

UNC Makes Deal With IRS

Susan Ehringhaus, UNC's general counsel, says the University will probably pay its IRS bill by the year's end.

By KATY NELSON
Staff Writer

UNC has reached a \$905,115 settlement with the Internal Revenue Service after a more than three-year audit.

The settlement, signed last month, is considerably less than the \$20.5 million bill the IRS originally issued to UNC in July.

Tax collectors spent almost two years pouring over thousands of payroll stubs, foreign visas, income receipts and other billing records in the inquiry as part of a nationwide crackdown on universities and other tax-exempt organizations.

After the University received the \$20.5 million bill this summer, the case

was sent to an IRS appeals officer* in Baltimore.

Susan Ehringhaus, UNC's general counsel and chief negotiator with federal auditors, said she was very pleased with the settlement.

"I feel very good about it," Ehringhaus said. "I think we made our case effectively."

The final bill includes \$45,577 in Social Security and federal income taxes in 1994 and \$859,538 in 1997 that should have been withheld from the paychecks of nonresident aliens and foreign nationals studying or working at UNC.

The University has agreed to make changes in tax-withholding procedures for both U.S. and non-resident alien student-employees starting this month, Ehringhaus said.

The IRS did not assert any penalties against the University.

Under the settlement, they also waived any additional interest charges

against UNC.

Ehringhaus said that the University had until Dec. 31, 2005 to foot the bill.

But she said UNC would likely pay off the bill during the 2000 fiscal year through non-state funds, such as University trust money and investment income.

Twenty-one universities have been saddled with bills averaging \$3 million after the IRS began its tough review of nonprofit organizations several years ago.

Other universities and colleges across the country have also fared well in the appeals process.

The University of Michigan won a court case reducing its \$7.7 million bill to \$124,366.

The University of Wisconsin, pegged with a \$120 million bill, had its slate wiped clean.

The University Editor can be reached at udesk@unc.edu.

BIG SAVINGS
when you

Harris Teeter
Your Neighborhood Food Market

www.harristeeter.com

The Best Is What We're All About!

buy one
get one **FREE**

12 oz. frozen
Stouffer's Mac & Cheese
buy one get one **FREE**
With VIC Card

6 oz. Harris Teeter
Potato Chips
buy one get one **FREE**
With VIC Card

19 oz.
Progresso Soups
buy one get one **FREE**
With VIC Card

10-12 oz.
Decadent Cookies
buy one get one **FREE**
With VIC Card

16 oz.
Captain Crunch Cereal
buy one get one **FREE**
With VIC Card

6.2 oz.
Golden Graham Treats
buy one get one **FREE**
With VIC Card

11.5-13.2 oz.
Hot Pockets Pizza Minis
buy one get one **FREE**
With VIC Card

18 oz. Harris Teeter
Fruit Bars
buy one get one **FREE**
With VIC Card

10 oz.
Harris Teeter Cocoa
buy one get one **FREE**
With VIC Card

19.6 oz. Pepperidge Farms
Layer Cakes
buy one get one **FREE**
With VIC Card

10-12 oz.
Lender's Bagels
buy one get one **FREE**
With VIC Card

10.5 oz. No Beans
Hormel Chili
buy one get one **FREE**
With VIC Card

6.2 oz. Harris Teeter
Chocolate Chip Cookie Dough
buy one get one **FREE**
With VIC Card

20 ct. Harris Teeter
Tall Kitchen Bags
buy one get one **FREE**
With VIC Card

N.C. Faces New Consumer Tax

Taxpayers will be required to pay the state's 6 percent sales tax on items bought online or through catalogs.

By COURTNEY WEILL
Senior Writer

The appeal of J. Crew catalogs and the Gap online site might fade when N.C. residents receive their income tax forms this year.

The tax forms contain a new line this year to report "Consumer Use Tax," which requires residents to compute how much they spent on online, catalog, television shopping network and out-of-state purchases and pay the state's 6 percent sales tax on the items.

Though information on Consumer Use Tax has been included in tax booklets since 1990, the state is putting a new emphasis on the tax to combat revenue loss to e-commerce, said W. Timothy Holmes, assistant director of the Sales and Use Tax Division of the N.C. Department of Revenue.

"We're putting it on the form in hopes

of collecting some of the tax we've been missing," Holmes said. "With the increased use of computers and people buying on the Internet, it means more and more revenue that will be lost."

He estimates that the state loses \$110 to \$140 million in state and local taxes each year.

With the costs of rebuilding the state after the floods of Hurricane Floyd, Holmes said this money was more important than ever. "You can imagine the tremendous amount of difference that money could have for local governments," Holmes said.

Though many agree the state needs more money, some question whether the Consumer Use Tax is viable.

"I think we need to study the issue before we throw a line on there," said Don Carrington, vice president of the John Locke Foundation.

He argued that it was reasonable to share the burden of law enforcement to protect a retail store and the highway systems needed to access it by paying a sales tax. "But when you get (an item) from the Internet what local service was provided for you that you need to be sharing (funds) with local government?"

Carrington asked.

But Holmes said the tax was necessary to eliminate the unfair advantage people have for purchasing "tax-free" items outside the state. He claims the tax will equalize the burden between retailers and consumers.

But Carrington also questioned the practicality of the Consumer Use Tax.

"You can't audit this unless you get intrusive," he said. "Why would you want to put a tax on (the form) that's easy to avoid or ignore?"

But Holmes insists that there are simple ways, such as examining credit card statements, to audit or track online, catalog and out-of-state purchases.

Harvey Sapir, manager of the Jackson Hewitt Tax Service branch in Carrboro, has been asking his customers if they had any Consumer Use Tax to report for more than five years. Sapir said only one customer had reported such spending.

Sapir said the new tax would not make a difference in revenues. "I don't think many people will comply to it."

The State & National Editor can be reached at stntdesk@unc.edu.

Just Kick Me!

I almost spent all my money on **NEW Text Books**, instead of saving a bundle on **USED Text Books** at

Ram Book & Supply

UNC's Off-campus Used Text Book Headquarters

Harder to find... but worth it!

Gumby's Pizza	Wicked Burritos	Columbia St.
		E. Franklin St.
Granville Towers		UNC Campus

Ram Book & Supply

Behind Wicked Burrito

306 W. Franklin
Chapel Hill, North Carolina 27516

Phone (919) 969-8398
Fax (919) 969-8996

Large Sweet Cantloupes

99¢

ea.

With VIC Card

93% Lean Fresh Ground Beef

1.99

lb.

With VIC Card

Weekly Special

Prices Effective Through January 18, 2000
 Prices In This Ad Effective Wednesday, January 12, Through January 18, 2000
 In Our Chapel Hill & Carrboro stores only. We Reserve The Right To Limit Quantities.
 None Sold To Dealers. We Gladly Accept Federal Food Stamps.