



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

September 30, 2013

Control No: TEGE - 07-0913-15
Affected IRM: IRM 7.20.2.3.2
Expiration Date: September 30, 2014

MEMORANDUM FOR ALL EMPLOYEES - EXEMPT ORGANIZATIONS DETERMINATIONS UNIT

FROM: /s/ Kenneth C. Corbin *Kenneth C. Corbin*
Acting Director, Exempt Organizations, TE/GE

SUBJECT: Interim Guidance on Initial Classification of Applications

The purpose of this memorandum is to provide procedures to the Exempt Organizations Determinations Unit regarding the initial classification of applications. Effective immediately, the following procedures must be followed when classifying applications when merit approval is not an option:

1. Classifier reviews the application and determines if it should be routed to a specialty group. This determination is based upon facts and circumstances of the stated activities within Part II of the application rather than names or labels. This is consistent with Karen Schiller's August 9, 2013 memorandum (**attached**).
2. Classifier selects the appropriate activity-based option reflected on the classification sheet (**attached**) that describes the reason the case is being routed to the specialty group.
3. The manager reviews the file and either agrees/disagrees with the classifier's assessment. If the manager agrees, s/he indicates concurrence on the classification sheet, and the application is routed to the designated group. If the manager disagrees, the application is routed to other intermediate or general inventory categories based upon facts and circumstances of activities.
4. The application will be secondarily screened by the designated specialty group to confirm that the application meets the technical requirements of a specialty case. If the secondary screener determines that the case does not meet the requirements, it will be re-routed or approved.

Any questions regarding this memorandum should be directed to Tracy Dornette, at 513-263-5513.

The contents of the memorandum will be incorporated into IRM 7.20.2.3.2.

Attachments: August 9, 2013 Memorandum, Revised Classification Sheet

cc: www.irs.gov

Classification Sheet
Non-closure

Classifier name: _____

T#: _____

Date: _____

EIN: _____

Case time: _____

Case Grade: 11 12 13

Case Categories

Auto Revocations

Auto Revoked

Expedited Handling

100 - Approved Expedite

104 - Expedite Denied

Secondary Screening (75) (Mgr. Sign. Req.)

*Secondary Screening - Credit Counseling

(Required) Activities indicate:

Substantial credit counseling

Credit repair

Mortgage mitigation

*Secondary Screening - Health Care

(Required) Activities indicate health care issue:

Hospital status request (Schedule C)

Accountable care organization

Community service center for pregnant/parenting teens

*Secondary Screening - Political/Advocacy

(Required) Activities indicate:

Actual or potential political campaign intervention

Lobbying activity that exceeds permitted thresholds

Benefits to a political party or a candidate for public office

*Secondary Screening - Potential Anti-terrorism

(Required) Activities indicate:

Operations or distributions (domestic or foreign) that could lead to diversion of funds to or for the benefit of terrorists

Operations or distributions in sanctioned/higher risk countries (see

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/OFAC-Recent-Actions.aspx>

Full name CLTG match

*Secondary Screening - Potentially Abusive

(Required) Activities indicate abusive scheme for:

Tax avoidance

Furthering for-profit interests

Benefit of private/non-charitable interests

Intermediate Processing (71)

IP ? 2011-43

IP ? 2011-44

IP - General (Intermediate Processing)

IP - Sub to Individual

Full Development Categories (51)

*Specialty Case - 501(c)(2)

*Specialty Case - 501(c)(6)

*Specialty Case - 501(c)(12)

*Specialty Case - Carbon Credits

*Specialty Case - Medical Marijuana

*Specialty Case - Private School

All Cases - General Inventory

All Cases - Limited Liability Corporation

Form 1023 - 501(d) & (f)

Form 1023 - 509(a)(3) Type 3

Form 1023 - Conservation Easement

Form 1023 - Donor Advised Funds

Form 1023 - Foreign Organizations

Form 1023 - Gaming - Primary Activity

Form 1023 - Hedge Funds

Form 1023 - Housing - Down Payment

Form 1023 - Partnerships

Form 1023 - School-Charter

Form 1024 - 501(c)(5)

Form 1024 - 501(c)(7)

Form 1024 - 501(c)(8)

Form 1024 - 501(c)(9) & (17)

Form 1024 - 501(c)(10)

Form 1024 - 501(c)(13)

Form 1024 - 501(c)(19)

Form 8940 Full Development (51)

4942(g)(2) Set-Asides (31745)

4945(f) Voter Registration (31744)

4945(g) (31589)

507(b)(1)(B) Termination - 60 month (31746)

507(b)(1)(B) Termination - Adv Rul (31746)

990 Filing Exemption (31508)

Form 1023 - 509(a)(3) Type 3 (31524)

Foundation Status Reclassification (31508)

Unusual Grant (31508)

Required for Secondary Screening

Manager Concurrence (initial and date):



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August 9, 2013

MEMORANDUM FOR SENIOR MANAGERS, EO: RULINGS AND AGREEMENTS

FROM: Karen Schiller
Acting Director, EO Rulings and Agreements

SUBJECT: Determinations Classification Process

In recent months, numerous changes have been made to our initial screening process for preliminary categorization and case referrals. I wanted to take a moment to reiterate the current policy and touch on some of our current efforts to continuously improve this process.

As Acting Commissioner Danny Werfel has said, the IRS has taken decisive action to eliminate the use of inappropriate political labels in the screening of 501(c)(4) applications. IRS policy is now clear that screening is based on activity, not words in a name. The new steps and current policies were outlined in the June 24 report, which noted: "In the absence of BOLO lists, the Determinations Unit will continue to screen for information affecting the determination of applications for tax exempt status, including activity tied to political campaign intervention, but it will be done without regard to specific labels of any kind." The 30-day report also reflects the June 20, 2013, memorandum, which was issued to officially suspend the use of the BOLO list in the screening process.

Also, as you are aware, the Lean Six Sigma team has been working to identify several potential process improvements and will be working in the coming weeks to develop potential improvements to the screening process. These ideas will be piloted and subsequently evaluated to ensure they provide the necessary safeguards in the process while providing benefits to the overall efficiency and success of the screening efforts. I would ask you continue to keep your ideas and suggestions coming to the team for consideration as we continue to improve our screening and application review processes.

Thanks again for your continued dedication and hard work.

