



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

7.20.9

MAY 24, 2023

EFFECTIVE DATE

(05-24-2023)

PURPOSE

- (1) This transmits revised IRM 7.20.9, Exempt Organizations Determination Letter Program, Processing Form 1023-EZ.

MATERIAL CHANGES

- (1) Updated procedures, modifying guidance as listed below:

Section	Modification
7.20.9.3	Explained that Form 1023-EZ is not eligible to receive expedited application processing
7.20.9.4	Updated processing instructions to include importing relevant documentation and case chronology documentation of actions taken
7.20.9.4(2)	Updated OFAC sanctions list search instructions to align with 7.20.6
7.20.9.4.3	Updated processing procedures for withdrawn applications
7.20.9.4.4	Updated processing instructions
7.20.9.4.5(4)	Added instructions to include the MEDS case category when the case is accepted as a referral
7.20.9.4.6	Updated specialist's instructions for predetermination and tax examiner referral cases
7.20.9.4.7	Updated case closing procedures

- (2) Incorporated Interim Guidance Memorandum TEGE-07-0921-0025, Interim Guidance on Updated Procedures Relating to Changes in Requested Subsection/Application Form During Case Processing, issued September 30, 2021.
- (3) Incorporated Interim Guidance Memorandum TEGE-07-0522-0022, Processing Form 1023-EZ Tax Examiner Referral Additional Information Requests, issued May 19, 2022.
- (4) Incorporated Interim Guidance Memorandum TEGE-07-1022-0034, Updated Case Closing Procedures, issued October 27, 2022.
- (5) Incorporated editorial changes throughout the IRM.

- (6) Edited the document for plain language, as required per the *Plain Writing Act of 2010*.

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 7.20.9 dated September 28, 2021.

This IRM incorporates Interim Guidance Memoranda TEGE-07-0921-0025, Interim Guidance on Updated Procedures Relating to Changes in Requested Subsection/Application Form During Case Processing, issued September 30, 2021, TEGE-07-0522-0022, Processing Form 1023-EZ Tax Examiner Referral Additional Information Requests, issued May 19, 2022, and TEGE-07-1022-0034, Updated Case Closing Procedures, issued October 27, 2022.

AUDIENCE

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7.20.9

Processing Form 1023-EZ

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7.20.9.1
(05-24-2023)
Overview

- (1) **Purpose:** This IRM provides general case processing procedures for Exempt Organizations (EO) Determinations tax examiners and specialists to process Form 1023-EZ determination letter requests.
- (2) **Audience:** The procedures in this manual apply to all EO Determinations employees processing Form 1023-EZ determination requests.
- (3) **Policy Owner:** Director, Exempt Organizations and Government Entities.
- (4) **Program Owners:** Exempt Organizations and Government Entities.

7.20.9.1.1
(05-24-2023)
Background

- (1) Form 1023-EZ, Streamlined Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code, is a shortened version of Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. Any organization can file Form 1023 to apply for recognition of exemption from federal income tax under IRC 501(c)(3), but only certain organizations are eligible to file Form 1023-EZ.
- (2) Rev. Proc. 2023-5 (updated annually) includes:
 - Eligibility criteria to submit Form 1023-EZ
 - Procedures for requesting exemption under IRC 501(c)(3) using Form 1023-EZ
 - Standards for issuing determination letters based on Form 1023-EZ
- (3) Organizations are required to complete the eligibility worksheet before submitting the Form 1023-EZ application and must attest they're eligible to file Form 1023-EZ. Form 1023-EZ instructions contain the Form 1023-EZ Eligibility Worksheet.
- (4) EO Determinations is responsible for processing Form 1023-EZ.
- (5) The IRS won't accept a Form 1023-EZ that isn't completed per Rev. Proc. 2023-5 (updated annually). Non-acceptance of Form 1023-EZ is referred to as a **rejection** in this manual.
- (6) These procedures apply to tax examiners and EO Determinations specialists, except as specifically noted.

7.20.9.1.2
(05-24-2023)
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 Section 501 or 521 (other than those subject to Rev. Proc. 2023-4, updated annually), private foundation status, 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.

7.20.9.1.3
(05-24-2023)
Responsibilities

- (1) EO Rulings and Agreements is responsible for issuing determination letters on exempt status, private foundation status, and other determinations related to exempt organizations.

7.20.9.1.4
(05-24-2023)

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, and
 - d. identification of unfavorable case patterns, trends affecting processing quality, problem areas, unique issues, and new or novel techniques that Exempt Organizations Determinations (EOD) specialists develop.

7.20.9.1.5
(05-24-2023)

Common Abbreviations

- (1) Commonly used abbreviations include:

Abbreviation	Name
ATC	Anti-Terrorism Coordinator
CCR	Case Chronology Record
EDS	EP/EO Determination System
EIN	Employer Identification Number
EOD	Exempt Organizations Determinations
EODQA	Exempt Organizations Determinations Quality Assurance
IDRS	Integrated Data Retrieval System
IRC	Internal Revenue Code
LINUS	Letter Information Network User-fee System
MEDS	Modified EO-EP Determination System, previously TEDS (Tax Exempt Determination System)
NTEE	National Taxonomy of Exempt Entities
OFAC	Office of Foreign Assets Control
SLS	Sanctions List Search
TEOS	Tax Exempt Organization Search

7.20.9.2
(05-24-2023)

Form 1023-EZ

Processing Systems and Case Assignment

- (1) Applicants using Form 1023-EZ apply for tax-exempt status electronically through *Pay.gov*. The IRS doesn't accept or process a paper Form 1023-EZ.
- (2) Campus Support processes the electronic user fee payment in the Letter Information Network User-fee System (LINUS). Applications are established electronically in the Modified EO-EP Determination System (MEDS).

- (3) EO uses the Employee Plans/Exempt Organizations Determination System (EDS) to process applications. MEDS and EDS communicate to process and close cases. Cases are generally worked in MEDS.
- (4) See IRM 7.22.4, Modified EO-EP Determination System (MEDS) User Manual, for procedures for processing determination letter requests in MEDS.
- (5) MEDS is programmed to automatically identify a statistically valid random sample of Form 1023-EZ applications for pre-determination review. MEDS identifies pre-determination cases as they're established and automatically updates them to Status 71 until they are assigned to an EO Determinations group inventory or a specialist.
- (6) The centralized unassigned inventory (Status 61) holds cases not selected for pre-determination review until assigned to a tax examiner.
- (7) An EO Determinations unassigned inventory (Status 71) holds tax examiner referral cases until assigned to a specialist.
- (8) Assigned case statuses:
 - Cases are assigned to a tax examiner in Status 62.
 - Pre-determination review cases are assigned to a specialist in Status 72.
 - Tax examiner referral cases are assigned to a specialist in Status 52.

7.20.9.3
(05-24-2023)
Time Frames

- (1) The Form 1023-EZ submission date is determined without considering any previously submitted application for recognition of tax exemption (including a Form 1023-EZ, Form 1023, Form 1024, or Form 1024-A) that the organization withdrew or the IRS rejected.
- (2) Cases are assigned in submission date order.
- (3) Time frames are for cases not selected for pre-determination review unless otherwise specified in this IRM:
 - a. Case is assigned to a tax examiner within 11 workdays from the submission date.
 - b. Tax examiner processes case and either requests specialist involvement, refers it to a specialist, or prepares it for case closing and submits to the group manager for review within 2 workdays.
 - c. Specialist responds to a request for involvement within 2 workdays.
 - d. Group manager either approves or returns to tax examiner within 2 workdays.
 - e. If group manager returns a case to the tax examiner (Status 64), the tax examiner takes action within 2 workdays.
 - f. After manager approval in MEDS, designated employees complete required closing actions (see IRM 7.20.9.4.7) within 5 workdays.
- (4) Cases selected for pre-determination review and tax examiner referral cases are:
 - a. Assigned to a specialist within 15 workdays from the submission date.
 - b. Processed by the specialist according to the time frames in IRM 7.20.2, Determination Letter Processing of Exempt Organizations, unless otherwise specified in this IRM.

7.20 Exempt Organizations Determination Letter Program

- (5) If there is an expedite request with a Form 1023-EZ, call the organization and tell them there is no expedite process available for Form 1023-EZ. See Section 4 of Rev. Proc. 2023-5, updated annually. Continue to process the case using the timeframes described above.

7.20.9.4 (05-24-2023) General Case Processing

- (1) Tax examiners and specialists must complete all steps in this section.

Note: Tax examiners must complete these actions before requesting specialist involvement. See IRM 7.20.9.4.5, Tax Examiner Requests Specialist Involvement (Tax Examiner).

- (2) Check OFAC's online Sanctions List Search (SLS) <https://sanctionssearch.ofac.treas.gov> to identify potential name and address matches and document your findings on the case chronology record (CCR) (see IRM 7.20.6.2.1.1, OFAC's Online Sanctions List Search Match Identification, for OFAC check procedures).

Example: "Completed Sanctions List Search review/check - no matches found" or "Completed Sanctions List Search review/check - found match."

- a. If an OFAC name match (two or more names is a "match") or address match is identified, complete Form 14503, Potential Terrorist Connection Checksheet, and import it into the MEDS Non-Disclosable folder. Send an encrypted email to **TE/GE-EO-Anti Terrorism* with the subject line **PTCC**. Include in the email the name and EIN of the organization and attach the Form 14503 following the procedures in IRM 7.20.6, Anti-Terrorism and Other Emerging Issues.

Note: Document the CCR noting "Prepared Form 14503 with manager concurrence per IRM 7.20.6.2.1.3 and sent to Anti-Terrorism Coordinator."

Note: See IRM 7.20.6.2.1.1(2) for more information on identifying a match.

- b. When the ATC responds, import their email into the MEDS Non-Disclosable folder and:

If the ATC responds	Then
It's not a match	Continue to process the case.
It's a match or more information is needed to confirm identity and the application meets rejection criteria	Reject the application (see IRM 7.20.9.4.2).

If the ATC responds	Then
It's a match or more information is needed to confirm identity and the case isn't rejected	<p>Tax Examiner:</p> <ul style="list-style-type: none"> a. Document the results on the CCR. b. Send an encrypted email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name, EIN, Form 14503, and the ATC's email, with the subject line PTCC. c. Add the Agent Referral Case Category in MEDS to have the case sent to Status 71 Unassigned Inventory. <p>Specialist: Process the case (see IRM 7.20.9.4.6).</p>

- (3) Verify the correct user fee was paid (use LINUS, as necessary). If the user fee is insufficient or did not process, reject the application (see IRM 7.20.9.4.2).

Note: If the user fee is deemed insufficient or bounces, Pay.gov will notify the applicant. If we approve the application **before** the user fee bounces or is deemed insufficient, the organization may submit a subsequent Form 1023-EZ through Pay.gov (a user fee can't be submitted without the application). If this happens, discuss with your manager and document the discussion in the CCR. For the subsequent Form 1023-EZ, close the case in Status 12 and do not refund the user fee.

- (4) Check EDS and MEDS for other "I" cases pending and document the results on the CCR.

If	Then
The pending case is Form 1023, Form 1024-A, or Form 1024	Reject the Form 1023-EZ application. See IRM 7.20.9.4.2, Rejections.
There is a Form 1023-EZ pending and it's not already assigned	Contact your manager to have the case assigned to you. Review both applications and determine the appropriate action.
There is a Form 1023-EZ pending and it's already assigned to another TE or specialist	Contact the other TE or specialist to coordinate.

- (5) Check EDS and MEDS to see if the organization previously submitted a Form 1023-EZ, Form 1023, Form 1024, or Form 1024-A and the previous case(s) was closed in Status 03 (rejected), Status 04 (withdrawn), or Status 02 (denied):

If the case is assigned to a	Then
Tax Examiner	<p>a. Send an encrypted email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name and EIN, with the subject line Prior [insert closing code] Closure.</p> <p>Exception: Don't involve a specialist if research shows a prior EZ case was rejected due to an insufficient user fee payment, a requested change in foundation classification, or failure to meet the requirements of Rev. Proc. 2014-11, Section 4.</p> <p>b. Document the results on the CCR.</p> <p>c. See IRM 7.20.9.4.5 for situations requiring specialist involvement.</p>
Specialist	Process the case (see IRM 7.20.9.4.5.1).

- (6) Conduct IDRS research and import it into to the MEDS Non-Disclosable folder. Research command code BMFOLO as well as BMFOLI and BMFOLT (as necessary). You may also need to check NAMEE or ENMOD.

If	Then
The organization is currently or was previously exempt under a subsection other than IRC 501(c)(3) or IRC 501(c)(4)	Reject the application (see IRM 7.20.9.4.2).
The organization is currently or was previously exempt under IRC 501(c)(4) and is not in Status 36 (and not in Status 97 with a prior Status 36)	Reject the application (see IRM 7.20.9.4.2).
The organization is exempt under 501(c)(4), is in Status 36 (or in Status 97 with a prior Status 36) and the EIN establishment date is before 2014 or after July 2015	Reject the application (see IRM 7.20.9.4.2).

If	Then
<p>The organization is exempt under 501(c)(4), is in Status 36 (or in Status 97 with a prior Status 36) and the EIN establishment date is between 2014 and July 2015</p>	<p>Tax Examiner: Request specialist involvement. Send an encrypted email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name and EIN, with the subject line: 501(c)(4) - Status 36. Document the result in the CCR and import the email into the MEDS Non-Disclosable folder Specialist: Review IDRS and any recently filed Form 990 to determine if the organization is currently or was previously exempt under a subsection other than Section 501(c)(3).</p> <p>Note: Procedures in place between early 2014 and July 2015 provided that, with some exceptions, when a nonprofit organization applied for an Employer Identification Number, it was given Status Code 36 with a Section 501(c)(4). This practice resulted in coding organizations that were not 501(c)(4) organizations as 501(c)(4) organizations in IRS records. Therefore, additional research is needed to determine if the organization is currently or was previously exempt under a subsection other than 501(c)(3).</p>
<p>The organization is currently exempt under IRC 501(c)(3) (Current Status 01) and not a subordinate in a group exemption</p>	<ol style="list-style-type: none"> Contact the organization and explain it's already exempt. Prepare Letter 5239, No Determination Issued per Rev. Proc. or Because Organization Already Exempt. Close Form 1023-EZ in Status 12. Initiate a user fee refund using Form 14268, User Fee Refund Request. <p>Exception: If ruling date is prior to listed formation date, see below.</p>

If	Then
The organization is previously revoked on BMFOLO (Current Status 22)	Reject the application (see IRM 7.20.9.4.2).
The organization has a prior ruling date on BMFOLO, is in Status 97, and was not a subordinate in a group ruling	<ul style="list-style-type: none"> • If the ruling date is the same as or after the formation date listed on Form 1023-EZ then continue with processing • If the ruling date is prior to the formation date listed on Form 1023-EZ then: Tax Examiner: <ol style="list-style-type: none"> a. Send an encrypted email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name, EIN, formation date, and state of formation, with the subject line Status 97 Ruling Date Prior to Formation Date. b. Document the results on the CCR and import the email into the MEDS Non-Disclosable folder. c. See IRM 7.20.9.4.5, for situations requiring specialist involvement. Specialist: Process the case (see IRM 7.20.9.4.6).
The organization is requesting reinstatement under Rev. Proc. 2014-11, Section 4, and IDRS research shows the applicant is seeking a foundation classification that is different from the classification it had at the time of automatic revocation	Reject the application (see IRM 7.20.9.4.2).

If	Then
The organization is requesting reinstatement under Rev. Proc. 2014-11, Section 7, and IDRS research shows the applicant was a private foundation at the time of automatic revocation and is seeking reinstatement as a public charity, or the organization is a private foundation requesting reinstatement as a public charity (and not requesting reinstatement under Rev. Proc. 2014-11, Section 4)	Tax Examiner: <ol style="list-style-type: none"> Refer the case to a specialist. Document the referral reason on CCR. Add the Agent Referral Case Category in MEDS to have the case sent to Status 71 Unassigned Inventory. Specialist: Process the case (see IRM 7.20.9.4.6).

- (7) Review the first two items on the application.

If	Then
The organization selected yes indicating its gross receipts have or will exceed \$50,000	Reject the application (see IRM 7.20.9.4.2).
The organization selected yes indicating it has assets in excess of \$250,000	Reject the application (see IRM 7.20.9.4.2).

- (8) Review the name and address on the application.

- If the organization's name on IDRS includes an ampersand symbol (&), correct the name in MEDS to include the symbol before closing the case.
- If the organization's name has a word split between lines 1 and 2 on MEDS, correct the name before closing the case.

Note: In LINUS or EDS, if there is a word split in the name of an organization, correct the name in MEDS.

- If "LLC" (Limited Liability Company) is part of the organization's name on IDRS or Form 1023-EZ or IDRS indicates the organization may be formed as a for profit entity (for example, IDRS indicates PARTNER or MEMBER), do the following:

If the case is assigned to a	Then
Tax Examiner	<ol style="list-style-type: none"> Send an encrypted email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name, EIN, formation date, state of formation, and issue with the subject line Organizational Structure. When you receive the response, document the results on the CCR and import the email into the MEDS Non-Disclosable folder. See IRM 7.20.9.4.5 for situations requiring specialist involvement.
Specialist	<ol style="list-style-type: none"> Research the state's website to determine if the organization is formed as an LLC or a for profit entity. If the organization is formed as an LLC, a for-profit entity, or a successor to a for-profit entity, reject Form 1023-EZ (see IRM 7.20.9.4.2). If not formed as an LLC, a for-profit entity, or a successor to a for-profit entity, continue processing the case. Document findings in the CCR and import relevant state website information into the MEDS Non-Disclosable folder.

Note: Because many states require a limited liability company to include that phrase (or LLC) as part of its legal name, additional research is warranted to determine eligibility to file Form 1023-EZ.

- If the organization's address doesn't appear to be complete (for example, lists only a number as the street address or does not contain a street number), check the address on IDRS and do the following before continuing to process the case:

If	Then
The IDRS address appears to match the provided address Example: IDRS displays “PO Box” before the same number listed on the form along with the same city, state, and zip code, or the IDRS street name, city, state, and zip code match the form but also provides a street number.	Complete the address in MEDS to match IDRS.
IDRS address doesn’t appear to match the provided address	Contact the organization to confirm the complete address. If confirmed, complete the address in MEDS. Document the conversation in the CCR.
Unable to contact the organization	Update a street number only address to reflect “PO Box” with the number (consistent with the Instructions for Form 1023-EZ). Don’t change a street name without a number listed.

- (9) If the EIN on the application doesn’t match the record in IDRS:

If the EIN on the application	Then
Doesn’t show up on BMFOLO but shows up on ENMOD	Continue with case processing.

If the EIN on the application	Then
Is incorrect and you determine the correct EIN based on IDRS research	<p>Correct the EIN in MEDS and send an encrypted email with the subject line EIN Correction to <i>*TE/GE-EO-Adjustments</i> requesting an EIN correction in LINUS with the:</p> <ul style="list-style-type: none"> • Organization's name • Correct EIN • Incorrect EIN, and • EDS Case Number. <p>Document the CCR and continue case processing.</p> <p>Note: Correct the EIN in MEDS and use the correct EIN on the letter.</p> <p>Reminder: When you get the response, import the email and document the CCR.</p>
Doesn't show up on BMFOLO but shows up on NAMEE	<p>Tax Examiner: Enter a TC 000 to reactivate the EIN and continue with case processing. Document actions taken in the CCR.</p> <p>Specialist: Send an encrypted email to <i>*TE/GE-EO-Correspondence Unit</i> and request a TC 000 to be input to reactivate the EIN and continue with case processing. Document actions taken in the CCR and import the email into the MEDS Non-Disclosable folder</p>
Doesn't show up on BMFOLO, NAMEE, or ENMOD and you can't determine the correct EIN based on IDRS research	Reject the application (see IRM 7.20.9.4.2).

- (10) Review the Form 1023-EZ and verify all required fields of the application are complete. If any of the required fields are not complete, reject the application (see IRM 7.20.9.4.2).

Note: Pay.gov requires that all required fields of Form 1023-EZ are completed, except for Part V, Reinstatement After Automatic Revocation.

- (11) Review the activity description to determine if the organization's mission and activities are within the scope of IRC Section 501(c)(3).

If the mission or activities	Then
Appear contrary to exemption requirements	<ol style="list-style-type: none"> Send an encrypted email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name, EIN, and mission/activity description, with the subject line "Non 501(c)(3) Mission/Activity." Document actions taken in the CCR. When you receive the response, document the results on the CCR and import the email into the MEDS Non-Disclosable folder. Continue processing the application. See IRM 7.20.9.4.5 for situations requiring specialist involvement.
Mission/activity can't be determined	<ol style="list-style-type: none"> Send an encrypted email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name, EIN, and mission/activity description, with the subject line "Mission/Activity Can't be Determined." Document actions taken in the CCR. When you receive the response, document the results on the CCR and import the email into the MEDS Non-Disclosable folder. Continue processing. See IRM 7.20.9.4.5 for situations requiring specialist involvement.

If the mission or activities	Then
Indicate the organization is not eligible to file Form 1023-EZ (for example, it appears the organization falls under worksheet item 12, 13, or 14)	<div><div>a. Send an encrypted email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name, EIN, and mission/activity description, with the subject line "Not Eligible to File Form 1023-EZ." Include the eligibility item from Form 1023-EZ eligibility worksheet in the body of the email. For example: church = 12, school = 13, hospital = 14, substantial financial literacy = 20. Document actions taken in the CCR.</div><div>b. When you receive the response, document the results on the CCR and import the email into the MEDS Non-Disclosable folder. Continue processing.</div><div>c. See IRM 7.20.9.4.5 for situations requiring specialist involvement.</div></div>

- (12) Review the National Taxonomy of Exempt Entities (NTEE) Code the organization selected.
- a. Cross reference the NTEE code with those listed in the following table that don't generally describe an organization exempt under IRC 501(c)(3) (potentially non-501(c)(3) NTEE codes).

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- b. If the organization selected a potentially non-501(c)(3) NTEE code (listed in the table above):

If the case is assigned to a	Then
Tax Examiner	<p>a. Send an encrypted email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name, EIN, NTEE code, mission/activity description, and website address (if provided), with the subject line "Non-(c)(3) NTEE Code." Document actions taken in the CCR.</p> <p>b. When you receive a response, document the results on the CCR and import the email into the MEDS Non-Disclosable folder. Continue processing.</p> <p>c. See IRM 7.20.9.4.5 for situations requiring specialist involvement.</p>
Specialist	Process the case (see IRM 7.20.9.4.6).

- c. If the organization selected an NTEE code that is not listed in the Instructions for Form 1023-EZ (invalid NTEE code):

If the case is assigned to a	Then
Tax Examiner	<p>a. Send an email to <i>*TE/GE-EO-Determinations Questions</i> with the organization's name, EIN, NTEE code, mission/activity description, and website address (if provided), with the subject line "Invalid NTEE Code." Document actions taken in the CCR.</p> <p>b. When you receive a response, document the results on the CCR and import the email into the MEDS Non-Disclosable folder. Continue processing.</p> <p>c. See IRM 7.20.9.4.5 for situations requiring specialist involvement.</p>
Specialist	Process the case (see IRM 7.20.9.4.6).

- d. Review the chart below to determine if the organization selected a potentially ineligible NTEE code. If a potentially ineligible code was selected, email **TE/GE-EO-Determinations Questions* with the organization's name, EIN, NTEE Code, missing/activity description, and website address (if provided), with the subject line **Potentially Ineligible NTEE Code**. Document actions taken in the CCR. When you receive a response, document the results on the CCR and import the email into the MEDS Non-Disclosable folder. Continue processing.

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- (13) Review Item 1 under Part IV, Foundation Classification. If the organization selected “yes” indicating it is a church, school, or hospital, reject the application (see IRM 7.20.9.4.2).
- (14) When naming documents that you import, refer to the MEDS *File Naming Conventions* document in SharePoint.

7.20.9.4.1
(05-24-2023)
**Effective Date of
Exemption**

- (1) Use the date of formation, Form 1023-EZ Part V, and IDRS research (BMFOLO, BMFOLI, and BMFOLT) to determine the effective date of exemption.
- (2) Determine the effective date of exemption as follows:

If the organization submitted Form 1023-EZ	Then
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.
More than 27 months from the end of the month in which it was organized and is not in Status 97	Use the submission date as the effective date of exemption and year of deductibility.

Note: If the EIN establishment date on BMFOLO is a tax year prior to the effective date, email the Correspondence Unit with the organization’s name, EIN, effective date, fiscal year month, formation date, and EDS case number with the subject line **Non-AR TC 590** to request a Non-AR TC 590 at case closing to prevent an erroneous automatic revocation (see IRM 7.20.4.2, Automatic Revocation). Import the email into the MEDS Non-Disclosable folder.

- (3) If the organization is in Status 97, determine the effective date of exemption as follows:

If the organization	Then
Requests retroactive reinstatement under Rev. Proc. 2014-11, Section 4, and doesn't meet the requirements	Reject the application (see IRM 7.20.9.4.2).
Requests retroactive reinstatement under Rev. Proc. 2014-11, Section 4, and meets the requirements	<ul style="list-style-type: none"> Grant exemption as of the revocation date. If the deductibility year on IDRS is the same as or prior to the formation date on the application, the deductibility year will be the formation year on the application. If the deductibility year on IDRS is missing or after the formation date on the application, the deductibility year will be the year of revocation.
Requests reinstatement under Rev. Proc. 2014-11, Section 7	Grant exemption as of the submission date and deductibility year as of the submission year.
Doesn't request reinstatement under Rev. Proc. 2014-11, Section 4 or Section 7	Grant exemption as of the submission date and deductibility year as of the submission year.

Note: Do not automatically push organizations to Status 97.

- (4) If the organization is in Status 97, then make sure they are correctly listed in TEOS.

7.20.9.4.2
(05-24-2023)
Rejections

- (1) Reject a Form 1023-EZ for the following reasons:

- The organization has a pending "I" case (other than Form 1023-EZ) in any open Status.
- The organization requests retroactive reinstatement under Rev. Proc. 2014-11, Section 4, but doesn't meet the requirements of Section 4.
- The EIN on the application doesn't show up on BMFOLO, NAMEE, or ENMOD, and you can't determine the correct EIN based on IDRS research.
- The user fee payment is insufficient or did not process.
- The organization isn't eligible to file Form 1023-EZ.

Example: Organization is formed as an LLC or for profit entity according to the state website, the organization was previously revoked (Current Status Code 22), or other ineligible reason listed on the Eligibility Worksheet in the Instructions for Form 1023-EZ.

- The organization doesn't respond to an additional information request letter (see IRM 7.20.9.4.6).

Reminder: “Rejected” applications aren’t accepted applications per Rev. Proc. 2023-5 (updated annually).

- (2) When rejecting a Form 1023-EZ:
- Prepare Form 14268 User Fee Refund Request. Name it Form 14268 - User Fee Refund.
 - Import Form 14268 into the MEDS Non-Disclosable folder.
 - Select Other Internal Forms for the Document Type and User Fee Refund Request for the Document Name.
 - In Case Information, select Case Category - Forward Form 14268 - User Fee Refund.
 - Manager (or designated case reviewer) selects Checkout/Edit for the imported Form 14268, digitally signs it, then checks it in so it can be signed by the Adjustments Unit manager.

Exception: Don’t refund the user fee if you reject a Form 1023-EZ for insufficient user fee (or user fee didn’t process) or because the organization didn’t respond to an additional information request.

- (3) Prepare Letter 1049 , Form 1023-EZ Rejection. If there is more than one rejection reason, include all the reasons in the rejection letter.
- (4) When updating MEDS for a rejection closure (03):
- Input the case category for the rejection reason, and
 - Clear out the NTEE code and input a classification code on the closing tab.

7.20.9.4.3
(05-24-2023)
**Withdrawal of Form
1023-EZ**

- (1) An organization may withdraw Form 1023-EZ only if an authorized individual requests it in writing before EO Determinations issues a determination letter (see IRM 7.20.2.5.6).
- (2) If the organization withdraws its application in writing, prepare Letter 2244 with a closing code of 04. Don’t enter NAICS/NTEE codes. Generally, the user fee is not refunded. See Rev. Proc. 2023-5, updated annually.
- (3) If the organization withdraws its application because it’s already exempt under that subsection, prepare Letter 5239, close using closing code 12 (Other), and initiate a user fee refund.
- (4) When closing a case as a withdrawal:
- Enter the Type of Organization and Accounting Period on the MEDS EO Closing Data tab.
 - Move all documents in the Disclosable folder to the Non-Disclosable folder.

7.20.9.4.3.1
(05-24-2023)
**Change in Subsection
(Specialist)**

- (1) If an organization requests a change in subsection by submitting Form 1024 or Form 1024-A to replace Form 1023-EZ, follow the procedures in IRM 7.20.2.3.6, Change in Subsection/Application Form During Case Processing, to withdraw Form 1023-EZ and process Form 1024 or Form 1024-A.

Reminder: The user fee will not be refunded when the organization is withdrawing the Form 1023-EZ in order to submit a different form.

7.20.9.4.4
(05-24-2023)

Erroneous Revocation

- (1) If IDRS research shows that an organization was erroneously revoked, do the following:

- a. Send an encrypted email with the subject line **Erroneous Revocation** to **TE/GE-EO-Correspondence Unit* with the organization's name, EIN, formation date, fiscal year month, revocation date, and explanation of why it's erroneous

Note: If the revocation date is wrong on TEOS but doesn't effect the case you're working, have TEOS updated to the correct revocation date.

- b. Verify that the Correspondence Unit will correct the organization's exempt Status on IDRS and/or Tax Exempt Organization Search (TEOS).
- c. Document the response in the CCR and import the email from the Correspondence Unit into the MEDS Non-Disclosable folder.
- d. Continue processing as follows:

If the organization	Then
Was previously exempt under IRC 501(c)(3)	<ol style="list-style-type: none"> a. Prepare the user fee refund form according to standard procedures. b. Prepare superseding determination letter if original determination letter is wrong. c. In MEDS, select the Case Category Forward Form 14268 - User Fee Refund under the Case Information tab. Email the Correspondence Unit to input a TC 590 if it appears the organization may be automatically revoked again. Import the email into the MEDS Non-Disclosable folder. d. Close the case Status 12.
Wasn't previously exempt under IRC 501(c)(3)	Reject the application (see IRM 7.20.9.4.2).

7.20.9.4.5
(05-24-2023)

Tax Examiner Requests Specialist Involvement (Tax Examiner)

- (1) To request specialist involvement, send an encrypted email to **TE/GE-EO-Determinations Questions* with the organization's name, EIN, and issue. Put the issue in the subject line. Document the CCR and import a copy of the email into the MEDS Non-Disclosable folder. You must request specialist involvement for:

- a. An organization whose previous Form 1023-EZ, Form 1023, Form 1024, or Form 1024-A was rejected (closed Status 03), withdrawn (closed Status 04), or denied (closed Status 02)

Exception: Do not request specialist involvement if the prior application was rejected due to an insufficient user fee, a requested

change in foundation classification, or Rev. Proc. 2014-11, Section 4, requirements not being met.

- b. An organization with a ruling date prior to the formation date that is in Status 97 and isn't a subordinate in a group ruling
- c. 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 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.

- d. An organization with LLC as part of its name or indications of for profit Status (for example, IDRS indicates PARTNER or MEMBER)
- e. A mission/activity description that appears adverse to 501(c)(3) exemption requirements
- f. A mission/activity description that can't be determined
- g. A mission/activity description that indicates the applicant is ineligible to file Form 1023-EZ
- h. A potentially non-501(c)(3) NTEE code
- i. 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).

- j. An invalid NTEE code

- (2) Prior to requesting specialist involvement, complete all steps listed in IRM 7.20.9.4. If the application has more than one issue requiring specialist involvement, send one email listing all issues.
- (3) Don't request specialist involvement if rejecting the application.
- (4) If the specialist notifies the tax examiner that the case has been accepted to be reviewed by a specialist, in MEDS select the Agent Referral Case Category and update the case to the EO Determinations unassigned inventory (Status 71).

7.20.9.4.5.1
(05-24-2023)

Specialist Involvement (Specialist)

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

Note: If you determine that a specialist should work the case (see scenarios below), advise the tax examiner to have the case assigned to the EO Determinations unassigned inventory (Status 71). The case is referred to as a Tax Examiner Referral Case (see IRM 7.20.9.4.6).

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).

- (3) For an organization submitting Form 1023-EZ after a prior application (Form 1023-EZ, Form 1023, Form 1024, or Form 1024-A) was closed Status 02 (denied), 03 (rejected), or 04 (withdrawn), review the prior application and determine whether or not the case warrants referral to a specialist for development.
- (4) For an organization with a ruling date prior to the formation date, in Status 97, and not a subordinate in a group ruling, conduct IDRS and/or internet research (for example, state website) and do the following:

If the formation date listed on the application	Then advise the tax examiner to
Appears to be correct and organization does not appear to have formed a new legal entity	Continue processing the case.
Appears to be correct because organization formed a new legal entity	Add the Agent Referral Case Category in MEDS to have the case sent to Status 71 Unassigned Inventory.
Doesn't appear to be correct	Add the Agent Referral Case Category in MEDS to have the case sent to Status 71 Unassigned Inventory.

- (5) For an organization with LLC as part of their name or indications of for profit status, research the state's website and do the following:

If the organization is	Then advise the tax examiner to
Formed as an LLC or for profit entity according to the state's website	Reject the application.
Not formed as an LLC or for profit entity according to the state's website	Continue processing the case.
Not clear on whether it is formed as an LLC or for profit organization	Add the Agent Referral Case Category in MEDS to have the case sent to Status 71 Unassigned Inventory.

Note: Because many states require a limited liability company to include that phrase (or "LLC") as part of its legal name, additional research is warranted to determine eligibility to file Form 1023-EZ.

7.20 Exempt Organizations Determination Letter Program

Reminder: Import all relevant documents from the state's website into the MEDS Non-Disclosable folder.

- (6) For issues with the mission/activity description, review the description in the application and the organization's website if one is listed:

If the mission/activity description	Then advise the tax examiner to
Is a 501(c)(3) mission/activity	Continue processing the case.
Is a mission/activity description that appears contrary to exemption requirements	Add the Agent Referral Case Category in MEDS to have the case sent to Status 71 Unassigned Inventory.
Can't be determined	Add the Agent Referral Case Category in MEDS to have the case sent to Status 71 Unassigned Inventory.
Indicates the applicant is ineligible to file Form 1023-EZ	Reject the application.

- (7) For an invalid, potentially ineligible, or potentially non-501(c)(3) NTEE code, review the organization's website, if available, conduct internet research, import relevant research into the MEDS Non-Disclosable folder and do the following:

If, based on research, the organization's activities	Then advise the tax examiner to
Qualify under IRC 501(c)(3)	Continue processing the case. If an invalid NTEE code was selected, provide an appropriate NTEE code to the tax examiner.
Don't appear to qualify under IRC 501(c)(3) or can't be determined	Add the Agent Referral Case Category in MEDS to have the case sent to Status 71 Unassigned Inventory.
Are ineligible	Reject the application.

- (8) For Section 501(c)(4) - Status 36 requests with an EIN establishment date between 2014 and July 2015:

If, based on research, the organization	Then advise the tax examiner to
Is currently exempt or was previously exempt	Reject the application.

If, based on research, the organization	Then advise the tax examiner to
Is not currently and has not previously been exempt	Continue processing the case.

7.20.9.4.6
(05-24-2023)

Pre-determination

Review and Tax

**Examiner Referral Cases
(Specialist)**

- (1) In addition to the case assignment and processing procedures outlined in this IRM and IRM 7.20.2, review IDRS, EDS, MEDS, and conduct internet research as needed to address the identified referral issue(s) in the case.

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

- (2) If the reviewed information shows the organization is ineligible to file Form 1023-EZ (for example, state website shows LLC or organization's website shows it is a hospital, etc.), reject the application (see IRM 7.20.9.4.2).
- (3) For tax examiner referral cases, send Letter 1312, Request for Additional Information, as needed to address the identified referral issue(s) in the case.
- (4) For pre-determination cases, send Letter 1312, Request for Additional Information, to request the organizing document (if unable to print from the 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. Follow the procedures and requirements for requesting additional information in IRM 7.20.2 except as specifically noted here, as well as in IRM 7.20.9.4.6.1 and IRM 7.20.9.4.6.2.

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).

Note: Upgrade the case to the appropriate grade using the Case Assignment Guide.

- a. For pre-determination review and referral cases, ask additional questions as needed, including:

If information shows	Then add to Letter 1312 a
Organization doesn't meet IRC 501(c)(3) organizational test requirements	Request to amend the organizing document (using the relevant streamline question as appropriate).
A significant difference between the date of formation on Form 1023-EZ and the date listed on the state website	Question to address the date of formation issue.

If information shows	Then add to Letter 1312 a
Organization may not qualify for exemption under IRC 501(c)(3) (such as inurement, political activity, better classified under another subsection, etc.)	Question to address the potentially disqualifying information and share a copy of internet printouts in the information request letter.
Activities or grants outside of the United States	Question to address foreign activities and grants (see IRM 7.20.6). Note: For Pre-determination review cases with foreign activities or grants, the manager will review the information and the specialist and manager will determine if the specialist should complete Form 14503, Potential Terrorism Connection Checksheet per IRM 7.20.6.

- b. For tax examiner referral cases, do the following for any referral issues (see also IRM 7.20.9.4.5.1) and make sure to address any new issues found during review:

If the issue is	Then research or ask for information as needed to determine
An OFAC potential match	Identity of potential match (see IRM 7.20.6).
An invalid, ineligible, or potentially non-501(c)(3) NTEE code	The organization's activity/code.
A ruling date prior to formation date (Status 97) and was not a subordinate in a group ruling	Formation date or entity type (request organizing document).
An LLC or other indication of for profit status	If organization is formed as a for profit.
Prior application (Form 1023-EZ, Form 1023, Form 1024, or Form 1024-A) closed Status 02 (denied), 03 (rejected), or 04 (withdrawn)	Eligibility to file Form 1023-EZ and qualification for exemption.
Unclear, can't be determined, or appears contrary to exemption requirements	Qualification for exemption.

If the issue is	Then research or ask for information as needed to determine
The organization is requesting reinstatement under Rev. Proc. 2014-11, Section 7, and IDRS research shows the applicant was a private foundation at the time of automatic revocation and is seeking reinstatement as a public charity	Then research or ask for information as needed to determine: <ol style="list-style-type: none"> If the organization will change its requested classification to private foundation. If private foundation status was granted in error.

Reminder: Enter follow-up dates on the CCR and complete the CVENT survey.

7.20.9.4.6.1
(05-24-2023)

**Received Response to
Information Request**

- (1) Import the response into the MEDS Disclosable folder and document the date of receipt on the CCR.
- (2) Review the response to ensure the organization meets Form 1023-EZ eligibility criteria (see IRM 7.20.9.4.2). If the organization doesn't meet all eligibility criteria, reject the application.
- (3) If there's a discrepancy between the foundation classification requested and the best foundation classification for which the organization qualifies, address the issue. Consider calling the organization to discuss any possible change. All risks taken must be documented in a Form 14261, Memo to File.
- (4) Ensure the organization meets the IRC 501(c)(3) organizational and operational tests and:

If	Then
You need additional information to make a determination	Prepare and mail Letter 1312 following the procedures in IRM 7.20.2, Determination Letter Processing of Exempt Organizations.
The organizational test isn't met	Request the organization amend its organizational document (using the relevant streamline question as appropriate). Prepare and mail Letter 1312.
Either: <ul style="list-style-type: none"> The operational test isn't met Both the organizational and operational aren't met 	Follow proposed adverse determination procedures in IRM 7.20.2, Determination Letter Processing of Exempt Organizations or IRM 7.20.3, Processing Foundation Classification and Miscellaneous Requests.

If	Then
You don't need additional information and both the organizational and operational tests are met	Close the case as an approval.

7.20.9.4.6.2
(05-24-2023)

No Response to Information Request

- (1) Two weeks before the response due date, call an authorized contact for the organization following the procedures in IRM 7.20.1.6, Disclosure, to ask if there are any questions about the information requested, remind him/her of the upcoming due date, case closing, and potential loss of user fee if a response isn't received by that time. Explain that the case may be rejected if there is no response. If there's no answer, leave a message with the information following disclosure rules in IRM 10.5.1.6.7.2, Answering Machine or Voice Mail.

Note: If requested, grant an extension of 14 days or less. Base an extension on the requestor's facts and circumstances. Document extensions in the CCR. Managers can approve longer extensions, as needed.

Note: If specialist talks to organization within 2 weeks after Letter 1312 was mailed and confirms letter was received, then specialist doesn't have to call again.

- (2) If the organization doesn't respond by the due date, reject the application.

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7.20.9.4.7
(05-24-2023)

Case Closing

- (1) Prepare the appropriate determination letter following the procedures in IRM 7.22.4, including the appropriate selective paragraphs and addenda in the letter (see MEDS Closing Worksheet for paragraph and addendum information).

Letter Number	Letter Prepared in	Type of Closure
947	MEDS	Approval as a public charity
1049	MEDS	Rejection
1076	MEDS	Approval as a private foundation
1079	MEDS	Approving exemption with adverse issue
2244	MEDS	Withdrawal
4034	Word	Proposed adverse determination
5048	MEDS	Approval of U.S. territory as a public charity (see IRM 7.20.4)

Letter Number	Letter Prepared in	Type of Closure
5049	MEDS	Approval of U.S. territory as a private foundation (see IRM 7.20.4)
5239	MEDS	Other closing (organization currently exempt)

Reminder: See IRM 7.20.2.5.3, Operation Assistance Requests, for closing cases with OARS.

(2) When preparing the closing letter:

- Verify that the closing letter includes the EO R&A Director's name, title, and signature.
- Date the closing letter using the date that the case is updated to status 74PC in MEDS.
- Convert the closing letter to a non-fillable PDF (in other words, print to Adobe PDF) and import it into the MEDS Working folder.

Exception: For mandatory review cases, do not sign and date the closing letter. Import the letter into the MEDS Non-Disclosable folder (see IRM 7.20.2.4, Adverse Determinations).

- (3) Input closing information (see Form 1023-EZ EDS Closing Worksheet and Document 6379, Information Systems Codes FY 2023 Quick Reference for EO Employees, updated annually).
- (4) Complete a CVENT survey for all predetermination review and tax examiner referral cases.
- (5) For cases subject to mandatory review, in MEDS, click on Case Information and then File. Select Mandatory Review. From the drop-down menu, select the correct mandatory review type.
- (6) Submit the case to your manager for review.
- (7) Managers will review cases in Status 74PC using current case processing timeframes outlined in IRM 7.20.2.5.7, Managerial Review and Return of Cases, and IRM 7.20.9.3, Time Frames.
- (8) The manager will check the manager approval box on the MEDS EO Closing Data tab.
- (9) After the manager reviews and approves the case closing in MEDS, the case will be assigned within five days to a case closing employee.
- (10) The case closing employee will complete the necessary case closing actions (see IRM 7.21.5.5, Case Closing), including:
- Verify the closing letter is dated and contains the EO R&A Director's signature and name/title.
 - Print the closing letter.
 - Move the final closing letter to the appropriate MEDS folder.
 - Close case in MEDS and EDS within two days of case assignment.

- (11) If a subordinate is leaving a group ruling, prepare Form 2363-A according to the procedures in IRM 7.20.4.7, Subordinates Leaving a Group Ruling for Individual Exemption.
- (12) The Adjustments Unit queries MEDS closed cases for Form 2363-A, Request for IDRS Input for BMF/EO Entity Change, and Form 14268, User Fee Refund, and forward the forms to be processed. Once the forms have been forwarded, the Case Categories *Form 2363-A Request Processed and *User Fee Refund Request Processed will be added in MEDS.
- (13) See the following for additional case closing information/assistance:
 - IRM 7.20.2.4.2, Proposed Adverse Case Closing
 - IRM 7.20.2.5, Case Closing
 - IRM 7.20.2.5.3, Operation Assistance Request (OAR)
 - IRM 7.20.2.5.4, Approvals
 - IRM 7.20.2.5.6, Withdrawals
 - IRM 7.22.4, Modified EO-EP Determination System (MEDS) User Manual
 - IRM 7.22.8, EP/EO Determination System (EDS) User Manual