

SECTION 1. PURPOSE

This revenue procedure supplements Rev. Proc. 83-23, 1983-1 C.B. 687, by relieving certain foreign organizations (other than private foundations) from the requirement to file an annual information return on Form 990, Return of Organization Exempt from Income Tax.

SEC. 2. BACKGROUND

01. Section 6033(a)(1) of the Internal Revenue Code states that, with certain exceptions, every organization exempt from taxation under section 501(a) shall file an annual information return.

02. Section 6033(a)(2)(B) of the Code provides that the Secretary may relieve any organization from the requirement to file a return where the Secretary determines that such filing is not necessary to the efficient administration of the internal revenue laws. Section 1.6033-2(g)(6) of the Income Tax Regulations delegates this authority to the Commissioner.

03. Rev. Proc. 83-23, 1983-1 C.B. 687, establishes a list of certain classes or groups of organizations exempt from federal income tax because they are described in section 501(c) of the Code that are not required to file an annual information return on Form 990. Organizations (other than private foundations) with gross receipts not normally in excess of \$25,000 for tax years ending on or after December 31, 1982 are included in Rev. Proc. 83-23. However, the revenue procedure does not distinguish between foreign and domestic organizations. Further, it does not distinguish between receipts from sources within the United States and foreign receipts.

04. Section 53.4948-1(b) of the Foundation Excise Tax Regulations provides that gifts, grants, contributions or membership fees received directly or indirectly by a foreign organization from a United States person, as defined in section 7701(a)(30) of the Code, are from sources within the United States.

05. Section 861 through 865 of the Code and the regulations thereunder determine what types of income will be treated as income from sources within the United States.

06. For purposes of this revenue procedure, a foreign organization is any organization not described in section 170(c)(2)(A) of the Code.

07. A number of foreign organizations have asked the Service for relief from filing Form 990 on the grounds that since they have no receipts from United States sources or significant activity in the United States, the filing serves no useful purpose for tax administration but imposes a significant burden on the affected organizations.

SEC. 3. SCOPE

This revenue procedure applies to foreign organizations described in section 501(a) (other than private foundations) that normally do not have more than \$25,000 in annual gross receipts from sources within the United States and have no significant activity in the United States. For purposes of the preceding sentence: (i) the tests set forth in section 5 of Revenue Procedure 82-23 apply to determine whether the annual gross receipts of an organization are not normally more than \$25,000; (ii) an organization's gifts, grants, contributions or membership fees are from sources within the United States if they would be so treated under section 53.4948-1(b) of the regulations; and (iii) the source of an organization's other gross receipts are determined by applying rules similar to those provided in sections 861 through 865 of the Code (relating to the source of taxable income).

SEC. 4. PROCEDURE

01. A foreign organization (other than a private foundation) otherwise required to file Form 990 will be relieved from the filing requirement for any year in which it meets the following conditions:

(1) it normally does not receive more than \$25,000 in gross receipts annually, as defined in Rev. Proc. 83-23, from sources within the United States, as defined in sections 861 through 865 of the Code and the regulations thereunder and section 53.4948-1(b) of the regulations; and

(2) it has no significant activity in the United States.
For purposes of the second condition above, the term "significant activity" includes lobbying and political activity and the operation of a trade or business, but does not include investment activity.

02. If at any time an organization ceases to meet one of the conditions described in 01., the organization is required to file the annual information return for the year in which it first ceased to qualify for relief under this procedure and for all subsequent years in which the organization does not qualify.

SEC. 5. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 83-23 is hereby supplemented.

SEC. 6. EFFECTIVE DATE

This revenue procedure applies for tax years beginning after December 31, 1992.

SEC. 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Jean Wright Veilleux of the Exempt Organizations Technical Division. For further information regarding this revenue procedure, contact Ms. Veilleux on (202) 622-7488 (not a toll-free number).