



A message from the TE/GE Commissioners

Edward T. Killen
Commissioner, TE/GE

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Hello,

Thank you for helping us accomplish our strategic goals and mission while promoting voluntary compliance to the tax-exempt sector. Our Fiscal Year 2024 (FY 2024) Accomplishments Letter provides a detailed overview of our successes.

In FY 2024, we continued our transformation efforts by enhancing the taxpayer experience and promoting voluntary compliance. TE/GE recruited, hired, and trained 876 new employees, modernized systems and technology, and implemented other improvements that benefit taxpayers, our employees, and the American public.

Tax Exempt and Government Entities (TE/GE) made significant operational enhancements in FY 2024 and below are some of our achievements.

Collaboration Efforts Yield Positive Results

- Working in collaboration with IRS Information Technology (IT), we expanded the use of the Document Upload Tool for Taxpayer Facing Employees (DUT – TPFE) within our Examinations programs. DUT – TPFE allows taxpayers to electronically upload responses to requests for information to a portal on IRS.gov which reduces case processing time and the need to send paper documents through the mail.
- In partnership with IRS Research, Applied Analytics & Statistics (RAAS), we initiated the development of two artificial intelligence (AI) machine learning models. The first model automates the triage process for referrals and the second model will prioritize and rank cases focusing on referrals reporting the highest strategic risk of noncompliance.
- We worked with other IRS business operating divisions including Large Business & International (LB&I), Taxpayer Services (TS), IT, Tax Forms & Publications (TF&P), and Counsel to identify and implement form, programming and processing changes needed to expand the use of Form 990-T which enables TE/GE taxpayers to make elective payment elections for clean energy tax credits.
- We collaborated with LB&I, Small Business/Self Employed (SB/SE), TS and IT to leverage data from the electronic pre-filing registration portal to conduct at-filing review of Forms 990-T to mitigate the risk of duplicative or improper payments and fraud related to



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elective payments; and, to facilitate the timely issuance of refunds.

- We collaborated with IT to blueprint a modernized case management system for TE/GE Determinations.

TEOS Improvements Enhance User Experience

- We improved the user experience on the Tax Exempt Organization Search (TEOS) located on IRS.gov by developing a comprehensive list of datasets, dataset guides, data dictionaries, indices, annotated tax forms from 2022-2023, schemas redacted for non-software developers from 2018-2023, and FAQs accessible on TEOS Improvements webpage. We updated the Data.gov catalog with a direct TEOS link and enhanced the 2024 XML index file for easier navigation of bulk download data.

Successful Major Hiring Initiative

- In FY 2024, we hired 720 Revenue Agents, 50 Tax Compliance Officers, 48 Tax Examiners, 10 Actuaries, 6 Tax Law Specialists and 42 other positions, a total of 876 employees.

Everyone played a vital role in helping TE/GE provide better service to the tax-exempt sector. We encourage you to read the FY 2024 Accomplishments Letter to learn more about your contributions and our successes.

Thanks for reading,

Edward T. Killen

Robert S. Choi

TE/GE Snapshot

The entities that fall within TE/GE’s jurisdiction are diverse, ranging from small local community organizations, major universities, large pension funds, small business retirement plans, federal, state, and local governments, participants in complex tax-exempt bond transactions and Indian tribal governments and tribal associations. The commonality among these entities is that they are all generally exempt from or not subject to federal income tax; however, they may be subject to other federal taxes, such as excise and employment taxes. 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 employ over 28% of the American workforce.

To help this diverse set of entities meet their tax obligations and to enforce the tax laws, TE/GE continues to invest in our workforce. TE/GE started FY 2024 with 1,520 staff on rolls. During the year, TE/GE experienced anticipated attrition and lost 288³ (average attrition rate of 7.8%); and, hired 876 employees to end FY 2024 with 2,108 permanent staff on rolls. The 876 hired include 720 Revenue Agents, 50 Tax Compliance Officers, 48 Tax Examiners, 10 Actuaries, 6 Tax Law Specialists and 42 other positions.

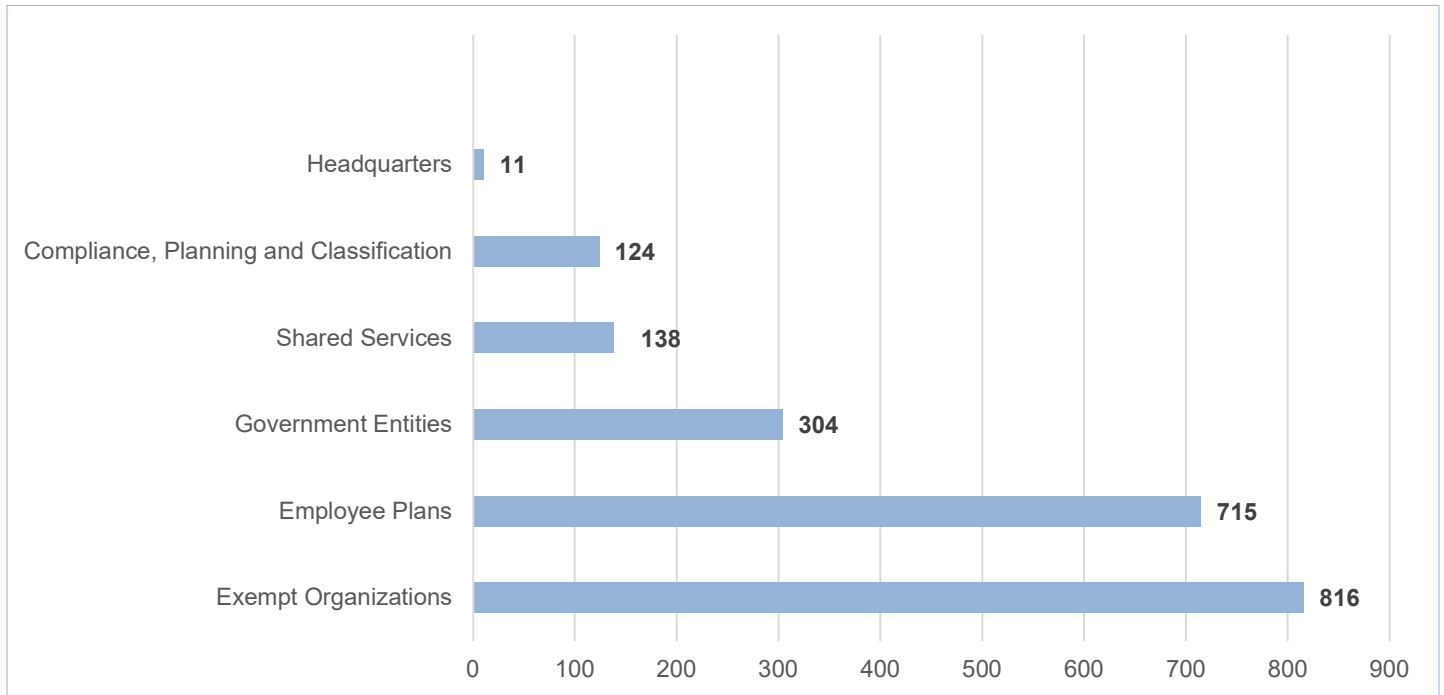
TE/GE’s Organizations

Employ over
28%
of the American workforce

Control nearly
\$53T
in assets¹

Account for about
26% of \$1.5T
in federal tax expenditures²

Figure 1: FY 2024 Year End Staffing



¹ In 2024 dollars. Represents the latest data available for assets for U.S. Retirement plans (2023), F990/F990EZ assets estimates (2021), domestic private foundation estimates (2020), 529 plans (2024), and outstanding municipal debt (2nd quarter 2024).

² Represents latest data available for projected 2024 Tax expenditures (from 2022). 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].

³ The fiscal year on rolls total is adjusted by the net gains and losses due to temporary staff movements which result in a net decrease of 14 excluded from year end on rolls.



In FY 2024, 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 input merged with data analytics. Using an online 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 654 submissions from employees. From these submissions, the TE/GE CGB approved 93 compliance strategies and 12 data driven compliance workstreams, 68% of which are currently underway as examinations or compliance checks with taxpayers. Of the 93 approved compliance strategies, 15 were converted to data-driven approaches.

To accomplish our mission, we delivered a platform of six portfolios of work that promote tax law compliance:

- **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, to 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 the correction of plan failures. Other technical programs, including Knowledge Management, 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

With the launch of the Exempt Organizations Graph Exploration Tool (EOGET) in FY 2023, we continued activities to enhance EOGET in FY 2024. We developed training to help compliance employees incorporate and apply the tool in their examination cases. In addition, we added new data elements which led to the successful integration of EOGET into the Compliance Data Warehouse Knowledge Graph Environment (CKGE). LB&I and Criminal Investigations (CI) adopted these tools for their agents to use in their investigations. The integration of EOGET into CKGE, combined with the large number of new hires across TE/GE, requires a step back to revisualize how to integrate all the specialized tools into the toolbox of every examiner.

Each year, TE/GE Classification and Case Assignment (C&CA) processes over 10,000 TE/GE referrals from taxpayers, manually reviewing and classifying each one to determine the level of merit warranting potential compliance enforcement action. To improve efficiency in this process, C&CA is partnering with IRS Research, Applied Analytics & Statistics (RAAS) to develop two AI, machine-learning models. Processes associated with both models include expert employee oversight to ensure appropriate quality controls. The first model automates the triage process for referrals, which currently involves manually filtering out

⁴ 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.

referrals lacking legitimate, actionable, or relevant information. Automating triage decisions will significantly accelerate the existing process. The second model will prioritize and rank cases in the Reporting Compliance Case Management System (RCCMS), focusing on referrals that are reporting the highest strategic risk of noncompliance. This prioritization will allow employees to use their time more efficiently. We have completed initial testing of both models and have seen promising results that the models are effectively aiding in the screening and identification of referrals suitable for examination. TE/GE C&CA anticipates the roll out to production in FY 2025.

In FY 2024, we migrated the TE/GE Compliance Issue Submission Portal and corresponding Compliance Issue Portal to SharePoint Online. As part of the migration, we expanded the Compliance Issue Submission Portal to show TE/GE submitters the status of their previous submissions. In addition, we made multiple improvements to the Compliance Issue Portal: enhanced functionality, updated reporting using PowerBI (an interactive data visualization software product developed by Microsoft), added several automated internal Compliance, Planning and Classification (CP&C) notifications that eliminate the need for users to send emails external to the system, integrated the combined code book list, and updated the Portal resource material. We surveyed users of the Compliance Issue Portal to gain insights on the useability and identify areas of improvement. We implemented some of the improvements requested in FY 2024 (e.g., updating managerial reports) and others will be implemented in FY 2025 (e.g., addition of related Issue Control Numbers to the Issue Combined listing).

We continued our improvement efforts in FY 2024 by adding functionality in Enterprise Case Management (ECM) for 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. In addition, TE/GE kicked-off activities with IT to blueprint a modernized case management system for TE/GE Determinations operations. We identified team members to assist with the design of the new system and shared current- and target-state documents for pre-review to the team in preparation for a 10-week design session that began in October 2024.

Collaborative Partnerships

TE/GE collaborated with a diverse group of stakeholders to strengthen our programs in FY 2024. We partnered with IT to drive key components of the IRS modernization plan. We expanded use of the Document Upload Tool for Taxpayer Facing Employees (DUT - TPFE) for all TE/GE Determinations and Examination customers. DUT - TPFE provides an avenue for taxpayers to upload responses to requests for information to a portal on IRS.gov. This digital

solution is designed to decrease case processing time and supports our goal to provide taxpayers ways to submit information electronically and to reduce the need to send paper documents through the mail. In addition, we deployed three forms through the Digital and Mobile Adaptive Forms (DMAF) platform. This digital solution provides an enhanced electronic method for the public to submit forms. We also implemented five internal forms that are available for use by our Employee Plans employees.

TEOS

In FY 2024, we made available on the [TEOS Improvements](#) page on IRS.gov all descriptive information (metadata), including a comprehensive list of datasets, dataset guides, data dictionaries, indices, annotated tax forms from 2022-2023, schemas redacted for non-software developers from 2018-2023, and frequently asked questions. This content, organized based on recommendations from a coalition of research stakeholders, is designed to provide user-friendly and structured descriptive information. In addition, we updated the Data.gov catalog by adding a direct link to TEOS and improved the usability of the Form 990 series (e-file) XML format index file for the 2024 bulk download data. The index effort included a detailed listing and description of file contents for each 2024 monthly zipped file, enabling users to navigate and access the data more easily.

Elective Payments

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, Taxpayer Services (TS), IT, Tax Forms & Publications, and Counsel to identify and implement form, programming, and processing (including correspondence) changes to expand the use of Form 990-T to enable TE/GE's taxpayers to make elective payment elections 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. TE/GE worked with LB&I, SB/SE, TS, and IT to operate and improve an electronic portal for submission and review of pre-filing registrations and to develop processes addressing issues and needs related to TE/GE taxpayers. TE/GE collaborated with LB&I, SB/SE, TS, and IT to leverage data from the

electronic pre-filing registration portal and conduct at-filing review of Forms 990-T to mitigate the risk of duplicative or improper payments and fraud related to elective payment elections for clean energy tax credits, and to facilitate the timely issuance of refunds.

Fraud/Promoter/Abusive Transactions

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. 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 RAAS to develop methods to identify potential noncompliance in the exempt organization community.

In FY 2024, 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 discussion on additional cases and developing a plan to analyze and identify potential issues for another round of joint examinations. We expect the joint examinations to continue in FY 2025. 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 FY 2025.

DOL Collaboration

EP has shared jurisdiction over Employee Retirement

Income Security Act of 1974 (ERISA) with the Department of Labor's Employee Benefit Security Administration (EBSA) and the Pension Benefit Guarantee Corporation (PBGC). Throughout FY 2024, 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 training, fraud, and ESOPs. Collaboration at the local level continued throughout the year with meetings between EP and EBSA field offices to discuss issues, trends, and joint examinations.

Equity, Diversity, & Inclusion

The office of TE/GE Equity, Diversity & Inclusion (EDI), continued to support the IRS EDI office's FY 2024 strategy and roadmap. This included marketing the "Celebrating Our Uniqueness Together: Uniqueness = U in Action" campaign, which featured a variety of activities structured around five focus areas—Celebrate, Educate, Elevate, Integrate, and Activate. TE/GE EDI launched our Uniqueness website, which includes a short video clip from the TE/GE EDI Director, announcing and asking for participation in the "Who Knew?" series, which encouraged employees to share something interesting about themselves their colleagues may not know. In FY 2024, TE/GE EDI published 17 articles in the TE/GE employee news. TE/GE EDI was instrumental in providing recommendations to HQ EDI for the FAQs of a Reasonable Accommodations document, which has been distributed and used as a reference throughout the IRS.

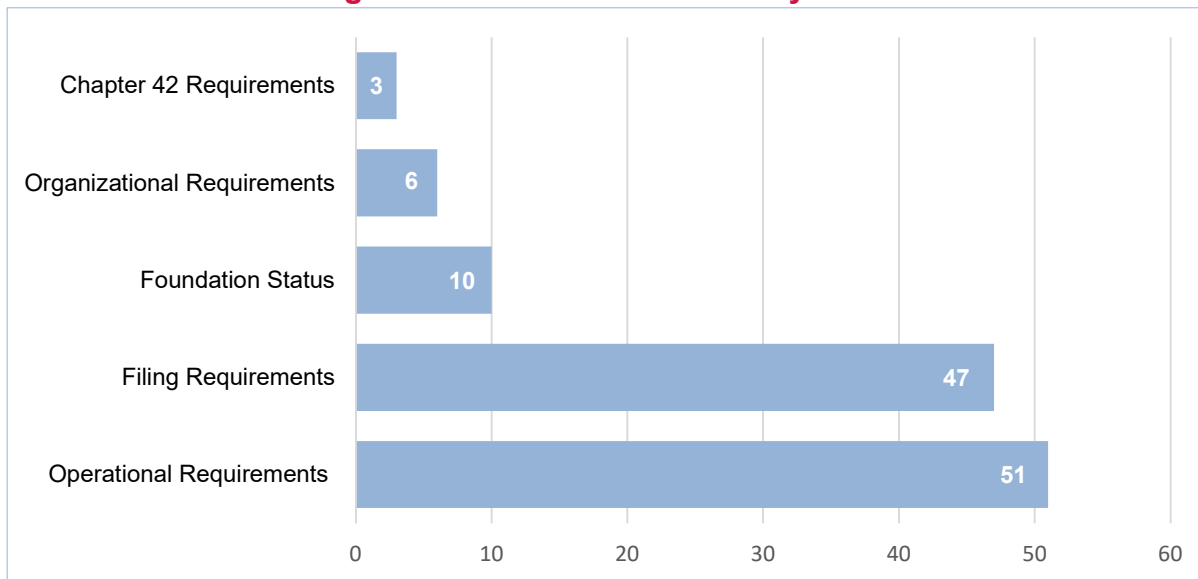
Exempt Organizations (EO)

Examinations

	Started	Closed	Change %	Pick-up %
Compliance Strategies	160	207	64.7%	31.9%
Data-Driven Approaches	489	536	67.2%	52.8%
Referrals, Claims and Other Casework	2,590	1,212	79.5%	31.8%
Totals	3,239	1,955	74.5%	37.5%

EO completed examinations of 1,955 filings in FY 2024, including the Form 990 series (990, 990-EZ, 990-PF, 990-N, 990-T) and their associated employment and excise tax returns. Overall, 74.5% of closed examinations resulted in a tax change (change percentage) and 37.5% of the examinations were “picked-up” from a related examination (pick-up percentage). We proposed revocations for 87 tax-exempt entities as a result of these examinations.

Figure 2: FY 2024 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:

- Tax-exempt hospitals and their compliance with the Patient Protection and Affordable Care Act (PPACA): where we verify whether tax-exempt hospitals are complying with their statutory obligations under Internal Revenue Code (IRC) section 501(c)(3) and Section 501(r).
- 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 are normally not \$50,000 or less.

The most prominent issues found in compliance strategy examinations relate to the failure to meet filing or operational requirements necessary to maintain tax-exempt status.

Data-Driven Examinations

In addition, 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.
- 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.

The most prominent issues found in data-driven examinations involve the failure to meet supporting organization requirements or operational requirements related to operating for an exempt purpose.

Referrals, Claims and Other Casework

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

- 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 ineligibility, the failure to meet operational requirements related to operating for an exempt purpose, and the presence of private benefit or inurement.

Determinations

EO closed 136,710 determination applications in FY 2024, of which 127,809 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. The use of Form 1023-EZ has grown since its introduction in 2014, and TE/GE continues our efforts to collect, monitor and evaluate data to understand the impact and opportunities from this important change to our 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 FY 2024 by application type. The visual provides the categories with the highest proportion of organizations. The organizations that we approved through the Form 1023-EZ in FY 2024 were mostly organizations categorized as human services, education, arts, culture and humanities, and recreation and sports. The organizations that we approved after filing a Form 1023 were largely organizations categorized as religion-related, human services, education, and philanthropy, volunteerism, and grant-making foundations.

Figure 3: EO Determination Receipts

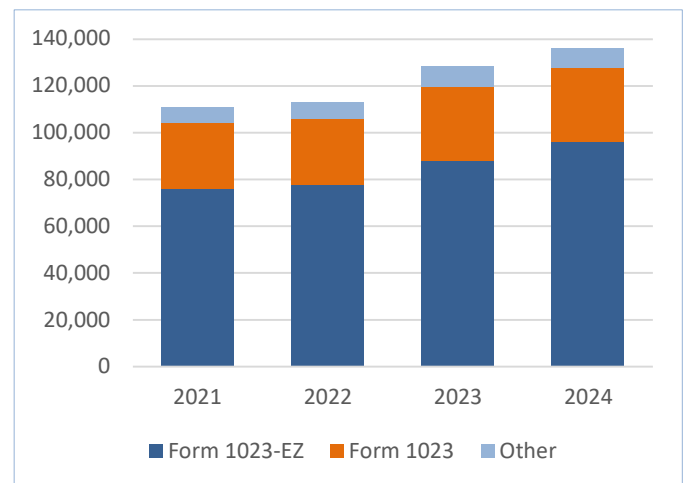
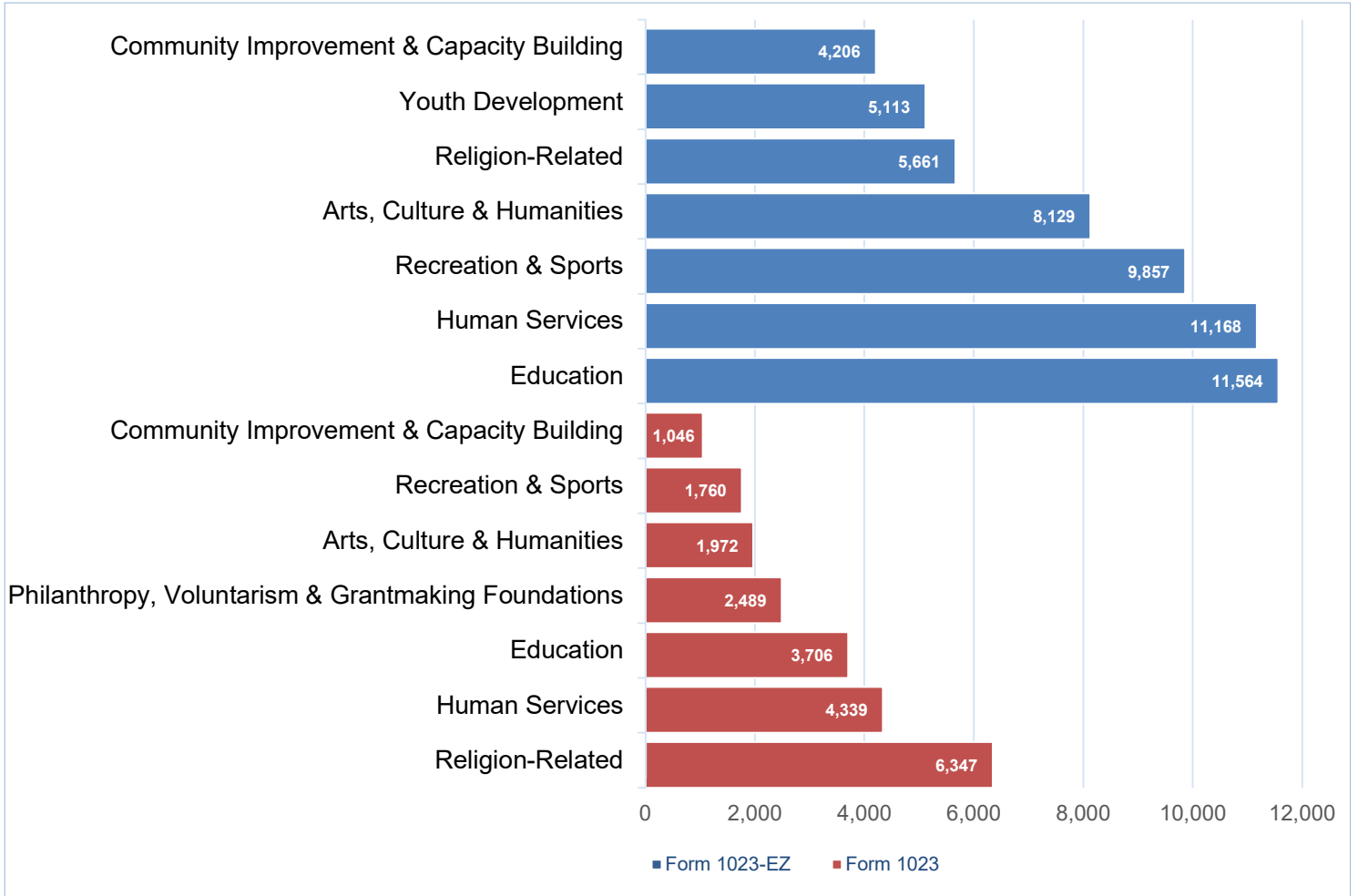


Figure 4: Taxonomy of 501(c)(3) Organizations Approved in FY 2024



Employee Plans (EP)

Examinations

	Started	Closed	Change %	Pick-up %
Compliance Strategies	102	397	74.3%	61.0%
Data-Driven Approaches	1,120	1,407	66.5%	47.3%
Referrals, Claims and Other Casework	2,096	2,210	77.7%	57.6%
Totals	3,318	4,014	73.4%	54.3%

EP closed 4,014 examinations in FY 2024.

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).
- Worker Classification: examined worker classifications.
- Required Minimum Distributions in Single Participant Plans: reviewed single participant plans to verify that the required minimum distribution rules have been followed.
- Multi-Employer Plans: reviewed a plan identified as a multi-employer plan after 4/2001.
- ESOPs (Leveraged and Non-Leveraged): reviewed employee stock ownership plans to determine if there were operational or qualification failures, income tax adjustments, or plan document violations.

Prominent issues found in EP’s compliance strategy casework include failure to make required minimum distribution under IRC 401(a)(9), failure to distribute per plan terms, and errors in allocation of contributions and/or forfeitures due to reasons other than incorrect definition of compensation used.

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 EP’s data-driven approach portfolio of work relate to contributions, earning allocations, participation and coverage, loans treated as deemed distributions per IRC 72(p), prohibited transactions per IRC 4975(a), and failure to include taxable distributions into income.

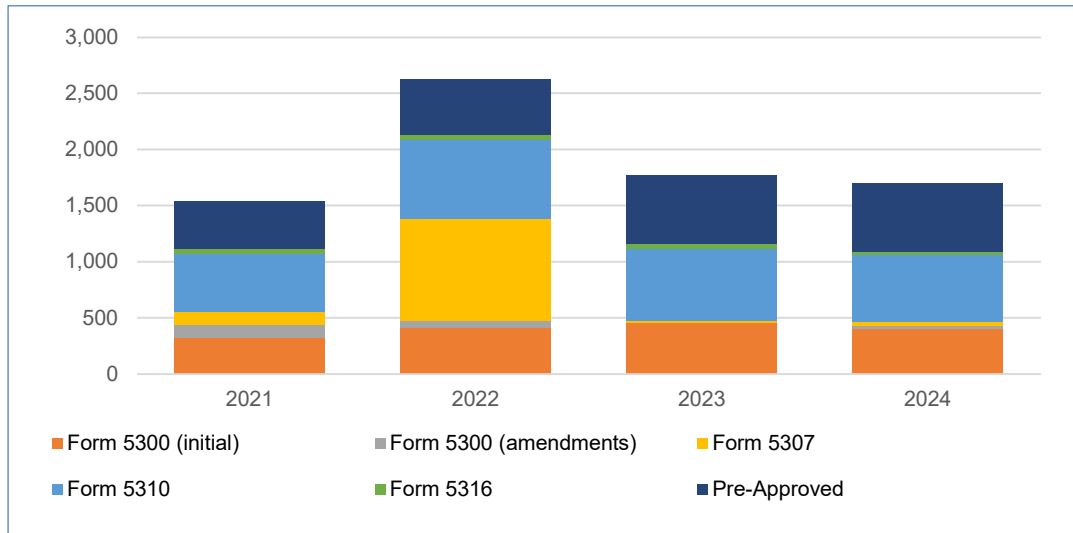
Referrals, Claims and Other Casework

EP also verified whether 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. In FY 2024, 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 relate to non-reporting of unrelated business income, failure to meet minimum funding standards, failure to properly value all assets as fair market value, prohibited transactions – continuous or discrete transactions, and various participation/eligibility/coverage related issues.

Determinations

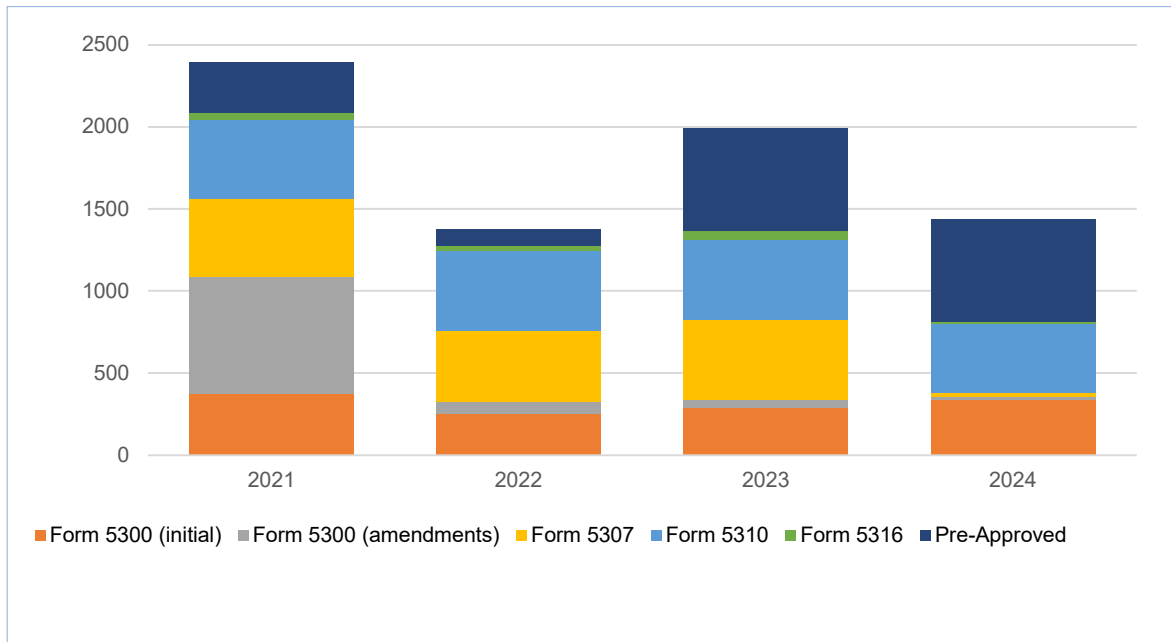
Figure 5: EP Application Receipts (FY 2021 – FY 2024)



EP Determinations employees spent FY 2024 split between serving as instructors for formal training (determinations and examinations) and serving as on-the-job instructors for 90 new hires. Most seasoned employees assisted in the many facets of training that is focused on introducing determinations and examinations to new hires. Employees also focused on pre-approved reviews for the second cycle 403(b) pre-approved program. In FY 2024, EP Determinations closed 890 determinations/pre-approved cases and 119 examinations cases.

EP Determinations added all Forms 4461 series onto Pay.gov. This will allow all pre-approved plan filers to pay and submit documents electronically ending the past practice of mailing in paper documents and checks.

Figure 6: EP Application Closures (FY 2021 – FY 2024)

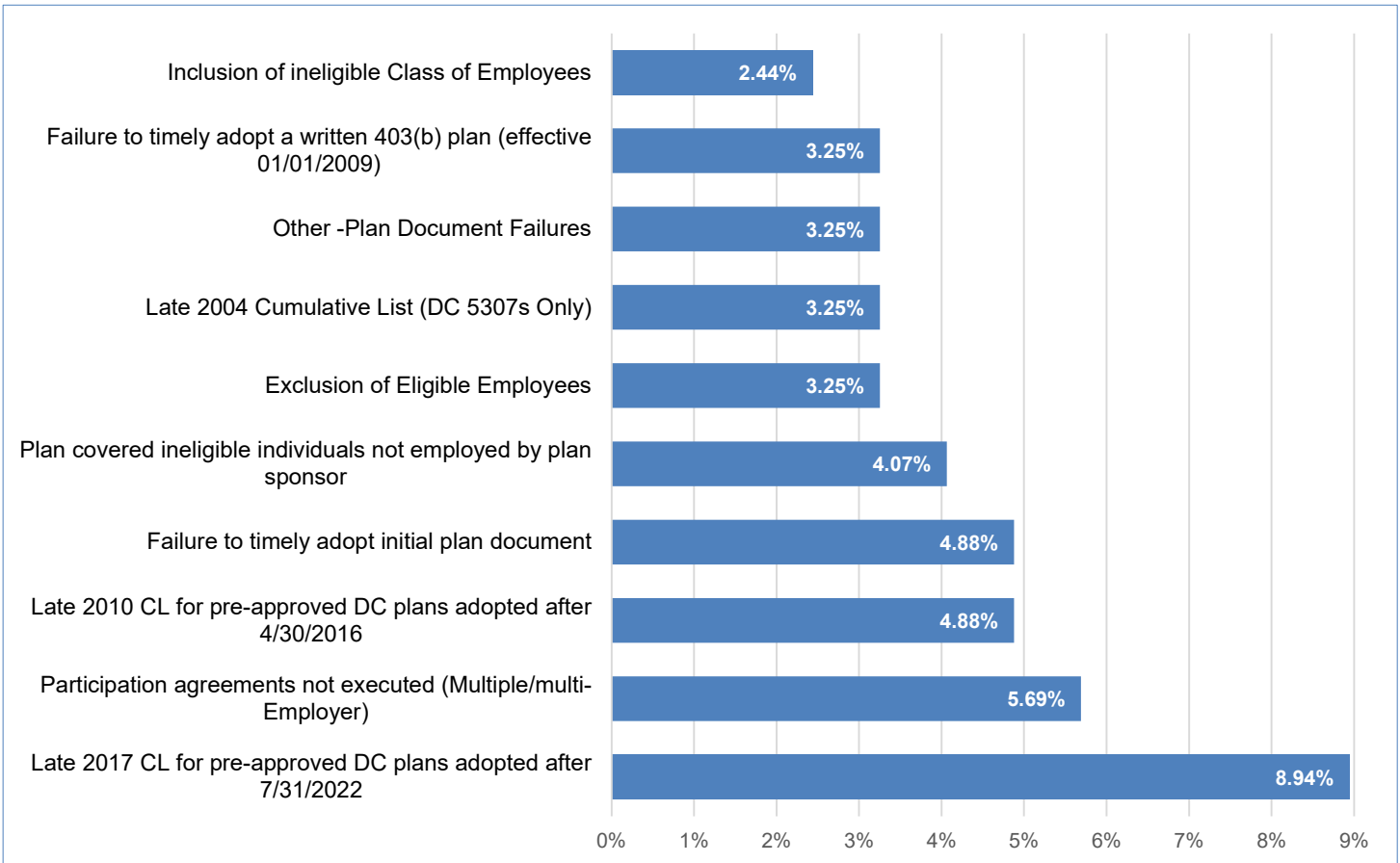


Voluntary Correction and Other Technical Programs

The EP Voluntary Correction Program (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 FY 2024, EP received 895 voluntary correction applications and closed 790.

Figure 7 lists the top 10 types of failures corrected through the VCP in FY 2024.

Figure 7: Top 10 Failures Corrected Through EP VCP



Other technical programs, including Knowledge Management, 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	16	12	100.0%	67.7%
Data-Driven Approaches	329	333	70.3%	32.1%
Referrals, Claims and Other Casework	164	367	87.5%	33.5%
Totals	509	712	79.6%	33.4%

FSL-ET continues to address noncompliance issues with federal, state, and local government entities and employment tax issues with some tax-exempt organizations. In FY 2024, FSL-ET completed 712 examinations.

Compliance Strategies

FSL-ET closed 12 compliance strategy cases to address noncompliance with worker classification requirements.

Data-Driven Examinations

FSL-ET closed 333 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

In FY 2024, FSL-ET examined 367 referrals, Employee Retention Credit reversal cases, and claim cases of which 87.5% resulted in tax changes. The most prominent issues found in these examinations relate to failing to file returns, FICA taxes, unreported compensation, and claiming Employee 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	197	25	36.0%	4.0%
Referrals, Claims and Other Casework	11	97	95.9%	60.8%
Totals	208	122	83.6%	49.2%

ITG continued to maintain a service and enforcement presence with tribal entities. In FY 2024, ITG closed 122 examinations. ITG continued to help tribes comply with the tax law, as requested, or needed, based on a government-to-government relationship.

Data-Driven Examinations

ITG closed 25 data-driven examinations that were selected using queries that identified possible employment tax noncompliance. The most prominent issues found in these examinations relate to failing to file tax and information returns and backup withholding.

Referrals, Claims and Other Casework

ITG closed 97 returns in this category that includes referrals, claims, and training cases.

The most prominent issues found in these examinations relate to unreported compensation, FICA taxes, federal income tax withholding, failing to file tax and information returns, backup withholding, and claiming Employee 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	47	56	10.7%	1.8%
Data-Driven Approaches	0	0	N/A	N/A
Referrals, Claims and Other Casework	315	154	7.8%	1.9%
Totals	362	210	8.6%	1.9%

In FY 2024, TEB closed 210 examinations across the three compliance workstreams.

Compliance Strategies

TEB closed 56 compliance strategy cases. Several of these cases addressed issues such as bond yield/investment yield incorrect computations, yield restriction failures, and qualification issues.

TEB's FY 2024 examination compliance strategies included:

- Issuer-Prepared Form 8038-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: determined 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: determined that bonds met 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.

Referrals, Claims, and Other Casework

TEB closed 154 examinations in this workstream including training cases, tax credit bonds, claims, and referrals, and 501(c)(3) bonds. The most prominent issues found in the cases examined were state and local obligations, private activity bond, nonqualified ownership of financed property, management contract resulting in private use, and sale/disposition resulting in violation.

TE/GE Compliance Contacts

	Started	Closed	Change %
Totals	10,397	5,954	75.3%

In FY 2024, 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 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 FY 2024, 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 relate 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 FY 2024, TE/GE made significant strides in our education and outreach efforts including in-person events. During the year, TE/GE employees participated in 77 virtual and in-person outreach events, reaching over 44,229 people. Of the 77 events:

- 19 addressed exempt organizations and their representatives
- 6 addressed federal, state, and local government partners
- 31 addressed employee plan sponsors, administrators, and their representatives
- 13 addressed Indian tribal governments
- 5 addressed tax-exempt bond stakeholders
- 3 were for multiple TE/GE stakeholders

In addition to outreach events, TE/GE reached taxpayers through sending 148 GovDelivery news messages to customers who subscribe to our newsletters. In FY 2024, TE/GE issued:

- 37 EO Updates
- 13 EP News
- 26 FSL-ET News
- 49 ITG News
- 23 TEB Community Updates

Highlights of our outreach events and communications include:

- **Latino Tax Fest:** In June, TE/GE participated in the Latino Tax Fest in Las Vegas. 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.
- **IRS Nationwide Tax Forum:** The 2024 IRS Nationwide Tax Forums took place from July to September at five locations around the country—Chicago, IL; Orlando, FL; Baltimore, MD; Dallas, TX; and San Diego, CA. EP presented two seminars, twice at each location, while EO presented one seminar and three workshops at each location. EP and EO reached a total of 12,026 tax forum attendees.
- **Treasury Tribal Advisory Committee (TTAC) and ITG Outreach Collaborations:** During the third quarter, the 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 IRS field agents and the provisions of training and technical assistance to Native American financial officers. Subsequent to the TTAC meeting, the former U.S. Treasurer visited the IRS Senior Executive Team. The IRS and Department of the Treasury agreed to establish a working group consisting of IRS, Treasury, and selected members of the TTAC to work through various concerns expressed by the tribes. TE/GE took the lead on overall coordination with Counsel and Treasury, focused issues such as service and access, training, compliance interactions, and communication.

TE/GE partnered with Stakeholders, Partnerships, Education & Communication (SPEC) to conduct a free workshop and provide an overview of free tax preparation programs offered by SPEC – the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Attended by the former U.S. Treasurer, the workshop provided basic information on how local tribal communities can create their own free tax preparation sites to serve their local community and grant opportunities offered by the IRS to support local free tax preparation activity.

Small Entity Compliance Initiative (SECI)

As part of the SECI communication initiative, TE/GE continued efforts to expand our outreach focus on small tax-exempt entities and underserved taxpayers: charities, retirement plan sponsors, and small governmental entities including tribal governments and tribal members. In addition, ITG continued collaboration with SPEC to provide VITA sites serving tribal communities within Indian Country. TE/GE Communications & Liaison worked with the functions to focus SECI communication efforts using live events, virtual events, and online resources.

The IRS Nationwide Tax Forums remained our top in-person event series. In FY 2024, TE/GE reached over 12,000 enrolled agents and other tax preparers that work with small tax-exempt organizations, retirement plan sponsors and plan participants.

TE/GE continued ongoing SECI outreach with numerous newsletter articles that covered issues to be aware of related to the Employee Retention Credit and the Clean Energy Tax Credits available to federal, state, and local governments, Indian tribal governments, and tax-exempt organizations. These tax credits were generally unavailable to governments and exempt organizations in the past.

In FY24, TE/GE also focused on educating small entities and presented the following topics during 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
- IRA based plans
- Tribal tax issues
- Electronic filing of Form 8038-CP
- Compliance and correction
- Form 990 and related Issues
- Non-profit status

In conclusion, we are proud of our FY 2024 accomplishments, and we thank everyone for the hard work, perseverance, and support you provided. As we strive to achieve our FY 2025 priorities, which are highlighted in the [TE/GE 2025 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.