



October 3, 2008

Dear Colleague:

On October 1, the Internal Revenue Service announced that it is sending a “compliance check questionnaire” to the presidents of between 400 and 500 public and private colleges and universities. It is anticipated that institutions will have 90 days to complete the survey.

The questionnaire is, ostensibly, an effort by the IRS to learn more about the operations of higher education institutions and their related foundations, and is being carried out under the IRS’ authority to enforce compliance with the tax laws applicable to tax-exempt organizations. We believe, however, that this initiative portends a significant shift in the way colleges and universities are regulated and governed.

We recognize the IRS questionnaire to be substantially more than a data collecting exercise by the government. This major initiative is a part of the ongoing effort to further regulate higher education institutions. Based on the recent experience of charitable hospitals, these data will be used by the IRS to determine where tighter regulation is necessary and, in some instances, to initiate audits. Also, the responses will likely serve as the foundation for an additional schedule to be added to the new Form 990 that will relate specifically to the operations of colleges and universities. In fact, Senator Charles Grassley expressly requested that the IRS develop such a schedule during the recent Senate Finance Committee roundtable on college endowments. And, depending on how the data are interpreted, the findings could provide a basis for ongoing review of higher education within the Congress.

Expected to be included on the IRS questionnaire will be inquiries regarding student demographics, related organizations, endowments, compensation of your institution’s most highly compensated employees (including coaches), activities that might have generated unrelated business taxable income (UBIT), and the reporting and characterization of activities on the IRS Form 990-T.

The Association of Governing Boards (AGB) and the National Association of College and University Business Officers (NACUBO) are fully supportive of governance

accountability and financial transparency. Further, we recognize that colleges and universities will be best served by positioning themselves to share a clear message to their many audiences (students, families, communities, press) about their financial management and tax administration and compliance.

***The AGB/NACUBO Study.*** AGB and NACUBO, with the endorsement of the higher education associations listed below, invite you to participate in an important project in response to this IRS initiative. AGB and NACUBO are planning to conduct an analysis of the responses submitted by colleges and universities to the IRS in order to promote clarity and understanding in the higher education community, the general public, and for policymakers, regarding what these responses say about the college and university sector.

We are inviting those institutions that receive an IRS questionnaire to confidentially share their completed surveys with us. Ernst & Young, an independent public accounting firm, has been engaged by us to collect and analyze the data on a confidential basis. Following the collection of completed IRS questionnaires from participants, AGB and NACUBO will collate the data in the aggregate and determine whether the results merit the release of a public summary and report.

Specifically, if your institution is among the 400-500 institutions that receive the IRS request, we ask you to do the following:

- Recognize the importance of completing the IRS questionnaire fully and on a timely basis;
- Once you have completed the IRS survey, please submit a confidential copy of it to us. Additional project details will be forwarded to institutions who intend to participate

Information will be collated and analyzed on our behalf by Ernst & Young. Individual institution data will not be published; only aggregate data will be shown in the study.

We look forward to hearing from you and to your participation in this vital effort. **Please inform us at your earliest convenience, via a return email to [irsproject@agb.org](mailto:irsproject@agb.org), of your intent to participate in the AGB/NACUBO study. At that time, we will send you additional details related to the project as well as a participant agreement.** (If you will not be participating in the IRS questionnaire or the AGB/NACUBO study, we would welcome your letting us know this as well.)

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard D. Legon', followed by a long horizontal flourish.

Richard D. Legon  
President, AGB

A handwritten signature in black ink, appearing to read 'John Walda', with a large, stylized initial 'J'.

John Walda  
President and CEO, NACUBO

We would like to thank the following organizations for their endorsement and support:

American Association of Community Colleges (AACC)  
American Association of State Colleges and Universities (AASCU)  
American Association of Universities (AAU)  
American Council on Education (ACE)  
National Association of Independent Colleges and Universities (NAICU)  
National Association of State Universities and Land-Grant Colleges (NASULGC)  
National Collegiate Athletic Association (NCAA)