



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

May 13, 2021

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MEMORANDUM FOR EXEMPT ORGANIZATIONS
RULINGS AND AGREEMENTS EMPLOYEES

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

SUBJECT: Interim Guidance on Processing Form 1023-EZ

This memorandum updates procedures for processing Form 1023-EZ.

Background/Source(s) of Authority

Revenue Procedure 2021-5 (updated annually) sets forth procedures for issuing determination letters on issues under the jurisdiction of the Director, EO Rulings and Agreements.

IRM 7.20.2 provides general case processing procedures for EO Determinations specialists to process determination letter requests. EO Determinations specialists perform all actions in this manual unless otherwise specified.

IRM 7.20.5 describes the types of cases reviewed by Exempt Organizations Determinations Quality Assurance (EODQA) for the Quality Measurement Process (QMP) program.

IRM 7.20.9 provides general case processing procedures for EO Determinations tax examiners and specialists to process Form 1023-EZ determination letter requests.

IRM 7.20.9.4.5.1 explains that a tax examiner can request specialist involvement on a case. If the specialist determines the case should be worked by a specialist, the case is then referred to as a tax examiner referral case.

Procedural Changes

Form 1023-EZ Processing Systems and Case Assignment

IRM 7.20.9.2 describes status codes in which inventory is held until assigned. The status in which tax examiner referral cases are held under this IRM is modified as follows:

Tax examiner referral cases will be updated to and held in the EO Determinations unassigned inventory Status (71) until assigned to a specialist.

Time Frames

IRM 7.20.9.3 describes the time frames associated with processing Form 1023-EZ cases. The time frames for assigning cases under this IRM are modified as follows:

1. Cases are assigned to a tax examiner within 11 workdays from the submission date.
2. Specialist will respond to a request for involvement within 2 workdays.
3. Pre-determination review and tax examiner referral cases are assigned to a specialist within 15 workdays from the submission date.

Tax Examiner Requests Specialist Involvement (Tax Examiner)

IRM 7.20.9.4.5 lists reasons tax examiners must request specialist involvement.

- The list of reasons tax examiners must request specialist involvement is modified to add the following:
 1. An organization exempt under 501(c)(4) that is in Status 36 (or in Status 97 with a prior Status 36) and the EIN establishment date is between January 2014 and July 2015.
Note: Use the subject line “501(c)(4) - Status 36” when requesting specialist involvement. Include the organization’s name, EIN, and formation date.
 2. A potentially ineligible NTEE code.
Note: Use the subject line “Potentially Ineligible NTEE Code” when requesting specialist involvement. Include the organization’s name, EIN, NTEE code, mission/activity description, and website address (if provided).
- The list of reasons tax examiners must request specialist involvement is modified to:
 1. Discontinue requesting specialist involvement for a “potentially non 501(c)(3) mission/activity” and instead request specialist involvement for “a mission/activity description that appears adverse to 501(c)(3) exemption requirements.”
 2. Discontinue requesting specialist involvement for an “Incomplete mission/activity” and instead request specialist involvement for “a mission/activity description that is unclear or can’t be determined.”

IRM 7.20.5.2(2) lists the types of cases reviewed under EODQA’s sample review program. The list is revised to include Form 1023-EZ - tax examiner referral processing.

Tax Examiner Requests Specialist Involvement (Specialist)

IRM 7.20.9.4.5.1(1) describes the process a specialist uses when a tax examiner requests specialist involvement. The process is modified as follows:

1. Specialist reviews tax examiner request for specialist involvement, conducts IDRS and/or internet research (e.g., state website) as appropriate, determines whether to refer the case to a specialist for development, and completes CVENT survey.

Note: For Section 501(c)(4) - Status 36 requests, specialist reviews IDRS and any filed Form 990 series, as needed, to determine if the organization is currently or was previously exempt under a subsection other than Section 501(c)(3).

2. Specialist may use discretion in determining whether to accept cases to be reviewed by a specialist and will document the decision accordingly in an email that is returned to the tax examiner for importing into the file.

If determined that a specialist will work the case, advise the tax examiner to have the case transferred to the EO Determinations unassigned inventory (Status 71).

Pre-determination Review and Tax Examiner Referral Cases (Specialist)

IRM 7.20.9.4.6 provides instructions for the specialist when reviewing a predetermination or tax examiner referral case. The procedures are modified so that tax examiner referral information requests are the same as the requests in pre-determination reviews. The specialist will complete the following on all pre-determination review and tax examiner referral cases:

1. Review IDRS, EDS, MEDS, conduct internet research.

Note: Internet research includes reviewing the state website, reviewing the organization's website (if listed), and any filed Form 990s (as needed).

2. Send Letter 1312, Request for Additional Information, to request the organizing document (if unable to print from state website or secure from prior application), a more detailed description of activities, financial information, and details regarding specific activities indicated in Part III of Form 1023-EZ. Ask additional questions, as needed.

Note: For cases that are referred for specialist involvement, specialists should also research and ask for information, as needed, to address the referral reason(s).

3. Complete CVENT Survey.

Effect on Other Documents

This guidance will be incorporated into IRM 7.20.5 and IRM 7.20.9 by May 13, 2023.

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May 13, 2021

Contact

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Distribution

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