



A message from the TE/GE Commissioners

Edward T. Killen & Robert S. Choi
Commissioner, TE/GE Deputy Commissioner, TE/GE

Hello,

Thank you for helping us accomplish our strategic goals and mission while promoting voluntary compliance to the tax-exempt sector. Our fiscal year 2023 Accomplishments Letter provides a detailed overview of our successes.

The IRS after years of underfunding, is now able to make significant modernization and transformation improvements and enhance operations thanks to **Inflation Reduction Act (IRA)** funding, which amounts to roughly \$60 billion over the next decade. With this increased funding and a dedicated workforce, Tax Exempt and Government Entities (TE/GE) made significant operational enhancements in fiscal year 2023.

Below is a snapshot of our achievements:

- Working in collaboration with Information Technology, we started using the Document Upload Tool for Taxpayer Facing Employees (DUT – TPFE) with most of the Determinations community and we plan to offer this digital tool to additional taxpayers in fiscal year 2024. DUT – TPFE allows taxpayers to electronically upload responses to requests for information to a portal on IRS.gov; thus, reducing case processing time and the need to send paper documents through the mail.
- In partnership with Research, Applied Analytics, and Statistics (RAAS), we created the Exempt Organizations Graph Exploration Tool (EOGET), an interactive graph tool designed to help EO examiners and classifiers conduct risk analysis and identify potential insider abuse among tax exempt organizations – a process that was extremely laborious in the past.
- The examination Lean Six Sigma team continued moving forward with its recommendations to improve exam-related processes and in early 2024, we will publish the new TE/GE Consolidated Examination Internal Revenue Manual (IRM) which will replace the existing functional IRMs.
- We listened to our stakeholders and initiated the Tax Exempt Organization Search (TEOS) Modernization project. TE/GE designed, implemented and identified an initial set of seven improvements including a dataset guide, data dictionary, indices, annotated tax forms, schemas, FAQs and regular updates, all aimed at enhancing the user experience of the IRS.gov site.
- TE/GE worked with LB&I, IT and TF&P to identify form, programming and processing changes needed to expand the use of Form 990-T, enabling TE/GE taxpayers to make elective payment elections and we implemented these changes for the 2024 filing season. Another collaboration with LB&I, SB/SE, W&I and IT resulted in creating an electronic pre-filing registration portal designed to mitigate the risk of duplicative or improper payments and fraud related to elective payments.
- In fiscal year 2023, we hired 197 employees – including 113 Revenue Agents, 7 Tax Compliance Officers, 64 Tax Examiners, 5 Analysts, and 8 other positions.
- TE/GE worked collaboratively with the other BODs across the IRS to implement the objectives and initiatives within the Strategic Operating Plan to facilitate transformation across the IRS. TE/GE participated with our counterparts across Services and Enforcement to identify compliance issues of enterprise significance, resulting in the development of an enterprise workplan for fiscal year 2024.



Edward T. Killen
Commissioner, TE/GE



Robert S. Choi
Deputy Commissioner, TE/GE

We encourage you to read the Accomplishments Letter, highlighting your contributions to this past year's successes – all focused on providing better service to the tax-exempt sector.

Thank you for reading.

Edward T. Killen

Robert S. Choi

TE/GE Snapshot

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 all levels of governmental entities, including Tribal governments, to multi-billion-dollar bond issuances. The one thing they share is that they are all generally 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.

To help this diverse set of entities meet their tax obligations and to enforce the tax laws as part of the overall Internal Revenue Service (IRS) initiatives, TE/GE continues to invest in its workforce. TE/GE started fiscal year 2023 with 1,513 staff on rolls. During the year TE/GE lost 212 employees resulting in an average estimated attrition rate of 9% and hired 197 employees ending the fiscal year with 1,520 permanent staff on rolls. The fiscal year on rolls total is adjusted by the net gains and losses due to temporary staff movements which result in a net increase of 22 included in year end on rolls. The 197 hired include 113 Revenue Agents, 7 Tax Compliance Officers, 64 Tax Examiners, 5 Analysts, and 8 other positions.

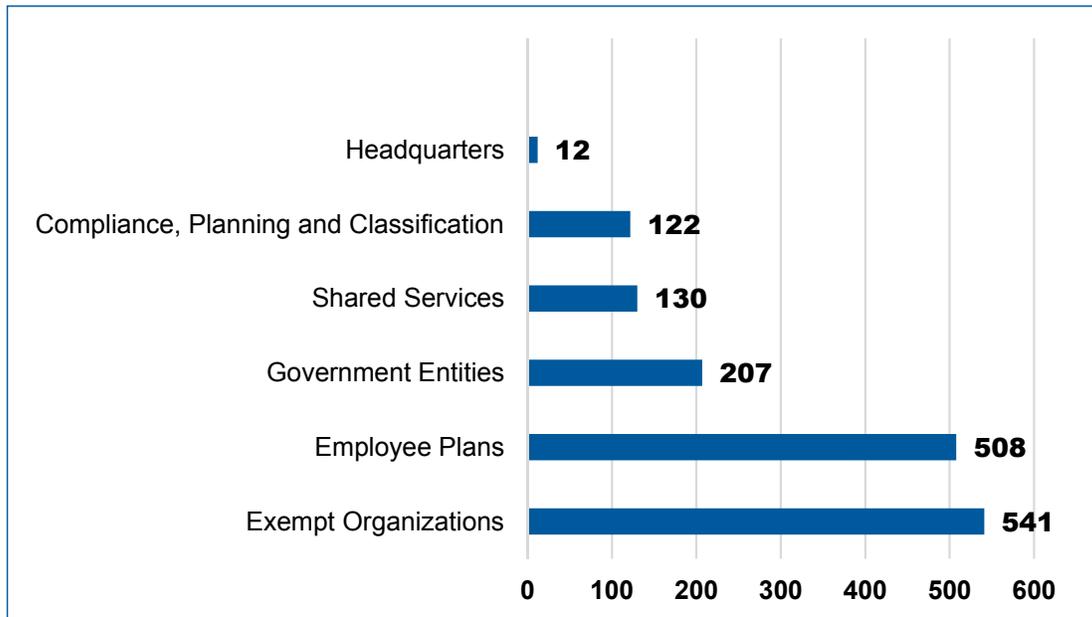
TE/GE's Organization

EMPLOYS OF THE AMERICAN WORKFORCE **29%**

CONTROL NEARLY IN ASSETS¹ **\$53T**

ACCOUNT FOR ABOUT **26%** OF **\$1.5T** IN FEDERAL TAX EXPENDITURES²

Figure 1: FY 2023 Year End 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 2023, 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 622 submissions from employees and approved 89 compliance strategies and 16 data driven compliance workstreams, 71% of which are currently underway as examinations or compliance checks with taxpayers.

The web-based portal is transitioning to a newer version using PowerApps, Power Automate, and SharePoint to document the process of submitting issues from beginning to end. The updated portal will document all actions performed from issue submission to proposal development to completion of the submitted issue. The new portal will be effective the first quarter of fiscal year 2024.

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 2023, 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 fiscal year 2024 with the publishing of the new TE/GE Consolidated Examination Internal Revenue Manual (IRM) which will replace the existing functional IRMs. 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 IRM which is scheduled to be published by the end of March 2024. Additionally, the team is developing a quality measurement system for the compliance check workstream and expects to implement during the third quarter of fiscal year 2024. The EO Rulings

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.

and Agreements Correspondence Unit LSS team focused on process improvements relating to the intake submissions of Form 4506-B, Request for a Copy of Exempt Organization IRS Application or Letter. The process improvements 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 2024.

Collaborative Partnerships

TE/GE collaborated with a diverse group of stakeholders to strengthen its programs in fiscal year 2023. We partnered with Information Technology to drive key components of the IRS modernization plan. We initiated use of the Document Upload Tool for Taxpayer Facing Employees (DUT - TPFE) for most of the TE/GE Determinations community. We will extend this tool to additional TE/GE taxpayers in fiscal year 2024. DUT - TPFE provides an avenue for taxpayers to upload responses to requests for information to a portal on IRS.gov. This digital solution decreases case processing time while supporting our goal to provide taxpayers ways to submit information electronically and reduces the need to send paper documents through the mail. In addition, we modified Form 13909, Tax-Exempt Organization Complaint (Referral), for intake on IRS.gov through the Digital and Mobile Adaptive Forms DUT and will be implementing it in fiscal year 2024. This digital solution will provide an electronic way for the public to submit referrals to TE/GE.

In fiscal year 2023, we initiated the TEOS Modernization project. The team focused on designing and implementing an initial set of seven identified improvements derived from valuable stakeholder feedback. These enhancements involve providing essential descriptive information such as a dataset guide, data dictionary, indices, annotated tax forms, schemas, FAQs and regular updates, all aimed at enhancing public usability. These identified improvements demonstrate to stakeholders the value of their feedback, highlighting its positive impact. Our goal is to publish these improvement documents on **TEOS Improvements** by Fall 2023 and early 2024 in two waves, ensuring a seamless experience for tax-exempt organizations search and analysis. Looking ahead, the project team will refine long-term plans and create a roadshow presentation to raise awareness about transformation of the public disclosure program, emphasizing its significance to secure IRA priority funding.

In pertinent part, the Inflation Reduction Act expanded and enhanced general business credits allowable with respect to a range of clean energy investments and production activities. At the same time, the Inflation Reduction Act enacted provisions that enable various taxpayers (including exempt organizations, Indian Tribal Governments, and state and local governments) to monetize certain allowable credits by electing to treat the credits as a payment of tax (referred to as “elective payment”). Elective payment makes the benefit of specific clean energy credits available to entities/organizations even if they are not subject to income tax. TE/GE continued to coordinate with LB&I, IT, and TF&P to identify form, programming, and processing (including correspondence) changes necessary to expand the use of Form 990-T to enable TE/GE’s taxpayers to make an elective payment election and took steps to ensure these changes are implemented for the 2024 filing season. Elective payment elections can result in a net payment of Treasury funds to a qualifying taxpayer. To mitigate the risk of duplicative or improper payments and fraudulent claims, the Inflation Reduction Act authorizes Treasury and IRS to implement a pre-filing registration process (implemented under the recently issued temporary regulations). TE/GE continues to work intensively with LB&I, SB/SE, W&I, and IT to create an electronic portal for submission and review of pre-filing registrations and to develop procedures addressing issues and needs related to TE/GE taxpayers. Currently, the pre-filing registration portal is expected to launch in November. TE/GE continued collaborating with LB&I, SB/SE, W&I, and IT on development of processes for appropriate prepayment compliance review and post-payment compliance activities to mitigate the risk of duplicative or improper payments and fraud related to elective payments.

We continued our collaborative efforts in fiscal year 2023 with multiple releases of additional functionality of Enterprise Case Management (ECM) to our end users in Exempt Organization’s Correspondence Unit (EOCU). We participated in the service-wide effort to design the future examination process in ECM and partnered with other business operating divisions to standardize examination processes. We will continue these efforts in fiscal year 2024.

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 continues to assist CI with fraud investigations as cooperating agents. 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 methods to identify potential noncompliance in the exempt organization community.

In fiscal year 2023, 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 desk guide and launched joint exams between IRS divisions. We expect the joint examinations to continue in fiscal year 2024.

In fiscal year 2023, we partnered with Research, Applied Analytics, and Statistics (RAAS) to create the Exempt Organizations Graph Exploration Tool (EOGET). EOGET is an interactive graph tool designed to help Exempt Organization (EO) examiners and classifiers visualize the networks of relationships between EOs, their officers, and other individuals and organizations. It will assist examiners and classifiers with conducting risk analysis and identifying potential insider abuse of EOs in ways that would have been extremely laborious if not impossible in the past. RAAS also assisted in improving CDW Knowledge Graph Environment (CKGE) to implement Tax Exempt and Government Entities (TE/GE) data from the Compliance Data Warehouse (CDW) to assist in identifying related entities/individuals and form filings. CKGE will mainly be used by field examiners in looking at related data for the entity under examination. We also worked with RAAS to launch a graphical analysis tool for Employee Plan examiners to use and this has proven useful immediately. Finally, we've collaborated with RAAS to launch a demonstration project leveraging advance artificial intelligence processes to screen and prioritize referrals submitted by the public. We look forward to testing and launching this in fiscal year 2024.

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 2023 EP worked closely with these agencies, resulting in enhanced customer service and improved compliance for retirement plans. EP and EBSA held joint internal workshops where technical topics that impact both agencies were discussed. The two agencies held a face-to-face summit where collaboration increased in a variety of arenas such as digital currency, cybersecurity, and law changes made by the SECURE 2.0 Act of 2022. Collaboration at the local level continued throughout the year with meetings between EP and EBSA field offices to discuss issues, trends, and joint examinations. EP and PBGC held discussions regarding the multi-employer plan funding status certifications.

The Office of TE/GE Equity, Diversity & Inclusion (EDI), in support of the Agencywide 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 demonstrate our office's commitment to the four key EDIA Pillars - People, Culture, Leadership, and Community. The Large Business and International (LB&I), Small Business/Self Employed (SB/SE), and TE/GE Diversity and Equal Employment Opportunity Advisory Committees (DEEO ACs) established a Community of Practice (COP) in fiscal year 2023 to share best practices and discuss common concerns. TE/GE implemented a Field Visit Plan and conducted two Field Visits at TE/GE Community Cities Posts of Duty engaging with 13% of the TE/GE workforce. 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 2023, TE/GE EDI hosted 132 EDIA workshops for 14,102 IRS and external attendees. These sessions break out as follows:

- Internal to TE/GE: Hosted 39 Lunch and Learns, New Hire EDI Orientations, and other EDIA virtual training workshops for a total of 4,119 attendees.
- Other IRS Business Units: Hosted 37 EDIA professional development virtual workshops for a total of 3,738 attendees.
- External to the IRS: Hosted 56 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 6,245 attendees.

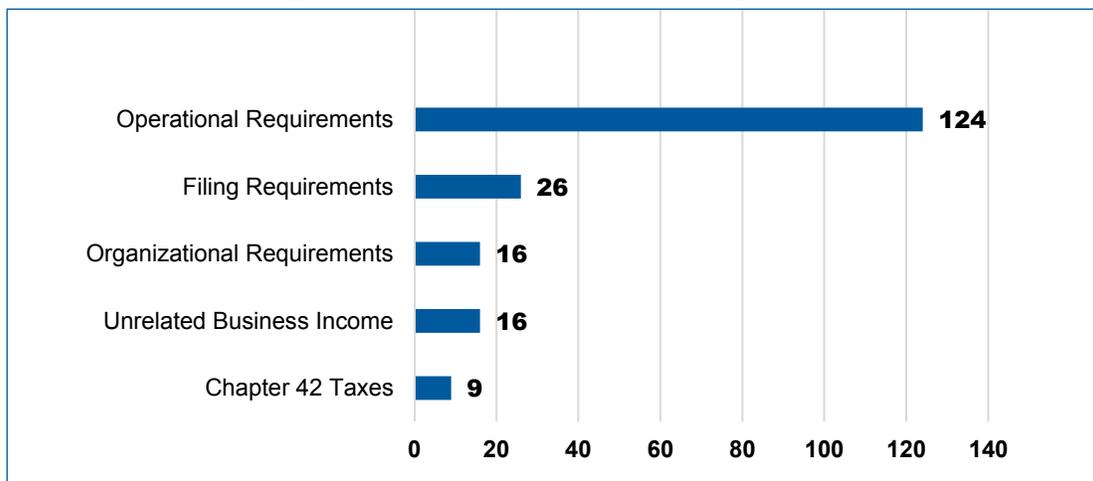
Exempt Organizations

Examinations

	Started	Closed	Change %	Pick-up %
Compliance Strategies	232	221	84.2%	57.0%
Data-Driven Approaches	790	746	61.7%	44.3%
Referrals, Claims and Other Casework	1,507	1,497	81.3%	34.7%
Totals	2,529	2,464	75.7%	39.6%

EO completed examinations of 2,464 filings in fiscal year 2023, including the Form 990 series (990, 990-EZ, 990-PF, 990-N, 990-T) and their associated employment and excise tax returns. Overall, 76% of closed examinations resulted in a tax change (change percentage) and 40% of the examinations were “picked-up” from a related examination (pick-up percentage). We proposed revocations for 141 tax-exempt entities because of these examinations.

Figure 2: FY 2023 Revocations by Issue*



* Examinations can have more than one issue code. As a result, the number of issues reported in the chart above doesn't match the number of revocations.

Compliance Strategies

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

- 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 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.

The most prominent issues found in compliance strategy examinations relate to filing requirements, for-profit conversions, 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, or Form 990-EZ, Short Form Return of Organization Exempt from Income Tax.
- Organizations identified in collaboration with CI and RAAS to research indicators of private benefit/inurement.

The most prominent issues found in data-driven examinations relate to employment taxes, unrelated business income, and unreported compensation.

Referrals, Claims and Other Casework

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

- Organizations claiming the Employee Retention Credit.
- Organizations referred by both external and IRS sources.
- Organizations engaged in potentially abusive promoter schemes or transactions.

The most prominent issues found in such examinations involve Employee Retention Credit eligibility, employment taxes, filing requirements, and operational requirements related to operating for an exempt purpose.

Determinations

EO closed 119,491 determination applications in fiscal year 2023, including 103,073 approvals, 98,417 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 2023 by application type. The visual provides the categories with the highest proportion of organizations. Form 1023-EZ approvals in fiscal year 2023 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 & grant-making foundations.

Figure 3: EO Determination Receipts

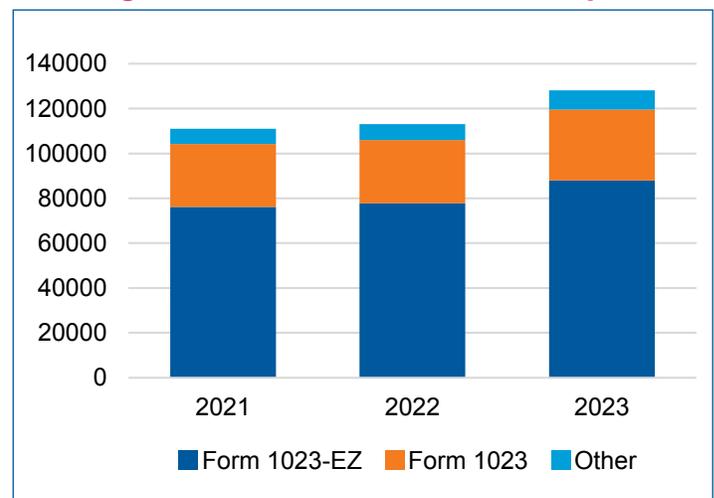
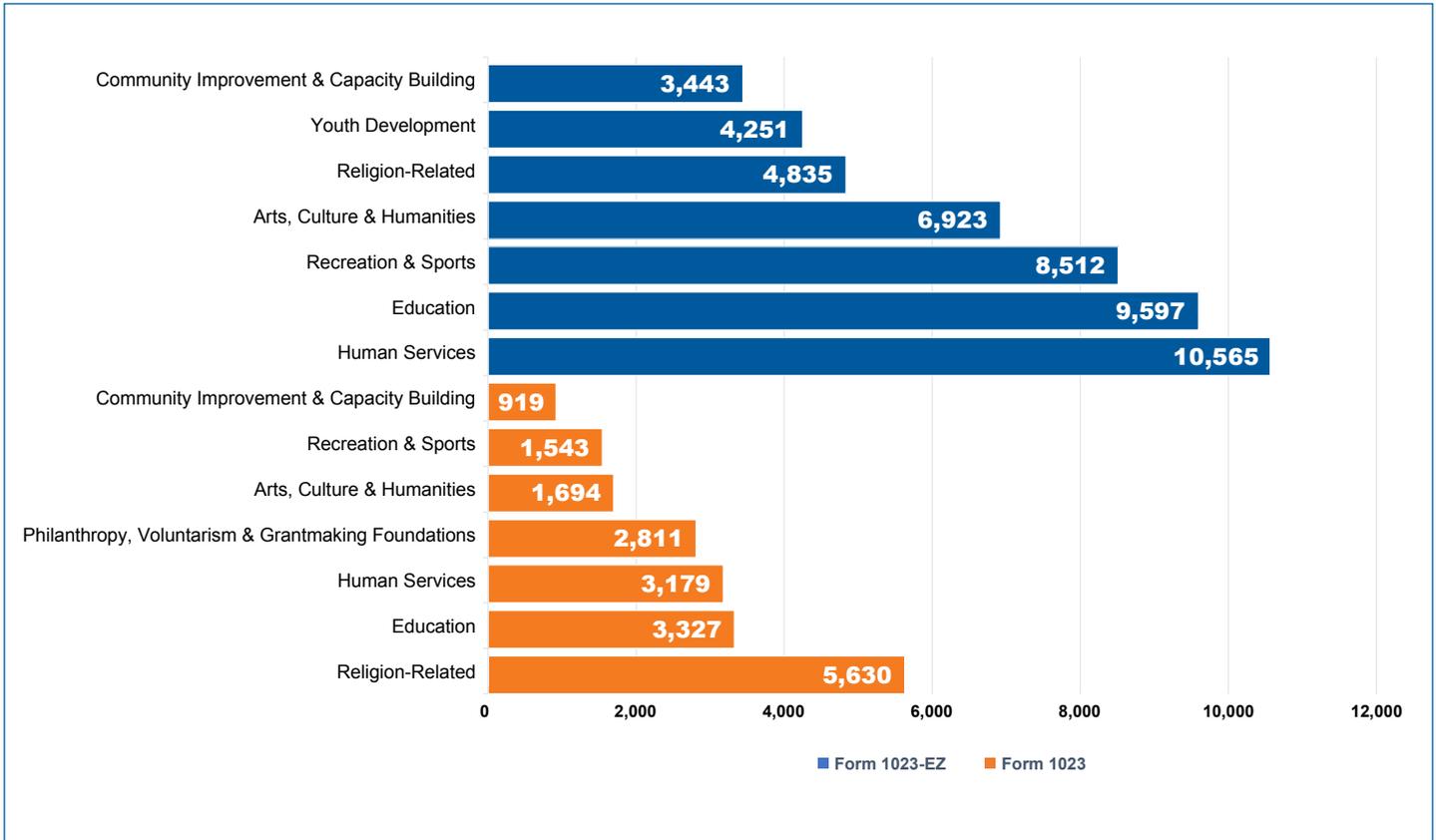


Figure 4: Taxonomy of 501(c)(3) Organizations Approved in FY 2023



Employee Plans

Examinations

	Started	Closed	Change %	Pick-up %
Compliance Strategies	443	581	76.9%	61.3%
Data-Driven Approaches	1,320	1,311	73.9%	53.9%
Referrals, Claims and Other Casework	1,983	2,100	73.6%	54.9%
Totals	3,746	3,992	74.2%	55.5%

EP closed 3,992 examinations in fiscal year 2023. We proposed revocations or disqualifications for eight (8) plans in these examinations for issues involving participation/eligibility/coverage and proper employer contributions relating to SIMPLE and SARSEP IRAs. A SIMPLE IRA plan (Savings Incentive Match Plan for Employees) allows employees and employers to contribute to traditional IRAs set up for employees and a SARSEP is a simplified employee pension (SEP) plan set up before 1997 that includes a salary reduction arrangement.

Compliance Strategies

EP continued examinations on the following compliance strategies:

- Required Minimum Distributions in Large Defined Benefit Plans: Ensured that retirement plan sponsors distributed benefits according to IRC Section 401(a)(9).
- 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.
- Worker Classification: Examining worker classifications.
- Required Minimum Distributions in Single Participant Plans: Reviewing single participant plans to verify that the required minimum distribution rules have been followed.
- Multi-Employer Plans: Reviewing a plan identified as a multi-employer plan after 4/2001.

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.
- IRC 401(k) plan issues

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

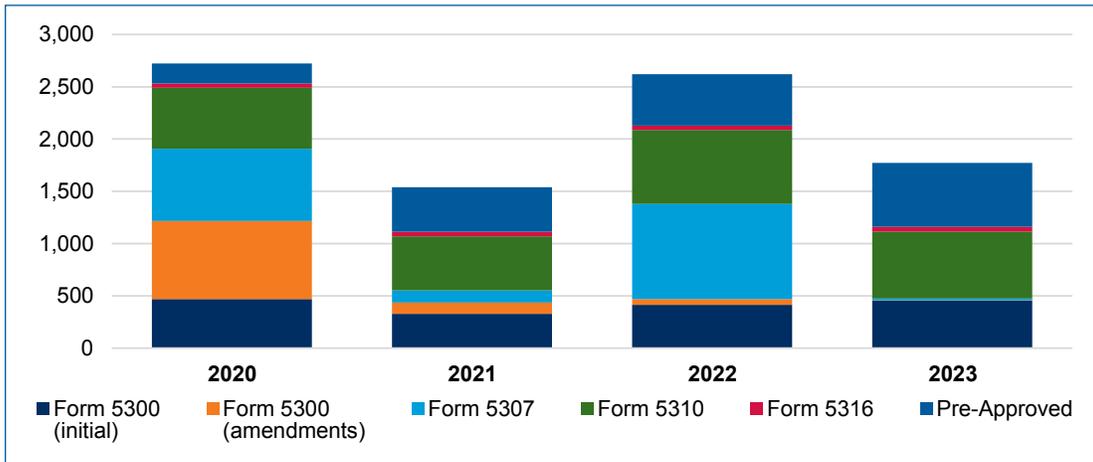
Referrals, Claims and Other Casework

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.

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 2020 – FY 2023)

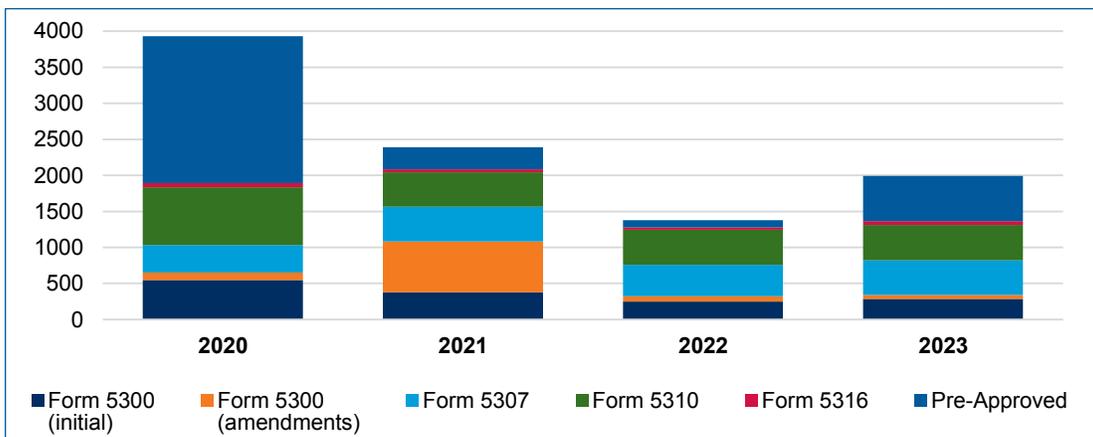


EP Determinations split focus between determination and pre-approved plan applications programs, examinations and voluntary compliance during fiscal year 2023. EP Determinations closed 1,367 determination applications, 226 examinations, 30 determination/examination assistance cases and 53 voluntary compliance cases. The figure above shows the EP determination letter and pre-approved plan applications received over the last four fiscal years. The determination letter program was expanded to include 403(b) individually designed plans. The program opened June 1, 2023 and was the first time these filers were allowed to submit for a determination letter.

As of June 1, 2023, all determination letter applications now file electronically through Pay.gov.

During fiscal year 2023, EP reviewed and finalized the third cycle defined benefit pre-approved plans, issuing 582 letters on February 28, 2023. The window for the second cycle 403(b) pre-approved plans closed May 1, 2023 with total receipts of 550. Training was held in early June and review of the 53 lead cases began later that month.

Figure 6: EP Application Closures (FY 2020 – FY 2023)



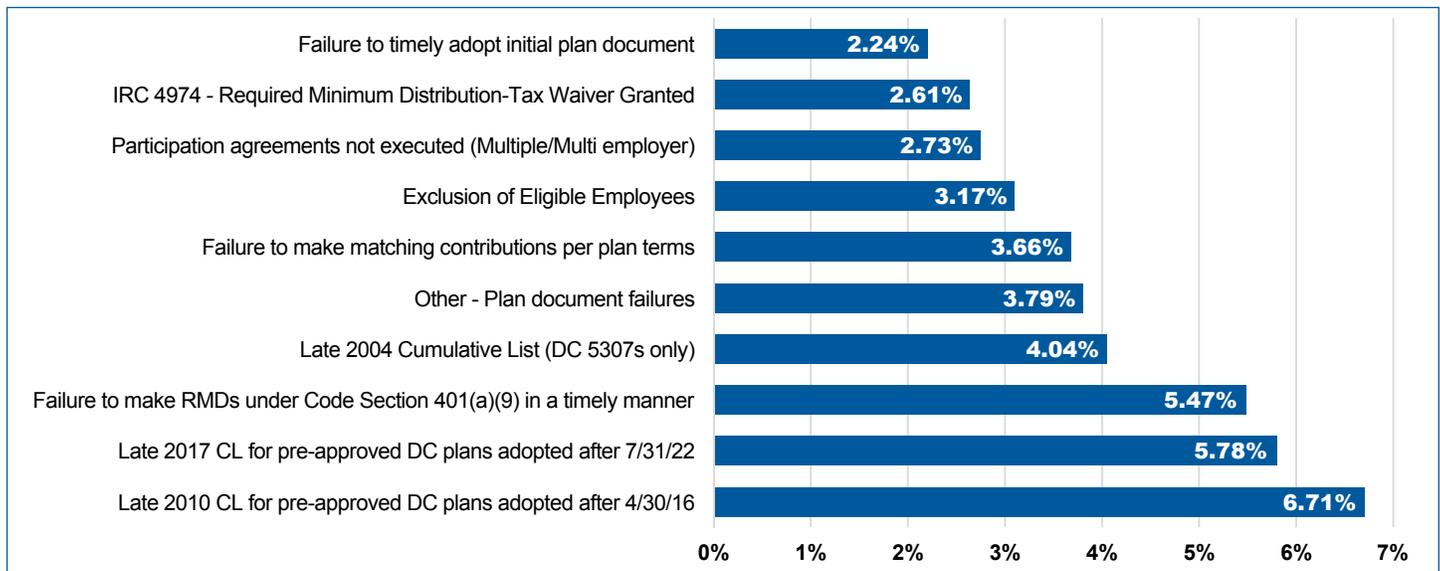
Voluntary Correction and Other Technical Programs

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 2023, EP received 1,185 voluntary correction applications and closed 1,142.

For the year, Voluntary Compliance returned its focus to regular voluntary compliance work, successfully reducing its Exam inventory from 114 cases to just 6 cases (representing 2 lead plans). This allowed the program to achieve voluntary compliance closures at 200% of the annual goal, effectively stabilizing its inventory.

Figure 7 lists the top 10 types of failures corrected through the VCP in fiscal year 2023.

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	1	27	88.9%	22.2%
Data-Driven Approaches	451	537	62.4%	21.2%
Referrals, Claims and Other Casework	454	187	80.7%	52.4%
Totals	906	751	67.9%	29.0%

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 751 examinations in fiscal year 2023.

Compliance Strategies

FSL-ET closed 27 compliance strategy cases to address noncompliance with worker classification requirements.

Data-Driven Examinations

FSL-ET closed 537 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 187 referrals, Employer Retention Credit reversal cases, and claim cases in fiscal year 2023, 81% of which resulted in tax changes. The most prominent issues found in these examinations relate to failing to file returns, FICA taxes, unreported compensation, and claiming Employer Retention Credits when not eligible or for incorrect amounts.

Indian Tribal Governments (ITG)

	Started	Closed	Change %	Pick-up %
Compliance Strategies	0	0	N/A	N/A
Data-Driven Approaches	45	42	57.9%	42.9%
Referrals, Claims and Other Casework	182	197	94.4%	83.2%
Totals	227	239	88.0%	76.2%

ITG continued to maintain a service and enforcement presence with tribal entities in fiscal year 2023. ITG closed 239 examinations. ITG continued to help tribes, as requested, or needed, based on a government-to-government relationship, comply with the tax law.

Data-Driven Examinations

ITG closed 42 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 197 returns in this category that includes referrals, claims, and training cases.

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, backup withholding, and claiming Employer Retention Credits for incorrect amounts.

ITG Compliance Contacts

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

- Securing tip agreements,
- Refreshing expiring tip agreements,
- Reviewing and approving tip agreement addendums,
- Terminating tip agreements on noncompliant agreement holders,
- Referring tipped employees, who opt out of participation in the voluntary tip compliance agreements, for possible examination, 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	71	92	6.5%	1.1%
Data-Driven Approaches	0	0	N/A	N/A
Referrals, Claims and Other Casework	125	134	67.9%	32.1%
Totals	196	226	42.9%	19.5%

* Directly impacted by process changes of TEGE-04-1122-0033, Interim Guidance on Change Due to Correction of Operations which eliminated advisories from the change category

TEB closed 226 examinations in fiscal year 2023, which were comprised of compliance strategies and referrals, claims and other casework.

Compliance Strategies

TEB's fiscal year 2023 examination compliance strategies included:

- 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.
- Small Issue Bonds: Determine whether all applicable requirements for IRC Section 144(a) Small Issue Bonds have been met.
- Yield Restrictions: Determined arbitrage violations under IRC Section 148, specifically pertaining to the requirement to yield restrict certain non-purpose investments or, if permitted, submit a yield reduction payment when required.
- Tribal Economic Development Bonds: Determine that bonds meet requirements of IRC Sections 7871(f) and IRC 141(e), which allows such bonds to be issued for private activity purposes that are not essential government functions.

TEB closed 92 compliance strategy cases. Several of these cases addressed issues such as incomplete returns and qualification issues.

Referrals, Claims, and Other Casework

TEB closed 134 examinations in this portfolio including training cases, tax credit bonds, claims, and referrals. The most prominent issues found in the cases examined were claims for refund, rebate requirements, and yield restriction issues.

TE/GE Compliance Contacts

	Started	Closed	Change %
Totals	8,139	4,571	77.5%

In fiscal year 2023, TE/GE continued educating taxpayers through compliance checks 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
- 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
 - Form 990-T, Exempt Organization Business Income Tax Return, to report and pay investment income
- 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 2023, TE/GE completed 877 reviews which is slightly below our yearly average due to resource limitations. These same resources were also committed to other priority work including initial review, establishment, and processing associated with ERC claims. 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).

Outreach

In fiscal year 2023, TE/GE continued its education and outreach efforts. Fiscal year 2023 saw the return of in-person outreach as two-thirds of TE/GE events were in-person. During the year, TE/GE employees participated in 25 virtual and 49 in-person outreach events, reaching over 35,113 people. Of the 74 events:

- 17 addressed exempt organizations and their representatives
- 18 addressed federal, state and local government partners
- 29 addressed employee plan sponsors, administrators, and their representatives
- 7 addressed Indian tribal governments
- 2 addressed tax-exempt bond stakeholders
- 1 was for multiple TE/GE stakeholders

The 2023 IRS Nationwide Tax Forum was live, in-person at five locations around the country after three years of the virtual tax forum. Employee Plans presented two seminars, twice at each location, while Exempt Organizations presented one seminar and three workshops at each location. EP and EO reached nearly 11,000 tax forum attendees.

One EP seminar focused on the many SECURE 2.0 Act changes affecting retirement plans and IRAs, and the second seminar discussed the different key features of the different types of plans and included tips for the do-it-yourself small business on how to operate a retirement plan. The EO seminar updated attendees on the electronic filing requirements for applications and forms, and how to use the TEOS tool. The EO Workshop discussed the responsibilities of tax-exempt status, applying for tax-exempt status and how to find, fix and avoid auto-revocation issues.

For the first time in more than a decade, the IRS had an exhibit booth inside the exhibit hall at each tax forum. EP and EO staffed one corner of the booth along with SBSE, the Taxpayer Experience Office and other functions. TE/GE C&L created a bookmark for the exhibit booth with a list of friendly URLs for charity webpages on one side, retirement plan webpages on the other. Our booth staffers responded to questions and helped several hundred attendees work through their compliance problems and have a better understanding of how to keep their charities and retirement plans in compliance.

EP presented an update on the SECURE 2.0 Act changes at the Latino Tax Fest. The EP Director gave the presentation in Spanish in one auditorium at the same time as an EP Tax Law Specialist gave the presentation in English, reaching more than 3,000 multi-lingual attendees.

The IRS Commissioner and TE/GE Commissioner participated in the Treasury Tribal Advisory Committee (TTAC) meeting held in Washington, D.C. The TTAC is a seven-member Tribal advisory committee, which advises the Secretary of the Treasury on significant matters related to the taxation of Indians, the training of Internal Revenue Service field agents and the provisions of training and technical assistance to Native American financial officers.

ITG conducted two Sports Wagering webinars and virtual Employment Tax Training for Tribal Governments.

In addition to outreach events, TE/GE reached taxpayers through sending 37 GovDelivery news messages to subscribers:

- 1 TE/GE-wide messages (to subscribers of all functional newsletters)
- 8 EO Updates
- 8 EP News
- 12 ITG News
- 3 TEB Community Updates
- 5 FSL-ET News

TE/GE posted 2 Issue Snapshots to IRS.gov for EP in fiscal year 2023. See below

Function	Topic
EP	<ul style="list-style-type: none">▪ Deductibility of employer contributions to a 401(k) plan made after the end of the tax year▪ Plan Loan Offsets

Small Entity Compliance Initiative (SECI)

As part of the SECI communication initiative, TE/GE continued its effort to expand its outreach focus on small tax-exempt entities and underserved taxpayers - charities, retirement plan sponsors, and small governmental entities including tribal governments and tribal members. Additionally, ITG continued its collaboration with Stakeholder, Partnerships, Education Communication (SPEC) to provide Volunteer Income Tax Assistance (VITA) sites serving tribal communities within Indian Country. C&L worked with the functions to focus SECI communication efforts using several methods, including live and virtual events, and online resources.

The IRS Nationwide Tax Forums was our top SECI event series in 2023, reaching nearly 11,000 enrolled agents and other tax preparers that work with small tax-exempt organizations, retirement plan sponsors and plan participants. EP spoke at the Latino Tax Fest in English and Spanish updating the SECURE 2.0 Act changes. C&L presented the following virtual outreach events designed to help small entities fulfill their tax obligations.

- Who is an Employee?
- Payroll Reconciliation
- Sports Wagering
- Employment Tax and Payroll workshops
- BSA E-filing System for Casinos
- Bank Secrecy Act requirements
- SECURE 2.0 Act retirement plan changes
- IRS Stakeholder Liaison Practitioner meetings
- Department of Labor – Employee Benefits Security Administration (DOL-EBSA) small business seminars
- Bar Association and AICPA presentations
- Electronic filing of Form 8038-CP

In conclusion, we're proud of our fiscal year 2023 accomplishments and we thank everyone for the hard work, perseverance, and support you provided. As we strive to achieve our fiscal year 2024 priorities, which are highlighted in [TE/GE 2024 Program Letter](#), we know that we can continue to count on our dedicated and resourceful workforce to provide the best service to taxpayers as transformation efforts continue.

TE/GE employees provide an important service to tax administration, to taxpayers, and to this country. Keep up the good work.

Thank you for reading.