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Department of the Treasury
Internal Revenue Service

7.20.4

DECEMBER 5, 2024

EFFECTIVE DATE

(12-04-2024)

PURPOSE

- (1) This transmits revised IRM 7.20.4, Exempt Organizations Determination Letter Program, Automatic Revocation and Other Special Issues.

MATERIAL CHANGES

- (1) Incorporated editorial changes throughout the IRM.

EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 7.20.4 dated May 20, 2023.

AUDIENCE

Tax Exempt and Government Entities
Exempt Organizations

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7.20.4

Automatic Revocation and Other Special Determination Issues

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7.20.4.1 (12-04-2024) Program Scope and Objectives

- (1) **Purpose:** This manual describes procedures for special issues Exempt Organizations Determinations (EOD) employees encounter when processing determination letter requests and Form 8976, Notice of Intent to Operate Under Section 501(c)(4), which is not a determination letter request. Special issues are issues or processes that may not apply to every case. They require procedures unique to that issue or process. Topics in this manual include:
 - Automatic revocation
 - Applications from foreign organizations
 - Optional expedited process for qualifying IRC 501(c)(4) applicants
 - Subordinate organizations (in group rulings) seeking individual rulings
 - Form 8976, Notice of Intent to Operate Under Section 501(c)(4)
- (2) The procedures in this manual supplement the case processing procedures described in:
 - IRM 7.20.1, Exempt Organizations Determination Letter Overview
 - IRM 7.20.2, Determination Letter Processing of Exempt Organizations
 - IRM 7.20.3, Processing Foundation Classification and Miscellaneous Requests
 - IRM 7.20.5, Review Procedures for EO Determinations
 - IRM 7.20.6, Anti-Terrorism and Other Emerging Issues
 - IRM 7.20.9, Processing Form 1023-EZ
- (3) Processing time frames outlined in the above IRMs also apply to the procedures in this IRM (unless specifically stated otherwise).
- (4) **Audience:** The procedures in this manual apply to all Exempt Organizations (EO) employees processing determination requests and Form 8976.
- (5) **Policy Owner:** Director, Exempt Organizations
- (6) **Program Owner:** Director, Exempt Organizations, Rulings and Agreements
- (7) **Primary Stakeholders:** Exempt Organizations, Rulings and Agreements

7.20.4.1.1 (05-02-2023) Background

- (1) EO includes two primary operational areas: Rulings and Agreements and Examinations.
- (2) EO Rulings and Agreements (R&A) issues determination letters on exempt status, foundation classification, and other determinations related to exempt organizations. EO R&A also reviews and processes Form 8976.
- (3) Organizations submit applications for recognition of tax-exempt status either electronically through Pay.gov when required (such as, Forms 1023, 1023-EZ, 1024, 1024-A, and 8940) or through the Cincinnati Accounts Management Campus Support (Campus Support) for all other requests. Form 8976 is submitted electronically via the Form 8976 Electronic Notice Registration System.
- (4) Campus Support processes the user fee payment in the Letter Information Network and User Fee System (LINUS) and scans the application/request into the Modified EO-EP Determination System (MEDS). MEDS transmits the information to the Employee Plans/Exempt Organizations Determination System (EDS).

Note: EDS is the system of record for EO Determinations cases.

- (5) Campus Support sends open hard copy case files to an IRS facility in Ogden, UT.
- (6) Cases are generally processed electronically in MEDS. See IRM 7.22.4, Modified EO-EP Determination System (MEDS) User Manual, for specific instructions on using MEDS, including how to process cases.

7.20.4.1.2
(05-02-2023)

Authority

- (1) Rev. Proc. 2023-5, updated annually, sets forth procedures for issuing determination letters on issues under the jurisdiction of the Director, EO Rulings and Agreements. It explains the procedures for issuing determination letters on exempt status in response to applications for recognition of exemption from federal income tax under IRC 501 or IRC 521 (other than those subject to Rev. Proc. 2023-4, updated annually), private foundation classification, and other determinations related to exempt organizations. Rev. Proc. 2023-5 also provides guidance on the exhaustion of administrative remedies for purposes of declaratory judgment under IRC 7428 and guidance on applicable user fees for requesting determination letters.
- (2) The Protecting Americans from Tax Hikes (PATH) Act of 2015 created IRC 506 requiring an organization described in IRC 501(c)(4) to notify the Secretary no later than 60 days after the organization is organized that it is operating as a IRC 501(c)(4) organization. The requirement to submit the notification applies to organizations that are described in IRC 501(c)(4) and organized after December 18, 2015, and to certain IRC 501(c)(4) organizations existing on that date. Additionally, Rev. Proc. 2016-41 sets forth procedures for IRC 501(c)(4) organizations submitting the notification required by IRC 506.

7.20.4.1.3
(12-03-2018)

Responsibilities

- (1) EO Rulings and Agreements is responsible for issuing determination letters on exempt status, private foundation classification, and other determinations and issues related to exempt organizations. EO Rulings and Agreements is also responsible for reviewing and processing Form 8976.

7.20.4.1.4
(12-03-2018)

Program Controls

- (1) Exempt Organizations Determinations Quality Assurance (EODQA) reviews determination cases to ensure:
 - a. Technical accuracy
 - b. Adherence to written procedures
 - c. Uniform and impartial treatment of exempt organizations' interests while protecting the government's interest
 - d. Identification of unfavorable case patterns, trends affecting processing quality, problem areas, unique issues, and new or novel techniques that EOD specialists develop

7.20.4.1.5
(05-02-2023)

Common Abbreviations

- (1) Commonly used abbreviations include:

Abbreviation	Name
CCR	Case Chronology Record
EDS	EP/EO Determination System

Abbreviation	Name
EIN	Employer Identification Number
EO	Exempt Organizations
EOD	Exempt Organizations Determinations
EODQA	Exempt Organizations Determinations Quality Assurance
FYM	Fiscal Year Month
FTE	Failure to Establish
IDRS	Integrated Data Retrieval System
IRC	Internal Revenue Code
LINUS	Letter Information Network and User Fee System
R&A	Rulings & Agreements
MEDS	Modified EO-EP Determination System, also known as TEDS
TEOS	Tax Exempt Organization Search

7.20.4.1.6
(12-03-2018)

Other References

- (1) The procedures in this manual supplement case processing procedures described in:

- IRM 7.20.1, Exempt Organizations Determination Letter Overview
- IRM 7.20.2, Determination Letter Processing of Exempt Organizations
- IRM 7.20.3, Processing Foundation Classification and Miscellaneous Requests
- IRM 7.20.5, Review Procedures for EO Determinations
- IRM 7.20.6, Anti-Terrorism and Emerging Issues
- IRM 7.20.9, Processing Form 1023-EZ

7.20.4.2
(05-02-2023)

Automatic Revocation

- (1) The Pension Protection Act of 2006:

- Introduced an annual notice filing requirement for small tax-exempt organizations previously not required to file annual returns, the Form 990-N (e-Postcard) (see IRC 6033(i)).
- Includes a provision that automatically revokes an organization's tax-exempt status when it fails to file a required annual return or notice for three consecutive years effective for taxable years beginning after 2006 (see IRC 6033(j)).

- (2) An organization that is required to file a Form 990-series annual return or notice and fails to do so for three consecutive years has its tax-exempt status automatically revoked whether or not it was previously recognized as tax exempt. The IRS mails Notice CP 120A, Revocation Notice for Failure to File

An Annual Information Return for 3 Years, to an automatically revoked organization's last known address to notify it of its loss of tax-exempt status.

Reminder: Some organizations are excepted from filing a Form 990-series return or notice. See IRC 6033, Treas. Reg. 1.6033-2(g), Treas. Reg. 1.6033-2(h), Treas. Reg. 1.6033-6, and Rev. Proc. 83-23 supplemented by Rev. Proc. 95-48 and Rev. Proc. 96-10. However, an organization that claims exception from filing but isn't on record with the IRS as having established this exception (such as via a determination letter or otherwise) may be included on the Automatic Revocation of Exemption List.

Reminder: Submission of Form 8976 does not satisfy Form 990-series filing requirements.

- (3) An organization's automatic revocation date is the due date of the third consecutive return or notice that isn't filed (15th day of the fifth month after the end of the third fiscal year). The earliest possible automatic revocation date is May 15, 2010.
- (4) The IRS maintains a list of automatically revoked organizations on its website, *Tax Exempt Organization Search (TEOS)*. TEOS lists the automatic revocation date, the date of posting to TEOS, and the date of any reinstatement for each automatically revoked organization.
- (5) Automatically revoked organizations are in Status 97 on IDRS.
- (6) An automatically revoked organization may be subject to federal income tax as of its revocation date. In addition, donations to organizations previously eligible to receive tax-deductible contributions are no longer tax-deductible to donors as of the date the IRS posted its name on the Auto-Revocation list on TEOS.

Note: Taxpayers may make tax-deductible contributions to an eligible organization whose tax-exempt status is subsequently reinstated as of the effective date of reinstatement.

- (7) Organizations that had their tax-exempt status automatically revoked can request to have their tax-exempt status reinstated using procedures in Rev. Proc. 2014-11. To request reinstatement of tax-exempt status, an organization must submit:
 - The appropriate application form (Form 1023, 1023-EZ, 1024, or 1024-A);
 - All required supplemental information; and
 - The appropriate user fee.

7.20.4.2.1
(05-02-2023)

Determining Automatic Revocation Status/Impact

- (1) Conduct or obtain IDRS research on **all cases** to determine whether an organization is currently automatically revoked or actions need to be taken to prevent an erroneous automatic revocation. Research IDRS command code BMFOLO and BMFOLI. Research BMFOLT as necessary.

Note: Use BMFOLT to confirm whether a return was filed timely (including filed extensions). It may not be needed for every organization.

- (2) Import the IDRS research into the MEDS Non-Disclosable folder.

- (3) Review IDRS research and information in the case file to determine if the organization is correctly in Status 97 based on:

- Its date of formation

Note: If an organization has changed its legal form after it was (or should be) automatically revoked, follow the procedures in this section and IRM 7.20.4.2.2, Reinstatement Effective Date and Other Case Processing.

- Its fiscal year month

Note: Generally, the revocation date is not impacted by a change in FYM which occurred after exemption was granted. If the organization claims revocation is based on incorrect FYM, consider erroneous revocation procedures in IRM 7.20.4.2.7, Erroneous Revocations.

- Prior case processing information (such as ruling and effective date)
- Whether returns were filed

Reminder: An organization's filing of a return (for **any one** of the three years in question) by the return due date of the third year (including filed extensions) meets the filing requirement for those years to avoid automatic revocation.

Note: In general, if the organization didn't file for exemption within 27 months of formation, do not push to Status 97. Grant exemption from submission date and send an email to the *EO Correspondence Unit* to have a TC 590 input. The subject line of the email will be "NON AR TC 590." The body of the email must include the organization's name, EIN, Effective date, and Fiscal Year Month (FYM). See IRM 7.20.2.2.1, Effective Date of Exemption. Import the email into the MEDS Non-Disclosable folder.

- (4) Request additional information if the organization's date of formation and/or fiscal year month are unclear or unknown.

- (5) Rev. Proc. 2023-5, updated annually, provides that relief available to IRC 501(c)(3), (9), (17), or (29) under Treas. Reg. 301.9100-3 won't be granted in the following situations:

- a. If granting relief would result in the organization's exemption being automatically revoked effective before the date of application.
- b. If the period of limitation on assessment under IRC 6501(a) for any taxable year for which the organization claims exemption has expired prior to the date of application. The statute is generally three years.
- c. If the organization is not required to apply for recognition of tax-exempt status in order to be tax-exempt.

Note: Rev. Proc. 2023-5, updated annually, provides that Treas. Reg. 301.9100-3 relief doesn't apply to an organization that isn't required to apply for recognition of exempt status in order to be tax-exempt, and R&A won't consider requests for relief from such an organization.

- (6) If you're approving the case, but denying relief under Treas. Reg. 301.9100-3 because one of the three situations described above applies:

- Discuss the denial of relief with your manager.
- Call the organization to discuss.
- Prepare a Memo to File documenting the reason for the denial of relief.
- Send the correct determination letter (for example, Letter 947), along with Letter 6392, 9100 Effective Date.
- Have a TC 590 input, as explained above.
- Document each action taken in the CCR.
- Select the appropriate MEDS case category for why 9100 Relief wasn't granted (for example, 9100 Relief - Not granted (not required to apply)).

Note: When relief isn't granted, do not prepare an adverse determination or an approval letter with an adverse issue.

Reminder: Document all actions taken and managerial concurrence in the CCR.

- (7) Determine whether automatic revocation is correct.

If the organization	Then
Re-formed as a new organization since it was originally created	See IRM 7.20.4.2.5, New Organization.
Is correctly revoked and is in Status 97 on IDRS	<p>Review TEOS to ensure the organization's automatic revocation date is listed and correct.</p> <ol style="list-style-type: none"> If the revocation date on TEOS is correct, see IRM 7.20.4.2.2, Reinstatement Effective Date and Other Case Processing. If the revocation date on TEOS is later than the correct revocation date, see IRM 7.20.4.2.6, Tax Exempt Organization Search Corrections. If the revocation date on TEOS is prior to the correct revocation date, see IRM 7.20.4.2.7, Erroneous Revocations.

<p>Is subject to automatic revocation on or after the application date but before issuance of a favorable determination letter (“no gap”)</p> <p>Note: Generally, do not push organizations to 97.</p>	<p>Review IDRS and if an appropriate return has not been filed (or a filing extension requested), follow the relevant “no gap” information in IRM 7.20.4.2.2, Reinstatement Effective Date and Other Case Processing, and IRM 7.20.4.2.3, Closing Automatic Revocation Cases. Update the organization to Status 97. Email the <i>EO Correspondence Unit</i>.</p> <ul style="list-style-type: none"> • Subject: Update to Status 97 • Organization name • Employer Identification Number (EIN) • Subsection requested • Date of formation • Fiscal year month • Proposed revocation date <p>Import the email into the MEDS Non-Disclosable folder.</p> <p>Note: If the proposed revocation date is incorrect, the Correspondence Unit will send you an email with the correct date (typically within 48 hours).</p>
<p>May have been erroneously revoked, including errors related to prior incorrect case processing</p>	<p>See IRM 7.20.4.2.7, Erroneous Revocations.</p>
<p>Shouldn't be automatically revoked and the EIN Establishment Date is a tax year prior to the effective date</p>	<p>Email the <i>EO Correspondence Unit</i>:</p> <ul style="list-style-type: none"> • Subject: NON AR TC 590 • Organization's name • EIN • Effective date • FYM <p>See IRM 7.20.4.2.8 Old EIN Establishment Date.</p> <p>Reminder: Import the email into the MEDS Non-Disclosable folder.</p>

<p>Submitted its application within three months of the due date of its third year required return, it will be automatically revoked if it doesn't file a return by that date, and it otherwise qualifies for exemption</p>	<p>Notify the organization of its filing responsibility to avoid pending automatic revocation. Call the organization or, if sending a Letter 1312 include the information in the letter. Explain if it files a return for any of the 3 most recent tax years before ____ (the due date of the third year return), then it won't be automatically revoked. Before closing the case:</p> <ul style="list-style-type: none"> a. If closing the application after the filing due date of the third year, conduct or obtain IDRS research to determine if an appropriate return has been filed. b. If an appropriate return has been filed, follow non-auto revocation case processing procedures. <p>Note: If you are unsuccessful at contacting the applicant before case closing, discuss adding an addendum to the final letter with your manager.</p>
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7.20.4.2.2
(05-02-2023)
**Reinstatement Effective
Date and Other Case
Processing**

- (1) Determine the appropriate reinstatement effective date following the procedures listed in Rev. Proc. 2014-11. Tax-exempt status may be reinstated under Rev. Proc. 2014-11, Section 4, 5, 6, or 7.

Note: Eligible organizations may request reinstatement under Section 4 or 7 by submitting Form 1023-EZ.

- (2) If the organization submits Form 990 Schedule B as its financial data required for the reinstatement process or otherwise references the Form 990 for its financial information:
- a. Call or write to the organization to explain Form 990 isn't considered part of the application package, but if used, it's available for public inspection.
 - b. Include a concise summary of any phone conversation on the case chronology record (CCR) documenting whether the organization agreed to use the Form 990 as its financial data.
 - c. Send a letter to the organization requesting written confirmation if unable to contact by phone **or** if the organization doesn't want to disclose Schedule B.
- (3) Follow the chart below to determine under which section of Rev. Proc. 2014-11 the organization qualifies for reinstatement.

Step	Question	Action
Step 1	Is the automatic revocation date after the submission date of the application?	Yes. Consider whether “no gap” procedures apply (see paragraph (8) for “no gap” requirements and effective date information). If “no gap” procedures don’t apply, the effective date of exemption is the automatic revocation date if the organization otherwise qualifies for exemption as of that date. No. Go to Step 2.
Step 2	Did the organization request reinstatement as of the application’s submission date?	Yes. See paragraph (7) for Rev. Proc. 2014-11, Section 7 requirements. No. Go to Step 3.
Step 3	Did the organization apply no later than 15 months after the later of the date: <ul style="list-style-type: none"> • Of the automatic revocation letter or • The date on which the IRS posted its name on the Auto-Revocation List under Revocation Posting Date (Tax Exempt Organization Search)? 	Yes. Go to Step 4. No. See paragraph (6) for Rev. Proc. 2014-11, Section 6 requirements.
Step 4	Was the organization eligible to file either a Form 990-EZ or Form 990-N for each of the three consecutive years that it failed to file?	Yes. See paragraph (4) for Rev. Proc. 2014-11, Section 4 requirements. No. See paragraph (5) for Rev. Proc. 2014-11, Section 5 requirements.

Note: See your manager with any questions about “reasonable cause.”

- (4) The organization meets the requirements for retroactive reinstatement under Rev. Proc. 2014-11, Section 4, if:
- It was eligible to file either Form 990-EZ or Form 990-N for each of the three consecutive years that it failed to file;

- It didn't previously have its tax exemption revoked per IRC 6033(j);
- It submitted its application for reinstatement and user fee within 15 months from the later of the date of the automatic revocation letter or the date the IRS posted its name on the auto-revocation list on TEOS; and
- The organization's failure to file was not intentional and that it has put in place procedures to file in the future.

Note: An organization indicates it's applying for Section 4 streamlined retroactive reinstatement by checking a box on the electronic application. Application forms provide for an organization to attest that it has met the applicable requirements.

- (5) The organization meets the requirements for retroactive reinstatement under Rev. Proc. 2014-11, Section 5, if it:

- Isn't eligible to apply under Section 4;
- Submits the appropriate application and user fee for reinstatement within 15 months from the later of the date of the automatic revocation letter or the date the IRS posted its name on the auto-revocation list on TEOS; and
- Includes a reasonable cause statement (described in Section 8.01 of Rev. Proc. 2014-11) sufficient to establish reasonable cause for failing to file a required annual return or notice **for at least one** of the three consecutive years in which it failed to file.

Note: An organization indicates it's applying for Section 5 streamlined retroactive reinstatement by checking a box on the electronic application. Application forms provide for an organization to attest that it has met the applicable requirements.

- (6) The organization meets the requirements for retroactive reinstatement under Rev. Proc. 2014-11, Section 6, if it:

- Submitted its application for reinstatement and user fee more than 15 months from the later of the date of the automatic revocation letter or the date the IRS posted its name on the auto-revocation list on TEOS; and
- Includes a reasonable cause statement (described in Section 8.02 of Rev. Proc. 2014-11) sufficient to establish reasonable cause for failing to file a required annual return or notice **for each** of the three years in which it failed to file.

Note: An organization indicates it's applying for Section 6 streamlined retroactive reinstatement by checking a box on the electronic application. Application forms provide for an organization to attest that it has met the applicable requirements.

- (7) Submission date will be granted under Rev. Proc. 2014-11, Section 7, if they check the appropriate box on the application and include the appropriate user fee.

- (8) Process the organization's application as a "no gap" reinstatement if it:

- a. Submits the appropriate application before the due date of its third required return (based on its formation date);

- b. Isn't approved before the due date of the third return (based on its formation date); **and**
- c. Has not filed appropriate returns to prevent automatic revocation.

Note: Determine a "no gap" reinstatement's effective date using standard processing procedures rather than automatic revocation procedures. See IRM 7.20.4.2.3, Closing Automatic Revocation Cases, "No Gap."

- (9) Determine the effective date of exemption as follows:

If the organization	Then
Is in Status 97	Determine the appropriate reinstatement effective date following the procedures listed in Rev. Proc. 2014-11. See IRM 7.20.4.2.2. Note: If IDRS research shows that an organization was erroneously revoked then follow the procedures in IRM 7.20.4.2.7.
Submitted application within 27 months from the end of the month in which it was organized	Use the formation date as the effective date of exemption and year of deductibility.
Submitted application more than 27 months from the end of the month in which it was organized, not in Status 97, and did not request an earlier effective date than the submission date	Use the submission date as the effective date of exemption and year of deductibility.
Is applying for exemption under IRC 501(c)(3), (9), (17), or (29) more than 27 months from the end of the month in which it was organized, is not in Status 97, and requested an earlier effective date than the submission date	Determine the appropriate effective date following the procedures listed in Rev. Proc. 2023-5, updated annually. See IRM 7.20.2.2.1 and IRM 7.20.4.2.1(5)
Is applying for exemption under a subsection other than IRC 501(c)(3), (9), (17), or (29) and submitted its application more than 27 months from the end of the month in which it was organized	Use the submission date as the effective date of exemption and year of deductibility. See section 6.08(4) of Rev. Proc. 2023-5, updated annually.

- (10) When closing a case with a request for 9100 relief:

- a. Select the appropriate MEDS case category:
 - 9100 Relief - Approved (requires manager concurrence)
 - 9100 Relief - Not granted (relief would result in Auto Rev)
 - 9100 Relief - Not granted (period of limitation expired)
 - 9100 Relief - Not granted (not required to apply)
 - 9100 Relief - Not granted (other)
- b. Prepare a Memo to File documenting whether relief was granted and why.
- c. Ensure that a TC590 is input, if appropriate, to prevent the organization from being erroneously revoked.
- d. Continue to process cases using “no-gap” procedures as described in IRM 7.20.4.2.3 and push to Status 97 if the taxpayer’s exemption is automatically revoked under IRC 6033(j) on or after the application date but before issuance of a favorable determination letter.

7.20.4.2.3
(05-02-2023)

**Closing Automatic
Revocation Cases**

- (1) Follow case closing procedures in IRM 7.20.2 except as otherwise specified.
- (2) Enter the appropriate effective date and include the required selective paragraphs on the determination letter. Enter the appropriate effective date and deductibility date on the MEDS Closing Tab following the chart below:

Qualifies for	Effective date on letter	Effective date on MEDS Closing Tab	Deductibility year on MEDS Closing Tab (if applicable)
Retroactive Reinstatement	Revocation date	Revocation date	Original deductibility year on IDRS (or revocation year if not listed on IDRS)
Submission date reinstatement	Submission date	Submission date	Submission year
New subsection in addition to retroactive reinstatement under previous subsection	Generally submission date (use selective paragraphs for prior subsection reinstatement from revocation date)	Revocation date	Original deductibility (if original and current subsection deductible) or submission date (if original subsection not deductible, or no year listed on IDRS)

Qualifies for	Effective date on letter	Effective date on MEDS Closing Tab	Deductibility year on MEDS Closing Tab (if applicable)
No gap	Effective date as determined without regard to automatic revocation	Revocation date	Year of effective date on letter

- (3) Include a selective paragraph or addendum specifying the revenue procedure under which reinstatement is granted on all reinstatement case determination letters.
- (4) Use other automatic revocation selectable paragraphs, as necessary.
- (5) For automatic revocation cases, send an encrypted email to the *EO Correspondence Unit* to have a TC 590 posted. The subject will read "AR TC 590". The body of the email must include **ALL** of the following:
 - Organization's name
 - Employer Identification Number (EIN)
 - Fiscal Year Month (FYM)

Note: The Correspondence Unit will respond with the date you can close the case. Hold the case until that date and then close in MEDS.

Reminder: Document all actions taken in the CCR and import all case-related emails into the MEDS Non-Disclosable folder.

- (6) If the organization was a parent or a subordinate in a group exemption, complete a Form 2363-A, Request for IDRS Input for BMF/EO Entity Change, to remove the group exemption information. See IRM 7.20.4.7, Subordinates Leaving a Group Ruling for Individual Exemption, for instructions on completing Form 2363-A.
- (7) If an organization didn't respond to a request for additional information, follow failure to establish (FTE) or incomplete response denial procedures in IRM 7.20.2. Close FTE cases in Status 12.

7.20.4.2.4 (05-02-2023) Group Ruling (GEN) Subordinates

- (1) If a subordinate's tax-exempt status is revoked for failure to file for three years, the subordinate must apply for individual exemption in order for it to have its tax-exempt status reinstated.
- (2) A subordinate can't have its tax-exempt status reinstated through the group ruling holder (parent organization) adding it back onto the group exemption roster. The IRS won't add currently revoked subordinates to a GEN.
- (3) Process subordinate reinstatement requests using the procedures for automatic revocation and IRM 7.20.4.7, Subordinates Leaving a Group Ruling for Individual Exemption.

- (4) Subordinates of a group ruling whose parent organization's individual exemption is automatically revoked must apply for individual exemption (or join another group exemption). IDRS updates a subordinate who was in good standing but whose parent is automatically revoked to Status 27. These applications aren't processed as reinstatement cases. Follow standard case processing procedures in IRM 7.20.4.7, Subordinates Leaving a Group Ruling for Individual Exemption.

7.20.4.2.5
(05-02-2023)

New Organization

- (1) A tax-exempt organization that changes its form or place of organization (for example, a trust incorporates) may need to submit a new application for exemption.

Note: Generally, if a Section 501(c) exempt domestic business entity (classified as a corporation) restructures (for example, unincorporated association to corporation or reincorporation in a different state), the surviving organization isn't required to file a new exemption application if the surviving organization is a domestic business entity (classified as a corporation) and is carrying out the same purposes as the exempt organization that restructured. See Rev. Proc. 2023-5, updated annually, and Rev. Proc. 2018-15 for specific new application requirements.

- a. The effective date of exemption for the new organization is generally the formation date of the new organization if it timely filed the application and otherwise meets requirements for exemption.
- b. If a new organization is formed (for example, a trust incorporates), the new organization is required to obtain a new EIN. An organization is generally not required to obtain a new EIN for any other changes in form or place of organization (for example, an association incorporates or a corporation reincorporates in a different state). (IRM 7.20.2.2.2, Employer Identification Numbers). See IRC 6109, Publication 1635, and Rev. Proc. 2018-15.

Note: Multiple active entities can't share an EIN.

7.20.4.2.6
(05-02-2023)

Tax Exempt Organization Search Corrections

- (1) If an organization is in Status 97 and the revocation date on TEOS is later than the correct revocation date, send an encrypted email to the *EO Correspondence Unit* with the following information:

- Subject line: Revocation Date Correction
- Organization name
- EIN
- Revocation date listed on Tax Exempt Organization Search
- Correct revocation date
- Formation date
- Fiscal year end
- Subsection

- (2) Import the email into the MEDS Non-Disclosable folder.

- (3) Continue processing as an automatic revocation case.

7.20.4.2.7
(05-02-2023)

Erroneous Revocations

- (1) An organization could be automatically revoked in error or prematurely for a number of reasons, including:

- The organization's EIN establishment date on IDRS is before the tax year of the organization's date of formation.
- The organization had a determination letter indicating it wasn't required to file annual returns but IDRS was incorrectly coded.
- A prior application for exemption was incorrectly processed.
- The organization was affiliated with a governmental entity as described in Rev. Proc. 95-48.

Note: An organization that meets a filing exception under Rev. Proc. 95-48 may, but isn't required to, notify the IRS that it meets the requirements (Rev. Proc. 95-48, Section 5.02). Therefore, the system could "erroneously" revoke the exemption. If the organization can show that it met the requirements of Rev. Proc. 95-48 during the period for which it was revoked, treat the revocation as erroneous. In this situation, refund any user fee that was paid.

- TC 590s weren't appropriately entered when closing a prior case.

Note: EO Determinations considers an incorrect automatic revocation that was due to IRS error as an erroneous revocation for processing purposes.

(2) Items that **may** identify an organization as erroneously revoked include:

- Revocation within one year of ruling date
- Second revocations
- Organization indicates it was erroneously revoked

(3) Secure your manager's concurrence when you determine erroneous revocation due to IRS error.

(4) If the revocation is erroneous, send an encrypted email to the *EO Correspondence Unit* with the following:

- Subject line: Erroneous Revocation
- Organization name
- EIN
- Formation date
- Fiscal year month
- Revocation date
- Explanation of why the revocation is erroneous
- Statement whether the case is closed as Status 12 with a user fee refund or if it is being processed for exemption

(5) Import the email into the MEDS Non-Disclosable folder.

(6) The chart below describes the special processing procedures that apply to an erroneous revocation.

If the erroneously revoked organization	Then
Requested reinstatement under the same subsection shown in IDRS prior to the erroneous revocation	<p>a. Contact the organization to tell them:</p> <ul style="list-style-type: none"> • The revocation was erroneous and to ignore Notice CP 120A (if received), • Their name will be removed from the TEOS Auto-Revocation list, and • We'll refund their user fee. <p>b. Prepare superseding determination letter if original determination letter is wrong.</p> <p>c. Complete Form 14268, User Fee Refund.</p> <p>d. In MEDS, select "Other Internal Forms" for Document Type and "User Fee Refund Request" for Document Name.</p> <p>e. In MEDS, select the Case Category *Forward Form 14268 - User Fee Refund.</p> <p>f. Have a TC 590 input if it appears the organization may be automatically revoked again.</p> <p>g. Close the case Status 12.</p>
Wasn't exempt before the erroneous revocation	<p>a. Contact the organization to tell them:</p> <ul style="list-style-type: none"> • Their revocation was erroneous and to ignore CP120A (if received) and • Their name will be removed from the TEOS Auto-Revocation list. <p>b. Follow standard case processing procedures in IRM 7.20.2.</p>

If the erroneously revoked organization	Then
Requested a change in subsection	<p>a. Contact the organization to tell them:</p> <ul style="list-style-type: none"> About the erroneous revocation and to ignore Notice CP 120A (if received) and Their name will be removed from the TEOS Auto-Revocation list. <p>b. Follow standard case processing procedures in IRM 7.20.2.</p>
Wasn't erroneously revoked (but claimed it was)	<p>a. Contact the organization to explain why their revocation wasn't erroneous.</p> <p>b. Follow standard automatic revocation case processing procedures.</p>

7.20.4.2.8
(05-02-2023)
Old EIN Establishment Date

- (1) Currently, IRS systems use an organization's EIN establishment date rather than its formation date to determine when to automatically revoke an organization's exempt status. See the chart below for specific guidance.

If	Then
The organization's EIN establishment date is before the beginning of the fiscal year of the organization's effective date and the organization isn't currently revoked	<p>Send an encrypted email to the <i>EO Correspondence Unit</i> with the subject line "NON AR TC 590." Include ALL of the following in the body of the email:</p> <ul style="list-style-type: none"> Organization's name EIN Effective date Fiscal Year Month <p>Note: This prevents the organization from being revoked prematurely.</p> <p>Reminder: Import a copy of the email into the MEDS Non-Disclosable folder.</p>

If	Then
The organization was prematurely revoked based on its EIN establishment date	Follow procedures under IRM 7.20.4.2.7, Erroneous Revocations.
The organization's EIN establishment date is in or after the same fiscal year of the organization's effective date	Follow standard case processing procedures in IRM 7.20.2.

7.20.4.2.9
(05-02-2023)

Valid Second Automatic Revocation

- (1) An organization that was automatically revoked more than once isn't eligible for reinstatement under Rev. Proc. 2014-11, Section 4, but may be reinstated under the procedures in other sections. Items that **may** identify an organization that was or should be automatically revoked more than once include:
 - A prior reinstatement approval case on EDS
 - BMFOLO lists 97 as the current status and the current status date is after 2014-06
 - Tax Exempt Organization Search lists old revocation, revocation posting, and reinstatement dates
- (2) The IRS isn't systematically updating TEOS to reflect multiple automatic revocations. To manually update TEOS, send an encrypted email to the *EO Correspondence Unit* with the following:
 - Subject line: Add to TEOS
 - Organization name
 - EIN
 - Formation date
 - The most recent revocation date
 - A statement confirming that the organization was correctly revoked a second time
- (3) Import the email into the MEDS Non-Disclosable folder. Close the case following the IRM 7.20.4.2.3, Closing Automatic Revocation Cases, procedures.

7.20.4.3
(05-02-2023)

Exempt Religious or Apostolic Associations under 501(d)

- (1) An organization requesting exemption recognition under IRC 501(d) as a religious or apostolic association or corporation is required to submit Form 1024 with Schedule L and the appropriate user fee.
Note: These cases are established as subsection 40 on EDS.
- (2) Follow case processing procedures described in IRM 7.20.2 except as indicated here. If exemption is recognized, prepare Letter 5051, Determination Letter for Exempt Religious and Apostolic Association under 501(d).
- (3) A religious or apostolic association or corporation must file a Form 1065 tax return. Select "1" in the 1065 field on the MEDS EO Closing Data tab to establish the 1065 filing requirement.

7.20.4.4
(05-02-2023)
**Farmers' Cooperatives
Case Processing**

- (1) An organization requesting exemption recognition under IRC 521 as a farmers' cooperative is required to submit Form 1024 or Form 1028, and the appropriate user fee.

Note: These cases are established as subsection 80 on EDS, and entity type is 3 for cooperatives.

- (2) Follow case processing procedures described in IRM 7.20.2 except as indicated here. If exemption is recognized, prepare Letter 949, Determination for Farmers Cooperative Exempt under Section 521.

Note: For adverse cases, remove references to IRC Section 501(a) in Letters 4034 and 4038.

- (3) A farmers' cooperative must file income tax returns on Form 1120-C. Enter "20" in the 1120 field on the MEDS EO Closing Data tab to establish the 1120-C filing requirement.

7.20.4.5
(05-02-2023)
Foreign Organizations

- (1) An organization formed under foreign law may qualify as an exempt organization under IRC 501(a), if it meets exemption requirements. However, certain subparagraphs of IRC 501(c) only apply to domestic entities or allow for organizations formed in U.S. territories (see chart below).

Subsection	Applies only to
IRC 501(c)(10)	Domestic organizations
IRC 501(c)(19)	Organizations organized in the U.S. or its territories
IRC 501(c)(21) and IRC 501(c)(22)	Trusts created or organized in the U.S.
IRC 501(c)(26) and IRC 501(c)(27)	Qualified state-sponsored organizations

- (2) A domestic organization (association, corporation, or partnership) is formed in or under the law of the U.S., or of any state (unless otherwise provided by regulation). (IRC 7701(a)(4))

- (3) The term "foreign" when applied to a corporation or partnership is a corporation or partnership which is not domestic. (IRC 7701(a)(5))

Caution: A domestic corporation that registers as a "foreign" corporation in a state other than its state of incorporation is **not** a foreign organization for purposes of these procedures.

- (4) A trust is generally treated as domestic under the Code if a U.S. court is able to exercise primary supervision over the administration of the trust **and** one or more U.S. persons have authority to control all substantial decisions of the trust (IRC 7701(a)(30)(E)). However, a trust created or organized in or under

the law of the U.S., any state, or a U.S. territory is treated as domestic for purposes of IRC 170 and Chapter 42 (including IRC 4948(b)). (IRC 170(c)(2)(A))

- (5) An organization formed in a U.S. territory is considered a foreign organization because IRC 7701(a)(9) defines the U.S. as including only the 50 states and the District of Columbia. U.S. territories include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of Northern Mariana Islands. To approve an organization formed in a U.S. territory, use the correct closing letter as indicated in IRM 7.20.4.5.2, Case Closing.
- (6) An organization organized on a U.S. military base or embassy abroad may be domestic (see Rev. Rul. 68-521).
- (7) A domestic organization formed by foreign persons (corporations, trusts, or individuals) and operated outside of the U.S. isn't a foreign organization. See *Bilingual Montessori School of Paris v. Commissioner*, 75 T.C. 480 (1980).

7.20.4.5.1
(05-02-2023)
Case Development and Processing

- (1) When processing an application from a foreign organization, make sure the application for recognition of exemption includes:
 - Where the organization was formed or created and why it's seeking U.S. tax exemption.
 - English translations of information/documents written in a foreign language.
 - All financial data in U.S. dollars.
- (2) In general, foreign organizations are subject to automatic revocation of exemption for failure to file annual returns for three consecutive years, similar to domestic organizations.
 - a. If a foreign organization files an application to be recognized as exempt only from the submission date of application, follow standard case processing procedures.
 - b. If a foreign organization applies for exemption within 27 months of its formation date, recognize exemption as of the formation date (if it otherwise qualifies for exemption).
 - c. Foreign organizations and organizations located in U.S. possessions, whose gross receipts from sources within the U.S. are normally \$50,000 or less and which didn't engage in significant activity in the U.S. (other than investment activity), if they claim U.S. tax exemption or are recognized by the IRS as tax exempt, are generally required to submit Form 990-N if they choose not to file Form 990 or Form 990-EZ. Request that a NON AR TC 590 is input at case closing to prevent the organization being placed on the auto-revocation list.
- (3) Foreign organization approvals (not including those formed in U.S. territories) are subject to mandatory review. See IRM 7.20.5.2.1.

7.20.4.5.1.1
(05-02-2023)
Qualification under Section 501(c)(3)

- (1) A foreign organization that applies for recognition of exemption must meet the same organizational and operational tests as a domestic organization. If an organization doesn't want to amend its organizing document to satisfy the organizational test under IRC 501(c)(3), discuss IRC 501(c)(4) status with the organization (as contributions to foreign organizations generally aren't deductible under IRC 170(c)(2)(A)).

Note: Generally, contributions to foreign organizations aren't deductible unless the country where the organization is formed has a tax treaty with the U.S. that provides for deductibility of contributions to organizations formed in the other country that is a party to the treaty.

Note: Contributions to organizations organized in any possession of the United States are deductible under IRC 170(c)(2)(A).

(2) A foreign school must comply with Rev. Proc. 75-50.

Exception: If a foreign school demonstrates that it can't collect the information required under Rev. Proc. 75-50 because collecting it is illegal under foreign law or impractical under the circumstances and it submits proof, the IRS may waive parts of Rev. Proc. 75-50. However, the school must adopt an internal racial non-discriminatory policy meeting the language requirements of Rev. Proc. 75-50 and operate in a nondiscriminatory manner as to students.

(3) A foreign organization must satisfy the notice requirement under IRC 508(a) within the time period established by the regulations under that section unless it:

- Meets one of the exceptions in Treas. Reg. 1.508-1(a)(3).
- Receives 15 percent or less of its support (other than gross investment income) from U.S. persons from its creation date (IRC 4948(b)).

(4) If a foreign private foundation receives 15 percent or less of its support from U.S. sources from its creation date, it's excepted from IRC 508(e) governing instrument provision requirements (IRC 4948(b)).

Note: For purposes of IRC 4948, a foreign organization is one that is not created or organized in the U.S. or a U.S. territory.

(5) A foreign private foundation is subject to a 4% excise tax on net investment income derived from sources within the U.S., per IRC 4948(a), instead of the standard 1.39% under IRC 4940.

(6) Contributions to charitable organizations formed in U.S. territories are deductible by donors (IRC 170(c)(2)(A)).

(7) Contributions to foreign organizations, other than to organizations created or organized in U.S. territories, aren't deductible by donors unless the organization is located in a country that has a tax treaty with the U.S. providing for deductibility of contributions. For additional information on the deductibility of contributions to foreign organizations, see Pub 597, Information on the United States-Canada Income Tax Treaty, and Pub 526, Charitable Contributions.

(8) For consideration of deductibility of contributions, an organization (other than a Canadian organization) must state which treaty governs deductibility of contributions to it. If the application doesn't have this statement, contributions to the organization won't be tax deductible, and the organization won't have protest or declaratory judgment rights on the issue.

- a. If the claim covered by a treaty is questionable, develop the issue by sending an information request letter and/or a discussing it with the organization before issuing a determination letter.
- b. Find the complete text of all the tax treaties on the *U.S. Department of the Treasury* website.

7.20.4.5.1.1.1
(05-02-2023)

Processing Canadian Charities

- (1) A Canadian charity registered by the Canada Revenue Agency (CRA) is automatically recognized as tax exempt under the United States-Canada Income Tax Convention (Treaty). Canadian charities are presumed to be private foundations.

Note: Find guidance on the treatment of Canadian charities seeking recognition of tax-exempt status in the U.S. in Notice 99-47, Guidance Relating to Article XXI of the United States-Canada Income Tax Convention.

- (2) Donors can deduct contributions (within limitations) to Canadian charities under treaty provisions.
- (3) An initial ruling on foundation status and listing on TEOS is submitted on Form 8940 and doesn't require a user fee. It is established in MEDS as an "A" case.

Note: To be recognized as tax-exempt, an automatically revoked Canadian charity must complete and submit a Form 1023 and user fee under IRC 6033(j)(2), which is established in MEDS as an "I" case.

- (4) For a request to be listed as a Section 501(c)(3) organization on TEOS and/or a request for classification as a public charity, rather than a private foundation, a Canadian charity must provide must provide:

- a. A letter stating the organization's request (listing as a Section 501(c)(3) organization on TEOS or classification as a public charity);
- b. A copy of their Notification of Registration from the CRA;

Note: Registered Canadian charities are listed on *CRA's website*. If the organization doesn't submit its Notice of Registration but is listed on CRA's website, print the relevant page of the website and place it in the MEDS Non-Disclosable folder.

- c. Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), or a separate statement indicating that the charity is claiming exemption pursuant to Article XXI of the Treaty;
- d. Their legal name, complete mailing address, and EIN;
- e. The month their fiscal year ends;
- f. Their date of formation;
- g. A contact name and telephone number;
- h. The public charity status they are requesting (if applicable) and information demonstrating how it meets the requirements of that status;
- i. Penalty of perjury statement; and
- j. Signature of an officer, director, trustee, or other authorized person.

- (5) Process the foundation classification issue as usual. If they don't submit sufficient information to establish the requested foundation classification, develop the issue following case processing procedures in IRM 7.20.2 .

- (6) When approving a Canadian organization as a public charity, Prepare Letter 5048, Determination Letter for Foreign Organizations 501(c)(3) Public Charity.

If the organization is a private foundation, Prepare Letter 5049, Determination Letter for Foreign Organizations 501(c)(3) Private Foundation, using the selectable paragraphs applicable to Canadian organizations.

Reminder: Foreign organizations, including Canadian charities, are subject to mandatory review. See IRM 7.20.5.2.1, Cases Subject to Mandatory Review.

7.20.4.5.1.2
(05-02-2023)
Processing United States Virgin Islands (USVI) Organizations

- (1) When processing applications for exemption from organizations formed in the U.S. Virgin Islands (USVI), follow standard case processing procedures.

Note: A USVI organization can complete Form 8821, Tax Information Authorization, with its exemption application if it wants copies of tax information, notices, or other written communications, sent to the USVI Bureau of Internal Revenue (BIR).

7.20.4.5.2
(05-02-2023)
Case Closing

- (1) In addition to any closing procedures specified above, follow standard case closing procedures (see IRM 7.20.2, Determination Letter Processing of Exempt Organizations) with the following exceptions noted in this section.
- (2) If approving the determination request for recognition of exemption of a foreign organization, including those formed U.S. territories, prepare:

Letter Number	Letter Name
Letter 5048	Determination Letter for Foreign Organizations 501(c)(3) Public Charity
Letter 5049	Determination Letter for Foreign Organizations Section 501(c)(3) Private Foundation
Letter 5050	Determination for Foreign Organizations Non-501(c)(3)

- (3) Enter Form 990, Form 990-PF, and Form 990-T filing requirements similar to those applicable to domestic organizations. For circumstances where a foreign organization may be eligible to file Form 990-N, see Rev. Proc. 2011-15.

Note: If an organization receiving submission date as the effective date of exemption and has an old EIN, isn't automatically revoked, and has Form 990 filing requirements, send an email to the *EO Correspondence Unit* and have a TC 590 input. Import the email into the MEDS Non-Disclosable folder.

- (4) For organizations with employees, enter the following employment tax filing requirements:

Organization formed in:	941 requirement	(Non (c)(3) only) 940 requirement
Puerto Rico	07	7
U.S. Virgin Islands, Guam, or American Samoa	06	1
Any other U.S. territory	01	1
Foreign country (non U.S. territory) with U.S. based employees or employees who are U.S. residents	01	1

Note: Prepare Form 2363-A to enter 941 and 940 filing requirements other than “01” or “1” because EDS will not accept the entry.

- (5) If contributions to a foreign organization are deductible by donors under a tax treaty (for example, Canada), enter a deductibility code of “4.”
- (6) If the organization doesn’t qualify for exemption, follow the adverse case closing procedures in IRM 7.20.2.4, Adverse Determinations.
- (7) If closing a case as failure to establish (FTE):
 - a. Prepare Letter 1314, EO Determination Request Closed - Failure to Establish, using the appropriate selective paragraph.
 - b. Enter closing Status 11 if the case involves a U.S. territory and Status 12 for other foreign organizations.

Exception: For a FTE reinstatement case, close the case Status 12.

- c. Input the appropriate Form 1120 or Form 1041 filing requirements only if the organization has U.S. income.
- (8) Foreign organizations (not including those formed in U.S. territories) are subject to mandatory review. See IRM 7.20.5.2.1, Cases Subject to Mandatory Review.

7.20.4.6
(05-02-2023)
**Optional Expedited
Process for IRC
501(c)(4) Applicants**

- (1) EO Rulings and Agreements has a process to expedite certain exemption applications under IRC 501(c)(4). This process applies to applications for IRC 501(c)(4) exemption that show:
 - The organization could potentially be engaged in political campaign intervention (PCI) or providing private benefit to a political party (referred to as “political issues”) to an extent that can’t be determined and
 - Doesn’t otherwise present any issues about tax-exempt status.

Note: This process applies only if there are possible political issues and a favorable determination cannot yet be issued based on the facts and circumstances currently contained in the application.

- (2) This process lets an organization make representations to the IRS on its past, current, and future activities and receive a determination letter based on those representations.
- (3) An organization attests to these representations in Letter 5228, Applicant Notification of Expedited 501(c)(4) Option.

Caution: Only send Letter 5228 if we do not have enough information to make a determination. Accordingly, if the applicant does not respond to Letter 5228, a Letter 1312 is **required** to obtain additional information needed to make the determination.

7.20.4.6.1
(05-02-2023)

Optional Expedited Case Processing

- (1) Review the case to ensure the application:
 - a. Is complete.
 - b. Contains no indication of inurement.
 - c. Contains no other potential issues (other than potential political issues).

Reminder: Follow case processing time frames in IRM 7.20.2 unless specifically noted.

- (2) Process the application according to the situations described below:

If	Then
You approve the application (including one with potential political issues) without development	Issue Letter 948 and follow the procedures in IRM 7.20.2.5, Case Closing.
The application presents inurement issues	<ul style="list-style-type: none">• Discuss a potential adverse position with your manager.• Develop the case using case processing procedures in IRM 7.20.2.4, Adverse Determinations.

If	Then
The application presents issues other than potential political issues	<ul style="list-style-type: none"> Request additional information for the other issues using Letter 1312, Request for Additional Information. If the organization's response doesn't resolve those issues, discuss a potential adverse position with your manager. If the organization sends a response that resolves the other issues for example, non-political issues) and you approve the application without further development, issue Letter 948 and follow the procedures in IRM 7.20.2.5, Case Closing. If potential political issues present an obstacle to a favorable determination, refer to the next option in this table.
Potential political issues are the only obstacle to a favorable determination, and you can't determine whether the applicant is primarily engaged in PCI activities (or providing private benefit to a political party)	Prepare Letter 5228, Applicant Notification of Expedited 501(c)(4) Option with a 28 day response due date.
The organization signs and returns the representations on Letter 5228	<ul style="list-style-type: none"> Prepare Letter 948-E, Determination Letter for Organizations Eligible Under the Optional Expedite Process. Prepare the case for closing per IRM 7.20.2.5, Case Closing. <p>Note: The case does not need to go to mandatory review if they signed and returned Letter 5228. See IRM 7.20.5.2.1, Cases Subject to Mandatory Review.</p>

If	Then
The organization doesn't respond to Letter 5228 or states it doesn't want to sign the representations	<p>Develop the case per case processing procedures in IRM 7.20.2. Do not close the case as an approval if the organization does not respond to Letter 5228. Issuing Letter 5228 means that we do not have enough information to make a determination.</p> <p>Exception: You must submit all additional information request letters on these cases (after Letter 5228) for manager review before mailing.</p> <p>Reminder: The case must be sent to mandatory review for potential PCI if they did not sign Letter 5228. See IRM 7.20.5.2.1, Cases Subject to Mandatory Review.</p>

7.20.4.7
(05-02-2023)
Subordinates Leaving a Group Ruling for Individual Exemption

- (1) To establish their own individual exemption, a subordinate organization must submit the appropriate form (for example, Form 1023) and the appropriate user fee.
Note: A subordinate organization that is automatically revoked must submit an application for reinstatement of their own individual tax-exempt status before they can rejoin a group ruling (if desired).
- (2) The organization must meet all organizational and operational requirements of the requested subsection. When processing the application for individual exemption:
 - a. Verify the organization is (or was) covered under a group ruling.
 - b. Review for automatic revocation issues (see IRM 7.20.4.2, Automatic Revocation).
 - c. Determine the effective date of the individual exemption (if not automatically revoked).

If	Then the effective date of individual exemption (listed on the determination letter) is
The parent organization notified the subordinate that it's no longer covered under the group exemption	The notification date that the subordinate was no longer covered under the group exemption (or other date specified in the notification), unless otherwise provided under IRC 508(a).
The subordinate chose to withdraw from coverage under a group exemption and notifies the parent organization	The date the subordinate notified the parent organization (or other date specified by the subordinate), unless otherwise provided under section 508(a).
The subordinate hasn't sent or received notification to or from the parent organization prior to submitting its application for exemption	The date the subordinate notifies the parent organization or the date it specifies in the notice. Note: The subordinate can notify the parent organization during the application process. In the notice, the subordinate may want to specify the submission date of application as the date of its withdrawal from the parent organization.

Note: See Situation 3 of Rev. Rul. 90-100 for IRC 508(a) and former group exemption subordinates.

(3) In addition to standard closing procedures:

- a. Add the appropriate selective paragraph(s) and/or addenda to the determination letter.
- b. For an organization that isn't automatically revoked, enter the effective date of exemption on the MEDS Closing Data tab as the formation date or the date the organization was included in the group ruling, whichever is later. Enter the ruling date as the date the determination letter is issued to the individual organization.

Caution: The effective date of exemption on the determination letter will be different than the effective date entered in MEDS.

- c. Prepare Form 2363-A to remove the GEN from the organization's EO submodule by completing the following fields:

Field Number	Field Element	Field Input
1	EIN	NN-NNNNNNN (EIN)

Field Number	Field Element	Field Input
2	Name Control	XXXX (Name Control)
3	Document Codes	80
4	Transaction Codes	016
5	Def Codes	ABC
6*	Posting Delay	1
7*	New Name Control	XXXX (new Name Control)
8*	Primary Name	Only fill in if name has changed from current Master File entry
10*	Sort Name	Delete Sort Name (if applicable)
20	Affiliation Codes	3
22	Status Code and Date	01YYYYMM (01 and effective date of determination letter)
23	Ruling Date	YYYYMM (ruling date of individual exemption)
26	From GEN	XXXX
27	New GEN	9999
39	Remarks	Subordinate leaving group ruling for individual exemption or Group Exemption Lost Due to Auto Revocation

Note: Also complete Form 2363-A fields: 17, 18, 19, 21, 35, 36, 37, 38, 40, 41, 42, and 43. *Only complete fields 6 - 8 and 10 if changing the name control of the organization.

7.20.4.8
(12-03-2018)
Form 8976, Notice of Intent to Operate Under Section 501(c)(4)

- (1) The Protecting Americans from Tax Hikes (PATH) Act of 2015 created IRC 506 requiring an organization described in IRC 501(c)(4) to notify the Secretary no later than 60 days after the organization is organized that it is operating as a 501(c)(4) organization. The requirement to submit the notification applies to:
 - Organizations described in IRC 501(c)(4) and organized after December 18, 2015.
 - Certain IRC 501(c)(4) organizations existing on that date.

- (2) Rev. Proc. 2016-41 lists procedures for IRC 501(c)(4) organizations submitting the notification required by IRC 506.

Note: Providing notice isn't a request for a determination of exempt status.

7.20.4.8.1
(05-02-2023)

Processing Form 8976

- (1) Review electronically submitted Form 8976 notifications in submission date order.

Note: Paper submissions won't be accepted.

- a. Ensure all required fields have been completed.
- b. Verify the correct user fee was paid.
- c. Perform IDRS research.

- (2) After review:

If	Then
Information is complete and there's no reason for non-acceptance	<ul style="list-style-type: none"> Issue Letter 5822, Acknowledgment of Receipt of Form 8976, Notice of Intent to Operate Under 501(c)(4), within 60 days of receiving the completed form. <p>Note: This is not a determination of tax-exempt status.</p> <ul style="list-style-type: none"> Create or update the EO submodule on the Master File.
Form is incomplete or organization: <ul style="list-style-type: none"> Submitted Form 990 or Form 1024 before enactment of PATH Act Previously submitted Form 8976 (doesn't include previously not accepted form) Has EIN issues that won't allow the form to be processed Submitted a user fee that didn't process Is exempt under another subsection Has another pending application (other than Form 1024-A) Will be formed at a future date 	<ul style="list-style-type: none"> Issue Letter 5823, Rejection of Receipt of Form 8976. Refund any user fee paid.

(3) Time frames for processing Form 8976:

- a. The tax examiner processes the form within 2 workdays.
- b. The group manager either approves it or returns it to the tax examiner within 2 workdays.

(4) When rejecting a Form 8976:

- a. Prepare one copy of Form 14268, User Fee Refund Request. Name it "Form 14268 - User Fee Refund."
- b. Email the completed Form 14268 to the manager.

Note: Don't refund the user fee if you reject a Form 8976 for insufficient user fee (or user fee didn't process).

