

The executive compensation and unrelated business activity of colleges and universities are under close review by Congress and government agencies and could become potential issues for educational institutions as Congress seeks funds to close budget deficits. This article discusses congressional concerns related to these areas and reviews the current Internal Revenue Service examination program auditing the operations of colleges and universities and reporting to Congress its findings. It analyzes the current tax law regarding the excess benefit transaction rules of Internal Revenue Code § 4958 and the unrelated business income tax of Internal Revenue Code § 511, as applied to colleges and universities. This article also suggests areas for needed institutional compliance audits and risk management.