



**NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**  
*H. Martin Lancaster, President*

January 13, 2004

**MEMORANDUM**

**IMPORTANT!**

**TO:** Business Officials

**FROM:** Kennon Briggs, Vice President  
Business and Finance

Kim Van Metre  
Systems Accountant

**SUBJECT:** Community College Tax-Exempt Status and Non-Filing of Form 990

Recently, some colleges have reported receiving notice from the IRS indicating that they should be filing Form 990, Return of Organization Exempt From Income Tax. We surveyed you to determine whether colleges had specific determination letters from the IRS and whether any colleges were filing Form 990 currently. We determined that several of you have determination letters that point to the nature of your tax-exempt status, but do not address the filing of Form 990. We decided that a good approach is to establish a standard response, supported by specific IRS Code citations, that a college may use upon such an inquiry by the IRS. The standard response is as follows:

“XYZ Community College is a member of the North Carolina Community College System (NCCCS) and a component unit of the State of North Carolina. The individual colleges of the NCCCS are educational institutions that are instrumentalities of county government in North Carolina. As such, any income is excluded from gross income under IRS Code Section 115. Contributions made to the college for exclusively public purposes are deductible by donors under IRS Code Section 170(c)(1). As an instrumentality of county government, we are not required to file annual information returns on Form 990, Return of Organization Exempt from Income Tax. IRS Code Section 501(a) and Revenue Procedure 95-48 exempt governmental units from filing Form 990.”

This standard response is offered only as guidance should you receive an IRS inquiry. Specific circumstances at each college may require modification of the response or additional information to be included in the response. Please use your professional judgement in drafting the appropriate response to the IRS. Questions or comments can be directed to Kim Van Metre at (919) 733-7051; Extension 222, or via email [vanmetrek@ncccs.cc.nc.us](mailto:vanmetrek@ncccs.cc.nc.us).

KDB/klv

pc: Presidents

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