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TKW announces the formation of the Governmental Tax Team

In response to increased IRS audits of municipal governments, TKW has formed a Governmental Tax Team. Our Team has identified areas where the Service has focused examination efforts, and developed an approach that anticipates problem areas, helping our clients proactively identify areas of vulnerability. Once identified, governments can then correct the situation and mitigate exposure to penalties if selected for audit by the IRS.

Some of the key risk areas with respect to IRS examinations include:

- Personal use of government assets (including vehicles, cell phones and lap top computers),
- employee expense reimbursements,
- cash gifts and awards,
- classification of independent contractor versus employee status, and
- rules around flexible spending accounts or health savings accounts.

An IRS audit can subject the government to additional withholdings and related penalties and interest. While the Service will likely enforce any withholdings and interest due, the government may mitigate penalties by proactively addressing issues, and showing progress toward improving practices in these areas.

Our team will sit down with the appropriate personnel in your organization and discuss potential risk areas and your current practices. We will request and review your policies and handbooks to assess conformance with current rules and regulations. From there, we will develop additional procedures to address significant risks identified during the initial meeting, and evaluate your practices against stated procedures and IRS requirements, providing a basis for estimating your exposure to any additional withholding due, related interest thereon and any potential penalties. Some of those procedures may include:

- Sampling of employee business expense reimbursements for compliance with IRS requirements
- Review of issues related to independent contractors as required by the statute
- Review of documentation and policies around personal use of government-owned assets
- Other procedures as deemed appropriate

Fees charged by our Government Tax Team will vary depending on the scope of the engagement as agreed to by you. We estimate an initial meeting of 1-2 hours to evaluate risk areas, and between 30-40 hours total to review documentation, perform any limited testing required, and provide a report on our findings.

Please contact us at 503.274.2849 or at government@tkw.com to find out more about our Government Tax Team and how we might be able to help evaluate your exposure in the fringe benefit area and provide guidance improving compliance. We look forward to working with you!