

[Home](#) | [Print](#)**September 25, 2008*****Higher Education Bulletin: IRS Increases Scrutiny of Tax-Exempt Colleges and Universities****Compliance Questionnaire, new Form 990 Schedule to Boost Transparency of Financial Reporting and Operations*

The first glimpse into what promises to be a tumultuous year for tax-exempt colleges and universities was offered on September 8, when a Senate Finance Committee Roundtable convened to focus on the issue of mandatory endowment payouts to increase student aid.

The half-day public event was co-chaired by Senator Charles Grassley (R-IA) and Representative Peter Welch (D-VT), and featured panelists from leading colleges and universities, as well as other industry experts. Senator Grassley, ranking member of the Committee, has threatened to introduce legislation to require institutions to spend up to 5 percent of their endowment assets each year. However, he expressed gratitude to those colleges that have already increased the amount they spent on financial aid, and encouraged other institutions to "look inward and see what could be self-corrected."

One of the more significant developments to arise from the session was the Senator's request that the IRS and Treasury create a new Form 990 schedule for colleges and universities. The new Form 990 requires organizations to provide greater breadth and depth of detail into their operations. However, it does not require higher education institutions to report information about their student populations and costs. Colleges and universities participating in the roundtable agreed that a mandatory endowment payout would hinder their operations, and appeared to favor this increased transparency, saying they would be willing to disclose more information about investment returns and payout rates.

The IRS Exempt Organizations Compliance Unit has stated that it anticipates sending compliance questionnaires to about 400 colleges and universities by the end of September. Among the information the questionnaire requires will be how endowment funds are used (including the demographics of the student populations served, especially in institutions with large endowments) and greater detail as to compensation (including coaches). The information gathered on these forms will likely be used to create the new Form 990 schedule, and may be the basis for increased audit activity.

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