

## IRM PROCEDURAL UPDATE

**DATE: 09/04/2014**

**NUMBER: WI-21-0914-1326**

**SUBJECT: Guidelines on Form 1023-EZ**

**AFFECTED IRM(s)/SUBSECTION(s): 21.3.8**

**CHANGE(s):**

**IRM 21.3.8.3.8(3) - Provided a separate response time frame for auto-revocation-related referrals.**

3. If contradictory information is found on IDRS that cannot be corrected based on EDS/TEDS research (e.g., a foundation classification present on a non-(c)(3) organization, deductibility code 1 on an organization not normally described in IRC 170), explain to the caller that additional research must be performed before we can affirm the exemption of the organization in question. Take contact information from the caller and prepare a Form 4442 referral to the TEGE Correspondence Unit (EEFAX 855-204-6184) explaining the discrepancy. Request that the caller be contacted or sent an affirmation letter once the organization's administrative file has been researched and the discrepancy corrected. Advise the caller they should be contacted within 30 days (60 days for auto-revocation-related referrals).

**EXCEPTION:** If you find a discrepancy in the organization's employment code, prepare a Form 4442 referral to EO Entity (fax 801-620-7116) with the necessary information.

**IRM 21.3.8.11.8 - New subsection reserved for information about Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.***

1. Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, was released to the public on July 1, 2014. Most small organizations applying for exemption under IRC 501(c)(3) are eligible to file this three-page online form.
2. Form 1023-EZ may be used by organizations with annual gross receipts of \$50,000 or less and assets of \$250,000 or less.
3. An interactive eligibility worksheet is included in the Instructions.
4. Organizations that are not eligible to file Form 1023-EZ may file Form 1023.

5. The form and the correct user fee (currently \$400) must be submitted electronically through [www.pay.gov](http://www.pay.gov). Payment must be from a bank account or credit/debit card.
6. Paper applications are not accepted. Applicants who attempt to submit a paper Form 1023-EZ are sent Letter 5333, *Form 1023-EZ Rejection of Paper Submission*, returning the application and any user fee paid.
7. To be considered a completed application, the Form 1023-EZ:
  - Must include responses for each required line item, including the attestation that the applicant has completed the Form 1023-EZ Eligibility Worksheet
  - Must include accurate date of organization
  - Must include the correct Employer Identification Number (EIN)
  - Must be electronically signed by an individual authorized to sign
  - Must be accompanied by the correct user fee

**NOTE:** User fees will be refunded for any application deemed incomplete.

8. An organization may not request expedited handling of its Form 1023-EZ submission.
9. Form 1023-EZ applicants do not receive an acknowledgement letter giving them a DLN, etc.
10. Form 1023-EZ applications can be identified on EDS because their DLNs begin with 26.

**NOTE:** New EDS functionality has been implemented allowing EDS to display a new form version code for EO cases. The value will be blank except for Form 1023-EZ cases, where the version code will be "Z."

11. If an organization already has a Form 1023 application pending with EO Determinations:
  - Form 1023-EZ will be accepted if the Form 1023 has **NOT** yet been assigned for review. Form 1023-EZ will be considered a request for withdrawal of the pending Form 1023. The user fee for the Form 1023 will **NOT** be refunded.
  - Form 1023-EZ will **NOT** be accepted if the Form 1023 has already been assigned for review. The organization will be notified of non-acceptance of the Form 1023-EZ and the Form 1023-EZ user fee will be refunded.
  - If the organization has a pending application for recognition of tax-exempt status on a form other than a Form 1023 (e.g., Form 1024), the Form 1023-EZ will **NOT** be accepted and the Form 1023-EZ user fee will be refunded.
12. Organizations applying for retroactive reinstatement under section 4 of Rev. Proc. 2014-11 (streamlined retroactive reinstatement for small organizations within 15 months of revocation) can use Form 1023-EZ if they meet all other eligibility requirements described in Rev. Proc. 2014-11. Organizations applying for reinstatement under section 7 of Rev. Proc. 2014-11

(reinstatement of tax-exempt status from the postmark date) can also use Form 1023-EZ (assuming they meet all other eligibility requirements).

**REMINDER:** If the organization is applying for retroactive reinstatement under section 5 or 6 of Rev. Proc. 2014-11, it must file the full Form 1023.

13. Applicants whose Forms 1023-EZ are rejected are sent Letter 1049, *Form 1023EZ Rejection*. This letter explains the reason(s) for the rejection and whether the user fee is being returned. This information is embedded in the body of the letter and is generated from paragraphs selected by the tax examiner/determination specialist working the application. These applications are closed with status 03 on EDS.
14. Some applicants whose Forms 1023-EZ require additional information before a determination can be made are sent Letter 1312, *Request for Additional Information*, and are given 21 days to respond (these cases should show assigned to a specialist). If the applicant doesn't respond within the 21 days (or request and receive a response date extension), the case is closed status 03 and Letter 1049 is issued.
15. Public charities that apply and qualify for exemption using Form 1023-EZ receive Letter 5436, which is equivalent to Letter 947. Private foundations that apply and qualify for exemption using Form 1023-EZ receive Letter 5437, which is equivalent to Letter 1076.
16. Callers with general questions about the process and about qualifying should be directed to the EO page of the IRS Web site. As this is a computer-based application, virtually all information about it is going to be communicated electronically.
17. TEGE assistors are not responsible for answering technical, computer-related questions or resolving hardware/software issues. There is contact information on the Web for technical problems.
18. The organizational and operational requirements for section 501(c)(3) status are not different for the small organizations that qualify for the Form 1023-EZ. Consequently assistors should apply the same tax law principles to questions about the content of the Form 1023-EZ as they would to questions about the long form.
19. Assistors should not go through the worksheet question-by-question with the caller. It is the organization's responsibility for determining its own eligibility based on its completion of the worksheet. However, assistors should respond to requests for guidance/explanation about specific questions on the worksheet using the instructions to the form and other applicable resources.
20. Unlike helping a small organization submit a Form 990-N, assistors will not be able to help an organization file its Form 1023-EZ. **Organizations must have access to a computer!**
21. For additional information about Form 1023-EZ, refer to the form instructions, to Rev. Proc. 2014-40, to the IRS Web site, and to the FAQs on the TEGE Research Portal. Issues and questions not addressed in these resources should be elevated to the HQ analyst via your lead or manager.