



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

July 1, 2014

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MEMORANDUM FOR EXEMPT ORGANIZATIONS (EO) DETERMINATIONS UNIT
AND EP/EO DETERMINATIONS PROCESSING UNIT EMPLOYEES

FROM: Matthew A. Weir /s/ Matthew A. Weir
Director, Exempt Organizations Rulings & Agreements

SUBJECT: Interim Guidance on Processing Form 1023-EZ

In the interest of sound tax administration and customer needs, trained EP/EO Determinations Processing Unit tax examiners will review and process Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. In addition, EO Determinations Unit specialists will review cases that are randomly selected for a pre-determination review process. This memorandum describes the processes that will be followed.

1. Tax examiners (TEs) will review submitted Form 1023-EZ applications for exemption in submission date order. TEs will refer to the *Form 1023-EZ Processing Toolkit* which outlines the procedures to follow.
2. TEs will take action to:
 - Ensure all required fields of the application have been completed
 - Perform the Comprehensive List of Terrorists and Groups check
 - Validate the NTEE code
 - Perform and print IDRS research
 - Perform EDS research
 - Determine the effective date of exemption
 - Close the case

Note: EO Determinations specialists will be available to assist TEs with any questions and may assume the processing of a Form 1023-EZ as needed.

3. The TEs will generate closing letters and documents using the information submitted in the application to complete the documents. Cases will be closed as either approvals or rejections if the organization does not meet the eligibility requirements of Form 1023-EZ.

4. EO Determinations specialists will perform a pre-determination review on randomly selected cases before a determination letter is issued which includes developmental contact with the organization. EO Determinations specialists will refer to the *Form 1023-EZ Pre-Determination Review Toolkit* which outlines the procedures to follow.
5. A sampling plan will be used to select Form 1023-EZ applications for a pre-determination review. The goals of the review are to:
 - Identify applicants that do not qualify for exemption.
 - Identify applicants that are not eligible to file Form 1023-EZ (those that should have completed the full Form 1023).
 - Gauge the effectiveness of Form 1023-EZ (i.e., identify situations in which a streamlined application was not appropriate such as where the activities should have been addressed in full development).
 - Learn about the population of organizations applying for exemption using Form 1023-EZ.
 - Enhance public trust by reinforcing that submission of Form 1023-EZ does not guarantee tax exemption will be recognized.
6. EO Determinations specialists will:
 - Ensure all required fields of the application have been completed
 - Perform the Comprehensive List of Terrorists and Groups check
 - Validate the NTEE code
 - Perform and print IDRS research
 - Perform EDS research
 - Perform internet research
 - Review Part III of Form 1023-EZ, items 4-11
 - Send Letter 1312, *Request for Additional Information*
 - Determine the effective date of exemption
 - Close the case
7. The EO Determinations specialists will generate closing letters and documents using the information submitted in the application along with any information added to the administrative record. Cases will be closed as approvals, proposed adverse determinations, withdrawals, or rejections if the organization does not meet the eligibility requirements of Form 1023-EZ.

Any questions are to be directed to Donna Abner, Senior Manager, Rulings and Agreements.

The content of this memorandum will be incorporated into IRM 7.20.2, *Exempt Organizations Determination Letter Processing - Determination Letter Processing of Exempt Organizations*, and IRM 7.21.3, *Exempt Organizations Automated Processing Procedures, Screening, Controlling and Case Closing*.

cc: www.IRS.gov