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INTERNAL REVENUE SERVICE  
TAX EXEMPT AND GOVERNMENT  
ENTITIES (TE/GE)

# TAX EXEMPT AND GOVERNMENT ENTITIES

## TE/GE MISSION STATEMENT

To provide Tax Exempt  
and Government Entities  
customers top quality  
service by helping them  
understand and comply  
with applicable tax laws  
and to protect the public  
interest by applying  
the tax law with integrity  
and fairness to all.

**T**he Tax Exempt and Government Entities (TE/GE) division addresses the special needs of pension plans, exempt organizations, and government entities in complying with the tax laws. TE/GE provides end-to-end service and accountability to its unique customer base, including education and outreach, customer service, and compliance activities. TE/GE's strong commitment to meeting the needs of its customers is expressed in its mission statement:

To provide tax exempt and government entity customers top quality service by helping them understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all.

## **TE/GE CUSTOMER BASE**

TE/GE's three major business units — *Employee Plans (EP)*, *Exempt Organizations (EO)*, and *Government Entities (GE)* — oversee a diverse range of customers, from small volunteer community organizations to sovereign Indian tribes to large pension funds. While these entities are not subject to federal income tax, they nonetheless represent a significant aspect of tax administration, with approximately three million entities controlling about \$8 trillion in assets and paying over \$300 billion in employment tax and income tax withholding.

## EMPLOYEE PLANS (EP)

**Employee Plans (EP)** serves the market of qualified pension benefit plans. Currently, there are nearly one million plans that must file annual returns for group pension, profit-sharing, 401(k), employee stock ownership (ESOP), and stock bonus plans. Simplified Employee Pensions (SEPs), SIMPLE plans, 403(b) tax-sheltered annuities, and IRC 457 government deferred compensation plans are not required to file returns, but many request a determination from *EP* to ensure the plan is meeting all requirements. Based on the most recent return data, approximately one million private plans controlled assets of more than \$4 trillion.

*EP* provides not only an initial determination to establish compliance with the tax law and regulations for each group plan, but must also review plans to ensure continuing compliance with new laws and regulations. This work is of a highly complex nature and is generally conducted in the financial world by accountants, attorneys, and actuaries. However, its greatest impact is on the average citizen—a participant in a plan who needs the assurance that there will not be an unexpected tax event due to some error in the plan.

[www.irs.gov/ep](http://www.irs.gov/ep)

## EXEMPT ORGANIZATIONS (EO)

**Exempt Organizations (EO)** ensures that religious, charitable, social, educational, political, and other not-for-profit organizations meet and maintain compliance with the complex requirements for tax-exempt status. This customer base consists of nearly 1.6 million organizations with assets over \$2 trillion. Organizations with income of less than \$25,000 do not file an annual return, churches and other organizations are not required to file, and every year many organizations cease operations. Thus, the exact number of

qualified organizations cannot be determined from IRS filings. However, for 2002, more than 800,000 tax-exempt organizations filed an annual return.

In FY 2003, over 90,000 organizations requested a determination of their tax-exempt status. Since 1993, when about 61,000 applications were received, this number has increased by an average of 5% annually. Unlike employee plans, most exempt organizations are started and run by volunteers and have a staff of fewer than ten employees. Because they lack a professional accounting staff, many tax-exempt organizations rely on the assistance of TE/GE Customer Account Services (CAS) to provide them with tax law guidance. Exempt organizations are a major source of telephone inquiries to CAS.

[www.irs.gov/eo](http://www.irs.gov/eo)

## **GOVERNMENT ENTITIES (GE)**

**Government Entities (GE)** encompasses three distinct types of customers: *Federal, State and Local Governments (FSLG)*; *Indian Tribal Governments (ITG)*; and *Tax Exempt Bonds (TEB)*. Although not subject to federal income tax, these governments are responsible for income tax withholding and paying employment taxes. The almost 88,000 FSLG customers employ 20% of the American workforce earning about \$760 billion annually and paying employment taxes in excess of \$200 billion. (This is the largest block of employees in the United States.) They also buy goods and services of nearly \$3 trillion and have an economic impact of over \$3.7 trillion.

GE customers also include 564 federally recognized Indian tribes that account for over 2,500 entities of government subdivisions and business activities. Tax issues relating to tribal governments and activities are complex and frequently require coordination with other federal agencies at national

and local levels. The rapid growth of the Indian-owned gaming industry has made it the largest revenue producing gaming market in the United States economy. This source of funds has enabled tribes to expand into other industries and commercial enterprises. These activities often complicate information and tax reporting for Indian tribes and raise new issues regarding tribal sovereignty.

In the tax-exempt bond area, the IRS received more than 450,000 notifications of tax-exempt bond issuances, between 1985 and 2002. This paralleled a growth in tax-exempt bond value from \$650 billion to \$1.8 trillion.

[www.irs.gov/ge](http://www.irs.gov/ge)

[www.irs.gov/govts](http://www.irs.gov/govts)

[www.irs.gov/tribes](http://www.irs.gov/tribes)

[www.irs.gov/bonds](http://www.irs.gov/bonds)

## **CUSTOMER ACCOUNT SERVICES (CAS)**

**Customer Account Services (CAS)** provides tax information and assistance to TE/GE customers. In addition, CAS can help customers with returns, determination applications, and verification of tax-exempt status. In FY 2003, CAS answered over 438,000 telephone calls and 25,500 letters on TE/GE tax-related topics. The CAS toll-free phone number is (877) 829-5500.

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## TE/GE LEADERSHIP

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