

IRS Fact Sheet

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.IRS.gov/newsroom

Public Contact: 800.829.1040

IRS Offers New Streamlined Option to Certain 501(c)(4) Groups Caught in Application Backlog

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Following a review of internal procedures to reduce the backlog of tax-exempt applications, the IRS is offering certain organizations that have applied for 501(c)(4) status a faster, optional method to gain tax-exempt status.

The IRS will start mailing about 80 letters this week offering the expedited option to groups that have had their applications pending for more than 120 days and involve possible political campaign intervention or issue advocacy. This effort is part of an internal review of IRS operations, processes and practices at the IRS announced today.

“The IRS is committed to improving our tax-exempt review process,” said IRS Principal Deputy Commissioner Danny Werfel. “This new streamlined option gives certain groups that have waited far too long a quick and clear path to get their status resolved.”

This “safe-harbor” option will provide certain groups an approved determination letter granting them 501(c)(4) status within two weeks if they certify they devote 60 percent or more of both their spending and time on activities that promote social welfare as defined by Section 501(c)(4). At the same time, they must certify that political campaign intervention involves 40 percent or less of both their spending and time. These thresholds apply for past, current and future years of operation. Solely for the purpose of determining eligibility for the expedited procedure, an organization must count, among other things, any public communication identifying a candidate that occurred within 60 days prior to a general election or 30 days prior to a primary as political campaign intervention.

“The IRS will treat these groups fairly and review applications promptly, a step that will immediately reduce the backlog of these cases,” Werfel said. “At the same time, the IRS will work to ensure 501(c)(4) groups follow the law set by Congress. As part of our efforts, the IRS will continue to look for ways to improve its processes going forward.”

The IRS also emphasized that any eligible organizations that do not choose the expedited option will be treated fairly and expeditiously through the regular review process. Full details of the expedited process and specific instructions for the groups qualifying for the option can be found in IRS Letter 5228.