



Clergy & Church Leaders

Tax & Financial Newsletter

Current Trends & The Future With the IRS & Tax-Exempts - 2009-2013 : What Churches Need to Know!

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Special points of interest:

"Current Trends with the IRS & Churches"

IRS 2009 "Dirty Dozen" Tax Scams - Beware!

This information is taken from excerpts from the "Remarks of Sarah Hall Ingram, Commissioner, Tax Exempt & Government Entities –Internal Revenue Service-Before the Georgetown University Law Center Continuing Legal Education June 23, 2009-Nonprofit Governance-The View from the IRS"

..... On coming back to TE/GE, I am reminded how big the tax-exempt sector is, and how ceaselessly it grows. Good governance is important not only because of the nature of the work you do, but because of the sheer size of the sector, and its impact on the economy and the federal government. **The number of approved tax-exempt organizations in 2008 was 1.9 million, and that does not include all churches. This represents a 50 percent increase since 1995.** In the

three years I was away from TE/GE, the Service approved more than 200,000 new applications for tax-exempt status – that's 182 organizations every day, Saturday, Sunday and federal holidays included. Even over the last year the number of applicants has not fallen off, but actually appears to have slightly increased.

.....**What does "good governance mean?"** What I am aiming at, under the rubric of "good governance," is the development by each organization of a **system of internal controls** that is appropriate to the organization itself. Let me say it again. One size does not fit all. **But it is fair to ask all organizations whether they have in place systems, safeguards, or controls to minimize the risk of events occurring that contravene the Code's requirements for tax-exemption.**



IRS Pub. 1828 "Tax Guide for Churches & Religious Organizations" is a good IRS resource for churches for general tax compliance.

.....**So, what are my guiding principles on governance?**

..... That said, let me turn to identifying for you some guiding principles that I will follow during my tenure as Commissioner of TE/GE.My views are also informed by the **five-year Strategic Plan that the IRS has announced for the period 2009 - 2013.** It is available on the IRS Web site, and **if you look at it you**

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3 Basic Questions A Church Should Ask Itself

With the current federal and state focus on compliance for churches and tax-exempts, here are three basic questions that are recommended for churches to ask themselves for a starting point for compliance in regards to their organizational structure:

1. Should a church incorporate?
2. Should a church pursue 501(c)3 status?
3. How would our church handle a tax inquiry or examination?

These questions have been covered in our last Winter 2008 "Clergy & Church

Leaders Tax & Financial Newsletter". It can be downloaded off our website at: **www.crtaxpros.com**

The answers to these three questions are the basic foundation that a church uses to protect itself from the various exposures as a religious tax-exempt organization.

Current Trends & The Future With the IRS & Tax-Exempts - 2009-2013 : What Churches Need to Know! (cont. from page 1)



will see that the continued focused oversight of the tax-exempt sector is a key enforcement objective. The Strategic Plan notes the size and complexity of certain segments of the tax-exempt sector, and the consequent risk to the tax base.

The Commissioner's views and the Strategic Plan call attention to the principle that a tax-exempt organization must be organized and operated for an exempt purpose. As basic a statement as that is, it is a guiding principle for me. I believe that it properly requires us to **consider issues related in a most straightforward way to organizational governance. How is an organization organized? How is it operated?** These questions inevitably involve a consideration of how the organization is governed.

So the Service and I as Commissioner, TE/GE, are not backing off of the principle that the IRS has a stake – and therefore a role to play – in encouraging tax-exempt entities to have good governance procedures in place to reduce the risk of non-compliance.” (For the complete speech of Commissioner Ingram go the IRS website at

www.irs.gov.)

The purpose of putting the excerpts from the current IRS Tax Exempt Commissioner's recent speech, is to validate what my firm and other tax professionals, who specialize in working with churches and tax-exempts have been saying for years, **IRS compliance for churches and tax-exempts are a key enforcement objective and will be in the years ahead!**

What are the key points of this speech that apply to churches and tax-exempts?

1. The huge number of churches and tax-exempts applying for tax-exempt status is forcing more compliance governance.
2. Churches and tax-exempts need a system of internal controls to minimize non-compliance.
3. In the next five years, (2009-2013) more and more churches will be part of the key enforcement objective for compliance by the IRS.

My firm has provided Church Advisory Management Services to over 300 churches in the last 25 years. **That includes: 1) Church**

Tax & Accounting Compliance Analysis, 2) Representing Churches & Clergy before the IRS & State Tax Authorities with tax issues, and 3) Church Accounting & Payroll Services. We have found the following statistics to be accurate:

1. 1 out of 2 churches are in serious non-compliance with federal and state reporting requirements.
2. In about 80% of the churches served, at least 1-2 serious areas of non-compliance were found.
3. 90% of compliance issues are in payroll.
4. The areas of non-compliance are across denomination lines. It does not matter if the church is a small independent or a large one with strong ties to a central organization.
5. Only a very small percentage of tax accounting & legal professionals are knowledgeable in church and clergy tax law.

Our advice for churches and tax-exempts: is to please take the issue of tax compliance seriously, your future may depend on it!

Beware of the IRS's 2009 "Dirty Dozen"! These could both affect you and your church.

IRS 2009 "Dirty Dozen" Tax Scams (www.irs.gov)

Here are a few of the IRS 2009 "Dirty Dozen" tax scams that you should be aware of: The IRS urges taxpayers to avoid these common schemes: **Phishing** Phishing is a tactic used by Internet-based scam artists to trick unsuspecting victims into revealing personal or financial

information. The criminals use the information to steal the victim's identity, access bank accounts, run up credit card charges or apply for loans in the victim's name. Phishing scams often take the form of an e-mail that appears to come from a legitimate source, including the IRS. The

IRS never initiates unsolicited e-mail contact with taxpayers about their tax issues. Taxpayers who receive unsolicited e-mails that claim to be from the IRS can forward the message to phishing@irs.gov. Further instructions are available at IRS.gov. To date, tax-

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2009 Tax Mileage Rates

Business Standard mileage rate	55 cents
Medical/moving standard mileage rate	24 cents
Charitable standard mileage rate	14 cents



IRS 2009 “Dirty Dozen” Tax Scams (cont. from page 2)

payers have forwarded scam e-mails reflecting thousands of confirmed IRS phishing sites. If you believe you have been the target of an identity thief, [information](#) is available at [IRS.gov](#).

Return Preparer Fraud

Dishonest return preparers can cause many headaches for taxpayers who fall victim to their ploys. Such preparers derive financial gain by skimming a portion of their clients’ refunds and charging inflated fees for return preparation services. They attract new clients by promising large refunds. Taxpayers should choose carefully [when hiring a tax preparer](#). As the saying goes, if it sounds too good to be true, it probably is. No matter who prepares the return, the taxpayer is ulti-

mately responsible for its accuracy. Since 2002, the courts have issued injunctions ordering dozens of individuals to cease preparing returns, and the Department of Justice has filed complaints against dozens of others, which are pending in court.

Frivolous Arguments

Promoters of frivolous schemes encourage people to make unreasonable and unfounded claims to avoid paying the taxes they owe. The IRS has a [list](#) of frivolous legal positions that taxpayers should stay away from. Taxpayers who file a tax return or make a submission based on one of the positions on the list are subject to a \$5,000 penalty. More information is [available](#) on [IRS.gov](#).

Abuse of Charitable Or-

ganizations and Deductions

The IRS continues to observe the misuse of tax-exempt organizations. Abuse includes arrangements to improperly shield income or assets from taxation and attempts by donors to maintain control over donated assets or income from donated property. The IRS also continues to investigate various schemes involving the donation of non-cash assets, including easements on property, closely-held corporate stock and real property. Often, the donations are highly overvalued or the organization receiving the donation promises that the donor can purchase the items back at a later date at a price the donor sets. The Pension Protection Act of 2006 imposed increased penalties for inaccurate apprais-

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There is only one book
with all the answers. It's
the one below.

Personal Message

Dear Pastor or Church Leader:

I wish I had better news regarding Church & Clergy tax issues but I don't. As you can see by the current IRS speech of the Tax-Exempt Commissioner, future compliance is a key enforcement objective.

What was not addressed in the speech was an increase in minister personal tax return audits that we will see in the next five years. (A minister is almost 5 times more likely to be audited than the average tax return!)

Housing Allowance issues were not addressed in the

speech. We see the renewal of the attack on the Housing Allowance as was did in 1999 with the Warren Case with the IRS.

With the prior history of Congress and IRS in these two areas and the desperate need to balance the federal and state budgets, they will be looking to generate revenue from non-traditional sources!

I am expanding my firm's practice in the Church Advisory Management Services to serve a much larger geographical area and expanding our internet resources.

We will be offering the following seminars on December 2009

& January, 2010 in Sacramento:

- ◆ Church Tax Compliance 101
- ◆ Clergy Taxes 101

1st Annual Mega Seminar September, 2010 Church Tax & Legal Conference- Sacramento (September 18, 2010)

I pray this newsletter has given you some good information. If you would like more information on us or our seminars, please contact us.
Blessings,

Blair Long



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Clergy/Church Advisory Management Services

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Crossroads Tax & Business Services is a full service tax accounting firm located in Sacramento, CA for over 30 years. The firm objective is to aggressively seek out and preserve every tax deduction our clients are entitled to at highly competitive fees.

In this age of complex and ever-changing tax laws, the need for skilled expertise is greater then ever before. We are committed to keeping in step with our continuously changing field to assist clients in their income tax planning and preparation needs.

Our growing clientele of clergy and churches reflects our expertise in this complex area of tax law. As a Christian-owned tax professional firm, our fees have been structured to be very competitive, as we feel our work is also our ministry. The firm specializes in working with pastors and churches around the country over the internet.

Church regions and individual church references that we have served are available upon request.

This newsletter is written with the understanding that the writer is not engaged in rendering legal, tax or financial advice. You should seek the professional advice of a tax accountant, lawyer or other financial professionals for specific tax or financial questions.

IRS 2009 "Dirty Dozen" Tax Scams (cont. from page 3)



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als and new definitions of qualified appraisals and qualified appraisers for taxpayers claiming charitable contributions.

Misuse of Trusts

For years, unscrupulous promoters have urged taxpayers to transfer assets into trusts. While there are many legitimate, valid uses of trusts in tax and estate planning, some promoted transactions

promise reduction of income subject to tax, deductions for personal expenses and reduced estate or gift taxes. Such trusts rarely deliver the promised tax benefits and are being used primarily as a means to avoid income tax liability and hide assets from creditors, including the IRS.

(The rest of the IRS 2009 "Dirty Dozen" tax scams are at www.irs.gov.)

Humor

Church Signs

"No God-No Peace. Know God-Know Peace."

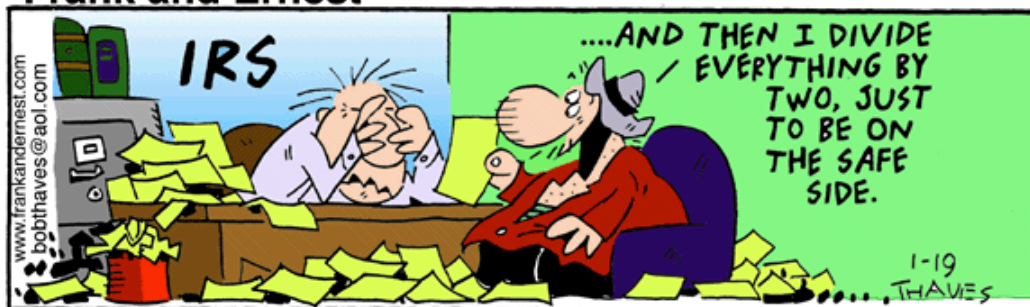
"Free Trip to heaven. Details Inside!"

"Try our Sundays. They are better than Baskin-Robbins."

"Searching for a new look? Have your faith lifted here!"

"Have trouble sleeping? We have sermons - come hear one!"

Frank and Ernest



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