



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

May 19, 2014

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Affected IRM: IRM 7.29.3

Expiration Date: May 19, 2015

MEMORANDUM FOR EXEMPT ORGANIZATIONS TECHNICAL UNIT

FROM: Stephen A. Martin /s/ *Stephen A. Martin*
Acting Director, Rulings and Agreements, Exempt Organizations

SUBJECT: Appeals Office Consideration of All Proposed Adverse Rulings Relating to Tax-Exempt Status from EO Technical by Request

Section 7 of Revenue Procedure 2014-9, 2014-2 I.R.B. 281, outlines the differences in procedures between the EO Technical and EO Determinations offices when either office issues a proposed adverse determination letter or ruling regarding an application for tax-exempt status.

When EO Determinations issues a proposed adverse determination letter, an organization has the opportunity to appeal the determination by requesting Appeals Office consideration within 30 days from the date of the letter advising of the proposed adverse determination and notice of the right to go to Appeals. Prior to this guidance, the EO Technical process has been different. When EO Technical issued a proposed adverse ruling letter on an application for tax-exempt status, an organization was advised of its opportunity to file a protest statement and request a conference with EO Technical. EO Technical then reviewed any protest materials submitted and, if it determined that the organization qualifies for tax-exempt status, issued a favorable ruling letter on the application for tax-exempt status. If EO Technical maintained its adverse position after reviewing the protest, it either issued a final adverse ruling, or if a conference was requested, contacted the organization to schedule a conference. At the end of the conference, EO Technical either issued a final adverse ruling or a favorable exempt status ruling. The organization did not have the right to request review by the Office of Appeals of an adverse determination ruling letter issued by EO Technical.

Recently, Interim Guidance TEGE-07-0414-0009 (April 8, 2014) provided in the interest of efficient tax administration that, except in very limited circumstances, cases would no longer be transferred from EO Determinations to EO Technical. In accordance with that Interim Guidance, and effective upon issuance of this Memorandum, an organization that receives a proposed adverse ruling on its tax-exempt status from EO Technical will have the right to request review of the application for tax-exempt status from the Office of Appeals. This modification applies to any proposed adverse ruling relating to tax-exempt status pending in EO Technical and supersedes any prior IRM section or Interim Guidance that may provide for alternative procedures, including the Interim Guidance Memoranda TEGE-07-0613-08 and TEGE-07-1213-24 which provide for an optional expedited program for certain section 501(c)(4) organizations. Organizations that currently have a pending proposed adverse determination ruling will have the right to request review of the application for tax-exempt status from the Office of Appeals; this includes those organizations with proposed denials issued pursuant to the optional expedited program.

Under this Interim Guidance, an organization may request review of the application for tax-exempt status by the Office of Appeals in addition to following the current EO Technical conference procedures outlined in Rev. Proc. 2014-9, 2014-2 I.R.B. 281, and Rev. Proc. 2014-4, 2014-1 I.R.B. 125. EO Technical will notify the organization in writing regarding its right to request review from the Office of Appeals.

When an organization chooses to pursue review by the Office of Appeals, EO Technical will use, as a guide, the procedures listed in IRM 7.20.2.11.1 (08-24-2012) Preparation of Proposed Denial of Exemption Letter, IRM 7.20.5.6 (08-14-2007) and IRM 7.20.5.6.1 (08-14-2007). However, cases from EO Technical will not be reviewed by or coordinated with EO Determinations Quality Assurance.

The content of this memorandum will be incorporated in IRM 7.29.3.

Please contact the Senior Manager, Rulings and Agreements, Technical with any questions regarding the application of this memorandum.

cc: www.irs.gov