence.

Protection of tax-exempt status: One of your institution's most valuable assets is its tax-exemption. The IRS has a new process for auditing tax-exempt organizations, which is expected to result in a greater number of organizations being contacted. It is important that your executive team understands the tenets of tax-exemption and what can jeopardize it. Review the exempt purposes of your organization with our tax specialists along with the various tests and requirements in the tax law needed to keep its exemption. Don't play roulette with your organization's tax exemption - it could result in an unwelcome resource drain not only from the tax risk with the IRS but also for the reputational risk with your constituents and the public.

Higher Education Tax Services at a Glance:

- Tax updates
- Tax compliance
- Unrelated business activities
- Compensation
- Fringe benefit/employment tax
- Fundraising and donation tax issues
- Best practices regarding governance, Form 990 disclosures and policies

Please contact one of our experts:



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Unrelated business income reviews: Does your institution engage in, or plan to engage in, any money making enterprises to support your mission that may not be exactly in line with accomplishing your educational purpose? Is it a trade or business that is regularly carried on and could be seen as operated competitively with other for-profit businesses? You know your institution's facts and circumstances. We know the tax laws, regulations and cases. Our tax specialists can help you analyze the activity and take advantage of any available exceptions or help you consider a more advantageous restructure. We can advise on appropriate expense allocations, if needed, and help minimize any tax exposure.

Intermediate sanctions studies: What causes more curiosity with regard to your college or university than the compensation of your officers and key employees? Board members, your workforce, the media, the public and the IRS are all very interested. Has your institution ensured that the review, approval and documentation process for your executive compensation is air tight? Does the process follow the rebuttable presumption steps in the tax rules to help safeguard against exposure of intermediate sanctions? The penalties on excess compensation, or other excess benefit transactions, are also imposed on board members who knowingly approved such compensation or transaction. And what is your organization's process for approval of other types of transactions with board members, trustees, officers, key employees, or with their family members or companies? Details that may appear to be minor are often overlooked, which could cause risk to your institution and your board members.

Fringe benefits, perquisites, deferred compensation and accountable plan rules: President housing, student FICA issues and tuition benefits are just some areas you need to understand. There are many technicalities relating to fringe benefits, perquisites, deferred compensation and the accountable plan rules. Let us help you review these offerings to your executives to ensure your institution is applying the correct tax treatment, reporting and withholding, if needed. These are in the IRS's FY 2017 workplan. The IRS continues to find employers are often not reporting them appropriately. This is where the IRS is generally most successful in assessing significant taxes for tax-exempt organizations. Don't misstep into the traps for the unwary.

Donor and fundraising matters: Does your college or university have fundraising events, golf outings, gala dinners, auctions? Does your organization receive unique non-cash gifts? Does your organization have a gift acceptance policy or does it need one? Ensure that your team provides the right documentation to donors and files the correct forms with the IRS, when necessary, to avoid penalties. Let our tax specialists help you review the tax rules and your process to make sure your fundraising function is in good shape.

Worker classification: This is the age-old question of when it is appropriate to treat a worker as an independent contractor versus an employee. The stakes can be high because of other employment coverage considerations. This is also one of the focuses on the IRS's workplan this year. Learn about your institution's risks and the rules, as you work with our tax specialists to review your college's particular circumstances.

Lobbying and political activity: Does your executive team and your board know what constitutes lobbying under the tax law and what is political activity? Many times people confuse them. One is allowed, but only an insubstantial amount; the other is strictly prohibited and can jeopardize tax-exempt status. Consider implementing a policy and including it in your board's annual educational efforts to ensure continual understanding and compliance with the tax rules. The IRS is particularly concerned about this in election years and often reminds the tax-exempt community to stay abreast of the rules.



Higher Education Tax Services (cont.)

Joint ventures, taxable subsidiaries and related organizations: Certain transactions with taxable subsidiaries may generate unrelated business taxable income. Joint ventures, in certain circumstances, with taxable parties can generate unrelated business taxable income, or worse, can jeopardize tax-exemption. If your organization is contemplating participation in any joint venture, it is highly encouraged to adopt a written policy or procedure that, at a minimum, requires the organization to evaluate the opportunity under federal tax laws and take steps to safeguard the organization's tax-exempt status. We assist organizations with joint ventures, policies, and related organization issues.

Tax-exempt bond compliance: Is your institution on top of its post-issuance tax compliance for its tax-exempt bonds? Are there any arbitrage calculation requirements; does your organization qualify for an exception? Does your organization have written policies that you follow or are you considering adopting such policies to follow best practices? We work with you and your bond counsel to help ensure annual compliance and documentation.

State tax matters: State sales tax exemptions, real estate tax exemptions and state income tax exemptions are valuable benefits that your institution may enjoy. You'll want to ensure compliance with any filing requirements and we can help. Large endowments with alternative investments often generate multistate unrelated business income tax filing requirements. We assist non-profits with understanding where they are required to file state and local tax returns and pay state and local taxes. We assist organizations with anonymously disclosing to state and local tax authorities about past tax liabilities they owe through voluntary disclosure and amnesty programs. This often results in favorable tax, interest and penalty assessment outcomes.

International tax matters: Tax exemption in the U.S. does not necessarily translate to tax exemption in other countries. If your college or university has operations or locations in another country, be sure that you are doing the diligence to find local country expertise to help your institution. If your school has an endowment with alternative investments, it likely has IRS foreign form filing requirements generated from investment partnerships and other foreign alternative investments. Our own international tax and tax-exempt specialists have considerable experience in assisting clients. Additionally, we are an independent member of Baker Tilly International, a leading global network of 165 high quality independent firms that provide accounting, assurance, tax and special business advice in 141 countries. We will draw upon these additional resources, should you need, as you expand globally.

Other filing requirements and IRS controversy representation: Whether it is Form 8282 for sales of certain donated property, the state income tax filings, sales tax, real estate tax exemptions noted above, unclaimed property filings, FinCEN Form 114, Report of Foreign Bank and Financial Accounts (the FBAR), Forms 926, 8865, 5471 for certain foreign investments, Form 8886 for reportable transactions from your institution's investment partnerships, Forms 1099-MISC, or a myriad of others, we would be happy to assist with tax compliance filings.

And of course, should you receive an IRS audit letter, we have the expertise to assist. These are some of the higher education tax services we can offer you. We would be happy to discuss these as well as any other tax services that your college or university may require.