

INTERIM IRM PROCEDURAL UPDATE

DATE: 12/19/2011

NUMBER: WI-21-1211-1972

SUBJECT: Form 1120 and Reinstated Exempt Organization Determination

AFFECTED IRM(s)/SUBSECTION(s): 21.7.4

CHANGE(s):

IRM 21.7.4.4.4.17 - Added new subsection titled - Form 1120 and Reinstated Exempt Organization Determination.

1. Per the Pension Protection Act of 2006 (PPA), if an organization fails to submit the annual electronic notice (Form 990-N) or fails to file Form 990, Form 990-EZ, or Form 990-PF as required, for three consecutive years, its tax-exempt status is revoked as of the submission/filing due date of the third year. The system will put the organization in status 97 if there has been no TC 150 (or other satisfying transaction) posting for three years and six months, and the filing requirements are updated to Form 1120-01.
2. Many of these taxpayers will seek reinstatement. It is also possible that some taxpayers may file Form 1120 while they seek a retroactive reinstatement. If you receive an inquiry from a taxpayer who filed Form 1120 while awaiting reinstatement and has subsequently been reinstated, advise them that if the reinstated exemption covers the period for which they filed the Form 1120, then they must file an amended return (Form 1120X), an explanation or cover letter of the situation, and a copy of the determination letter stating the exemption has been reinstated and the effective date of the exemption.
3. If the taxpayer submits the proper documentation, process the amended return that covers the period that the taxpayer filed the Form 1120 for and adjust the account. For example; a calendar year taxpayer's exempt status is revoked effective May 15, 2010. Taxpayer files a 201012 Form 1120 to cover the short year return for the remainder of 2010. If the proper documentation is submitted, abate any tax, and any penalty or interest that is restricted. If the proper documentation is not submitted, send a Letter 916C, No Consideration Letter and advise them of what is needed.