



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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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 (R&A)

SUBJECT: Interim Guidance on Processing Adverse Rulings

This memorandum changes the procedures for processing adverse rulings.

Background/Source(s) of Authority

Rev. Proc. 2021-5, updated annually, sets forth procedures for issuing determination letters on issues under the jurisdiction of the Director, EO R&A. It explains the procedures for issuing determination letters on exempt status in response to applications for recognition of exemption from federal income tax under Section 501 or 521 (other than those subject to Rev. Proc. 2021-4, updated annually), private foundation classification, and other determinations related to exempt organizations.

IRM 7.20.1.1.1, provides that EO Determinations, one component of EO R&A, issues determination letters on exempt organization matters.

IRM 7.20.5.1.3 provides that Exempt Organizations Determinations Quality Assurance (EODQA) reviews and processes determination cases designated for mandatory review.

IRM 7.20.5.2.1 lists cases subject to mandatory review, which include all adverse determinations.

IRM 7.20.5.8 provides procedures for EODQA's processing of adverse rulings. The procedures provide that a EODQA reviewer may correct or change the adverse letter if necessary. In that case, the reviewer prepares an advisory or no error memo to notify the specialist of substantial letter changes if not returning the case to the EO Determinations specialist. The reviewer

submits the case to the EODQA manager for approval of the proposed adverse letter. After approval by the EODQA manager, the EODQA clerical assistant mails the letter, e-mails the reviewer the mailing date, and holds the case with a 30-day protest period pending an organization's response. The reviewer emails a copy of the proposed adverse letter to the EO Determinations specialist and the specialist's manager.

The EO Determinations specialist is listed as the person to contact on the proposed adverse determination letter that is mailed.

Procedural Changes

The following procedural changes are being made to further improve the effectiveness of EO R&A determination case processing procedures:

- If an EODQA reviewer makes changes to a proposed adverse letter and is not otherwise returning the case to the EO Determinations specialist, after the EODQA manager has approved the proposed adverse letter, the EODQA reviewer will:
 - e-mail a copy of the proposed adverse letter with changes tracked and the advisory or no error memo to the EO Determinations specialist and the specialist's manager; and
 - obtain concurrence on the changes to the adverse letter before EODQA mails the letter to the organization.

The concurrence will be documented via an e-mail from the specialist's manager sent within 5 business days. The e-mailed concurrence should be included in the case file.

Effect on Other Documents

This guidance will be incorporated into IRM 7.20.5 by August 11, 2023.

Effective Date

August 11, 2021

Contact

EO Determinations Area 3 Manager

Distribution

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