

IRS TE/GE Provides Insight Into Its Priorities for FY 2022



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Earlier this fall, the Tax Exempt and Government Entities (TE/GE) Division of the Internal Revenue Service (IRS) published its [Fiscal Year 2022 Program Letter](#). TE/GE is the IRS operating division responsible for overseeing organizations exempt from income tax under Internal Revenue Code (IRC) Section 501 (including charities, private foundations, and other types of exempt organizations (EOs), such as business leagues and social clubs). The FY 2022 Program Letter, along with TE/GE's [Compliance Program and Priorities webpage](#), provides valuable insight into TE/GE's priorities and compliance program initiatives for the coming year.

Of particular interest, the FY 2022 Program Letter notes that after a decade of decline in the size of TE/GE's workforce, fiscal year 2022 will be a year of significant growth, with most new hires assigned to enforcement duties – indicating that the tax-exempt sector will likely see an uptick in IRS enforcement activities in future years.

Also of note, the Compliance Program and Priorities webpage includes the following EO-specific compliance strategies that TE/GE will continue to pursue in FY 2022:

- **Form 990-N Filers/Gross Receipts Model:** The purpose of this strategy is to determine if an EO was eligible to file Form 990-N where related filings indicate the \$50,000 gross receipts threshold was not met. The treatment stream for this strategy is examinations.
- **Excise Tax on Excess Compensation:** This strategy is to review the impact of the new IRC Section 4960 excise tax on excess compensation. IRC Section 4960 imposes a 21% excise tax on EOs that pay over \$1 million

in compensation to any “covered employee.” On-going review of filing data shows there continues to be a high volume of EOs that paid compensation of over \$1 million to at least one “covered employee” but did not report IRC Section 4960 excise tax on Form 4720, *Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code*. The approved workstreams for this strategy are compliance checks and examinations of Form 4720.

- **Form W-2 and 1099-Misc to the Same Payee:** This strategy concerns payors that have issued both a Form W-2, *Wage and Tax Statement*, and Form 1099-MISC, *Miscellaneous Income*, to the same payee in the same calendar year and focuses on misclassification of wages (distinguishing payments made to employees as independent contractors from those treated as wages on the Form W-2). The treatment stream for this strategy is examinations of Form 941, Employer’s Quarterly Federal Tax Return.

As 2021 comes to a close, tax-exempt organizations would be wise to review these IRS resources to learn more about TE/GE’s priorities for FY 2022. EOs might also consider [subscribing](#) to the IRS’s “e-News for Exempt Organizations” newsletter, which provides free, periodic updates on services and issues that impact tax-exempt organizations.

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