



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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MEMORANDUM FOR EXEMPT ORGANIZATIONS RULINGS AND AGREEMENTS AND
OTHER TE/GE EMPLOYEES

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

SUBJECT: Interim Guidance for EO Determination Letter Request Processing – OFAC SDN
Name Match Requirements and Development of Foreign Grants or Activities

This memorandum describes changes to:

- Procedures for identifying names or addresses in Exempt Organization (EO) determination letter requests as potential matches to those on the Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons List (OFAC SDN List).
- The requirement to coordinate review of all activities and grants in foreign countries indicated in EO determination requests with the EO Rulings and Agreements (R&A) Anti-Terrorism Coordinator (ATC).

Background/Source(s) of Authority

Employees consider and address indicators of involvement in terrorism when reviewing EO determination letter requests. IRM 7.20.6, Anti-Terrorism and Other Emerging Issues, provides procedures to identify and develop indicators of potential involvement in terrorism or heightened risk of diversion of funds to terrorism including name matches with the OFAC SDN List and activities or grant activities in foreign countries.

Current guidelines for identifying potential name matches (which include partial/surname matches) differ from those of OFAC (under which valid matches consist of at least two matching names).

Employees check all determination letter requests against the OFAC SDN List for any matching information.

For determination letter requests (other than non-predetermination Form 1023-EZ) that indicate foreign grants or activities, EO Determinations specialists review these activities (and develop as needed) to determine in which countries the applicant will operate or make grants and how the applicant will ensure funds and goods are used for the intended purposes and are not diverted to support terrorism or other non-exempt activities. IRM 7.20.6 currently requires that

specialists complete Form 14503, Potential Terrorist Connection Checksheet, and coordinate review of the checksheet with the R&A ATC for all foreign grants and activities.

Procedural Change

Potential OFAC SDN Name Matches

1. Employees processing EO determination letter requests will use OFAC's online Sanctions List Search (<https://sanctionssearch.ofac.treas.gov/>) to identify potential name and address matches. Employees will limit searches to terrorist programs.
2. A "match" of two or more names (e.g., given name and surname) requires further review, completion of Form 14503 and coordination with the R&A ATC. A single name match (e.g., given name or surname) does not require further review unless other facts and circumstances indicate a higher risk of terrorism or diversion of funds.
3. Employees will document search actions and results in case chronology records (CCRs) and request additional information as necessary to help in correctly identifying a match.
4. R&A will continue to maintain and distribute the OFAC SDN list to designated employees who perform anti-terrorism name match reviews on Form 990-series returns but who do not have access to the online OFAC search tool.

Foreign Grants or Activities

1. In a case (other than a non-predetermination Form 1023-EZ) where an organization will make foreign grants or conduct activities in foreign countries, the EO Determinations specialist will continue to request sufficient information (if not included in the taxpayer's initial submission) to determine:
 - a. In which countries the organization will operate or make grants
 - b. Whether the organization will check the OFAC SDN List for names of individuals and entities with whom it's dealing to determine if they're included on the list
 - c. Whether the organization has any other practices to ensure that foreign expenditures or grants are not diverted to support terrorism or other non-charitable activities
2. In a case (other than a non-predetermination Form 1023-EZ) where an organization will make foreign grants, the EO Determinations specialist will also continue to request sufficient information (if not included in the taxpayer's initial submission) to determine:
 - a. What funds or goods have been or will be distributed and for what purposes
 - b. How the organization processes grant requests, including its application, review, and approval process
 - c. How the organization ensures the funds or goods are used for the intended purposes
3. The specialist's manager will review this information as part of the case review process to ensure the facts and circumstances of the case do not suggest a potential for diversion of funds to support terrorism.
4. If the specialist and manager agree that the facts and circumstances of a case suggest a potential for diversion of funds to support terrorism, the specialist will complete Form 14503 and submit it to the R&A ATC for review and coordination.
5. The specialist will document all actions in the CCR.

Effect on Other Documents

This guidance will be incorporated into IRM 7.20.6 and 7.20.9 by February 22, 2021.

Effective Date

February 22, 2019

Contact

EO Determinations Area 1 Manager

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