

# Part III. Administrative, Procedural, and Miscellaneous

26 CFR 601.201: Rulings and determination letters.

## Rev. Proc. 2013–9

### TABLE OF CONTENTS

<b>SECTION 1. WHAT IS THE PURPOSE OF THIS REVENUE PROCEDURE?</b> .....	256
.01 Description of terms used in this revenue procedure .....	256
.02 Updated annually .....	257
<b>SECTION 2. NATURE OF CHANGES AND RELATED REVENUE PROCEDURES.</b> .....	257
.01 Rev. Proc. 2012–9 is superseded .....	257
.02 Related revenue procedures .....	257
.03 What changes have been made to Rev. Proc. 2012–9? .....	257
<b>SECTION 3. WHAT ARE THE PROCEDURES FOR REQUESTING RECOGNITION OF EXEMPT STATUS?</b> .....	258
.01 In general .....	258
.02 User fee .....	258
.03 Form 1023 application .....	258
.04 Form 1024 application .....	258
.05 Letter application .....	258
.06 Form 1028 application .....	258
.07 Form 8871 notice for political organizations .....	258
.08 Requirements for a substantially completed application .....	258
.09 Terrorist organizations not eligible to apply for recognition of exemption .....	259
<b>SECTION 4. WHAT ARE THE STANDARDS FOR ISSUING A DETERMINATION LETTER OR RULING ON EXEMPT STATUS?</b> .....	259
.01 Exempt status must be established in application and supporting documents .....	259
.02 Determination letter or ruling based solely on administrative record .....	259
.03 Exempt status may be recognized in advance of actual operations .....	260
.04 No letter if exempt status issue in litigation or under consideration within the Service .....	260
.05 Incomplete application .....	260
.06 Even if application is complete, additional information may be required .....	260
.07 Expedited handling .....	260
.08 May decline to issue group exemption .....	261
<b>SECTION 5. WHAT OFFICES ISSUE AN EXEMPT STATUS DETERMINATION LETTER OR RULING?</b> .....	261
.01 EO Determinations issues a determination letter in most cases .....	261
.02 Certain applications referred to EO Technical .....	261
.03 Technical advice may be requested in certain cases .....	261
.04 Technical advice must be requested in certain cases .....	261
<b>SECTION 6. WITHDRAWAL OF AN APPLICATION.</b> .....	261
.01 Application may be withdrawn prior to issuance of a determination letter or ruling .....	261
.02 § 7428 implications of withdrawal of application under § 501(c)(3) .....	261
<b>SECTION 7. WHAT ARE THE PROCEDURES WHEN EXEMPT STATUS IS DENIED?</b> .....	262
.01 Proposed adverse determination letter or ruling .....	262
.02 Appeal of a proposed adverse determination letter issued by EO Determinations .....	262
.03 Protest of a proposed adverse ruling issued by EO Technical .....	262
.04 Final adverse determination letter or ruling where no appeal or protest is submitted .....	262
.05 How EO Determinations handles an appeal of a proposed adverse determination letter .....	262
.06 Consideration by the Appeals Office .....	262
.07 If a protest of a proposed adverse ruling is submitted to EO Technical .....	262
.08 An appeal or protest may be withdrawn .....	263

.09 Appeal or protest and conference rights not applicable in certain situations .....	263
<b>SECTION 8. DISCLOSURE OF APPLICATIONS AND DETERMINATION LETTERS AND RULINGS .....</b>	<b>263</b>
.01 Disclosure of applications, supporting documents, and favorable determination letters and rulings .....	263
.02 Disclosure of adverse determination letters or rulings .....	263
.03 Disclosure to State officials when the Service refuses to recognize exemption under § 501(c)(3) .....	263
.04 Disclosure to State officials of information about § 501(c)(3) applicants .....	263
<b>SECTION 9. REVIEW OF DETERMINATION LETTERS BY EO TECHNICAL .....</b>	<b>264</b>
.01 Determination letters may be reviewed by EO Technical to assure uniformity .....	264
.02 Procedures for cases where EO Technical takes exception to a determination letter .....	264
<b>SECTION 10. DECLARATORY JUDGMENT PROVISIONS OF § 7428 .....</b>	<b>264</b>
.01 Actual controversy involving certain issues .....	264
.02 Exhaustion of administrative remedies .....	264
.03 Not earlier than 270 days after seeking determination .....	264
.04 Service must have reasonable time to act on an appeal or protest .....	264
.05 Final determination to which § 7428 applies .....	264
<b>SECTION 11. EFFECT OF DETERMINATION LETTER OR RULING RECOGNIZING EXEMPTION .....</b>	<b>265</b>
.01 Effective date of exemption .....	265
.02 Reliance on determination letter or ruling .....	265
<b>SECTION 12. REVOCATION OR MODIFICATION OF DETERMINATION LETTER OR RULING RECOGNIZING EXEMPTION .....</b>	<b>265</b>
.01 Revocation or modification of a determination letter or ruling may be retroactive .....	265
.02 Appeal and conference procedures in the case of revocation or modification of exempt status letter .....	266
<b>SECTION 13. EFFECT ON OTHER REVENUE PROCEDURES .....</b>	<b>266</b>
<b>SECTION 14. EFFECTIVE DATE .....</b>	<b>266</b>
<b>SECTION 15. PAPERWORK REDUCTION ACT .....</b>	<b>266</b>
<b>DRAFTING INFORMATION .....</b>	<b>267</b>

**SECTION 1. WHAT IS THE  
PURPOSE OF THIS REVENUE  
PROCEDURE?**

This revenue procedure sets forth procedures for issuing determination letters and rulings on the exempt status of organizations under §§ 501 and 521 of the Internal Revenue Code other than those subject to Rev. Proc. 2013–6, last bulletin (relating to pension, profit-sharing, stock bonus, annuity, and employee stock ownership plans). Generally, the Service issues these determination letters and rulings in response to applications for recognition of exemption from Federal income tax. These procedures also apply to revocation or modification of determination letters or rulings. This revenue procedure also provides guidance on the exhaustion of administrative remedies for purposes of declaratory judgment under § 7428.

**Description of terms used in this  
revenue procedure**

.01 For purposes of this revenue procedure —

(1) The term “Service” means the Internal Revenue Service.

(2) The term “application” means the appropriate form or letter that an organization must file or submit to the Service for recognition of exemption from Federal income tax under the applicable section of the Internal Revenue Code. See section 3 for information on specific forms.

(3) The term “EO Determinations” means the office of the Service that is primarily responsible for processing initial applications for tax-exempt status. It includes the main EO Determinations office located in Cincinnati, Ohio, and other field offices that are under the direction and control of the Manager, EO Determinations. Applications are generally processed in the centralized EO Determinations office in Cincinnati, Ohio. However, some applications may be processed in other EO Determinations offices or referred to EO Technical.

(4) The term “EO Technical” means the office of the Service that is primarily responsible for issuing letter rulings to taxpayers on exempt organization matters, and for providing technical advice or technical assistance to other offices of the Service on exempt organization matters. The EO Technical office is located in Washington, DC. For purposes of this Revenue Procedure the term “EO Technical” includes EO Guidance. (EO Guidance is the office of the Service that is responsible for working with the Department of the Treasury and the Office of Chief Counsel to issue formal guidance items, and also reviews letter rulings, technical advice, and technical assistance, among other things.)

(5) The term “Appeals Office” means any office under the direction and control of the Chief, Appeals. The purpose of the Appeals Office is to resolve tax controversies, without litigation, on a fair and impartial basis. The Appeals Office is independent of EO Determinations and EO Technical.

(6) The term “determination letter” means a written statement issued by EO Determinations or an Appeals Office in response to an application for recognition of exemption from Federal income tax under §§ 501 and 521. This includes a written statement issued by EO Determinations or an Appeals Office on the basis of advice secured from EO Technical pursuant to the procedures prescribed herein and in Rev. Proc. 2013–5.

(7) The term “ruling” means a written statement issued by EO Technical in response to an application for recognition of exemption from Federal income tax under §§ 501 and 521.

(8) The term “Code” means the Internal Revenue Code.

#### **Updated annually**

.02 This revenue procedure is updated annually, but may be modified or amplified during the year.

## **SECTION 2. NATURE OF CHANGES AND RELATED REVENUE PROCEDURES**

#### **Rev. Proc. 2012–9 is superseded**

.01 This revenue procedure is a general update of Rev. Proc. 2012–9, 2011–2 I.R.B. 261, which is hereby superseded.

#### **Related revenue procedures**

.02 This revenue procedure supplements Rev. Proc. 2013–10, this Bulletin, with respect to the effects of § 7428 on the classification of organizations under §§ 509(a) and 4942(j)(3). Rev. Proc. 80–27, 1980–1 C.B. 677, sets forth procedures under which exemption may be recognized on a group basis for subordinate organizations affiliated with and under the general supervision and control of a central organization. Rev. Proc. 72–5, 1972–1 C.B. 709, provides information for religious and apostolic organizations seeking recognition of exemption under § 501(d). General procedures for requests for a determination letter or ruling are provided in Rev. Proc. 2013–4. User fees for requests for a determination letter or ruling are set forth in Rev. Proc. 2013–8. Information regarding procedures for organizations described in § 501(c)(29) can be found in Rev. Proc. 2012–11, 2012–7 I.R.B. 368.

#### **What changes have been made to Rev. Proc. 2012–9?**

.03 Notable changes to Rev. Proc. 2012–9 that appear in this year’s update include —

(1) The definition of “EO Technical” found in section 1.01 is amended to include reference to EO Guidance for the purposes of this document.

(2) Section 7.05 is amended to refer to the document submitted by an organization for Appeals office consideration as a “protest.”

(3) Section 9.02 is amended to clarify the particular provisions in Rev. Proc. 2013–5 that are applicable when EO Technical takes exception to a determination letter.

(4) The provisions in section 11.01 regarding the effect of determination letters or rulings recognizing exempt status of organizations described in § 501(c), other than §§ 501(c)(3), (9), (17), and (29), have been revised. Prior to this year, and back to 1962, when such organizations applied for recognition, the IRS would usually recognize such organizations as tax-exempt

from the date of formation, no matter how long the interval between the date of formation and the date of application. In addition to the practical difficulties of ascertaining an organization's purposes and activities for this period, such recognition is now potentially inconsistent with the provisions of § 6033(j), which automatically revokes the exempt status of an organization that fails to file required Form 990 series returns or notices for three consecutive years. The new procedure adopts a practice similar to the rule for § 501(c)(3) organizations for these organizations, generally permitting recognition from the date of formation if the organization has always met the requirements for exemption, has applied within 27 months from the end of the month in which it was organized, and has not failed to file required Form 990 series returns or notices for three consecutive years.

(5) Section 12.02 is clarified to indicate that a revocation under § 6033(j) is by operation of law and therefore an organization will not have an opportunity for appeals consideration.

(6) Reference to Form 4653 is removed from section 12.02.

### **SECTION 3. WHAT ARE THE PROCEDURES FOR REQUESTING RECOGNITION OF EXEMPT STATUS?**

#### **In general**

.01 An organization seeking recognition of exempt status under § 501 or § 521 is required to submit the appropriate application. In the case of a numbered application form, the current version of the form must be submitted. A central organization that has previously received recognition of its own exemption can request a group exemption letter by submitting a letter application along with Form 8718, *User Fee for Exempt Organization Determination Letter Request*. See Rev. Proc. 80–27. Form 8718 is not a determination letter application. Attach this form to the determination letter application.

#### **User fee**

.02 An application must be submitted with the correct user fee, as set forth in Rev. Proc. 2013–8.

#### **Form 1023 application**

.03 An organization seeking recognition of exemption under § 501(c)(3) and § 501(e), (f), (k), (n), (q), or (r) must submit a completed Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. In the case of an organization that provides credit counseling services, see § 501(q). In the case of an organization that is a hospital and is seeking exemption under § 501(c)(3), see § 501(r).

#### **Form 1024 application**

.04 An organization seeking recognition of exemption under § 501(c)(2), (4), (5), (6), (7), (8), (9), (10), (12), (13), (15), (17), (19), or (25) must submit a completed Form 1024, *Application for Recognition of Exemption Under Section 501(a)*, along with Form 8718. In the case of an organization that provides credit counseling services and seeks recognition of exemption under § 501(c)(4), see § 501(q).

#### **Letter application**

.05 An organization seeking recognition of exemption under § 501(c)(11), (14), (16), (18), (21), (22), (23), (26), (27), (28), or (29), or under § 501(d), must submit a letter application along with Form 8718.

#### **Form 1028 application**

.06 An organization seeking recognition of exemption under § 521 must submit a completed Form 1028, *Application for Recognition of Exemption Under Section 521 of the Internal Revenue Code*, along with Form 8718.

#### **Form 8871 notice for political organizations**

.07 A political party, a campaign committee for a candidate for federal, state or local office, and a political action committee are all political organizations subject to tax under § 527. To be tax-exempt, a political organization may be required to notify the Service that it is to be treated as a § 527 organization by electronically filing Form 8871, *Political Organization Notice of Section 527 Status*. For details, go to the IRS website at [www.irs.gov/polorgs](http://www.irs.gov/polorgs).

#### **Requirements for a substantially completed application**

.08 A substantially completed application, including a letter application, is one that:

(1) is signed by an authorized individual;

(2) includes an Employer Identification Number (EIN);

(3) for organizations other than those described in § 501(c)(3), includes a statement of receipts and expenditures and a balance sheet for the current year and the three preceding years (or the years the organization was in existence, if less than four years), and if the organization has not yet commenced operations or has not completed one accounting period, a proposed budget for two full accounting periods and a current statement of assets and liabilities; for organizations described in § 501(c)(3), see Form 1023 and Notice 1382;

(4) includes a detailed narrative statement of proposed activities, including each of the fundraising activities of a § 501(c)(3) organization, and a narrative description of anticipated receipts and contemplated expenditures;

(5) includes a copy of the organizing or enabling document that is signed by a principal officer or is accompanied by a written declaration signed by an authorized individual certifying that the document is a complete and accurate copy of the original or otherwise meets the requirements of a “conformed copy” as outlined in Rev. Proc. 68–14, 1968–1 C.B. 768;

(6) if the organizing or enabling document is in the form of articles of incorporation, includes evidence that it was filed with and approved by an appropriate state official (*e.g.*, stamped “Filed” and dated by the Secretary of State); alternatively, a copy of the articles of incorporation may be submitted if accompanied by a written declaration signed by an authorized individual that the copy is a complete and accurate copy of the original copy that was filed with and approved by the state; if a copy is submitted, the written declaration must include the date the articles were filed with the state;

(7) if the organization has adopted by-laws or similar governing rules, includes a current copy; the by-laws need not be signed if submitted as an attachment to the application for recognition of exemption; otherwise, the by-laws must be verified as current by an authorized individual; and

(8) is accompanied by the correct user fee and Form 8718, when applicable.

**Terrorist organizations not eligible to apply for recognition of exemption**

.09 An organization that is identified or designated as a terrorist organization within the meaning of § 501(p)(2) is not eligible to apply for recognition of exemption.

**SECTION 4. WHAT ARE THE STANDARDS FOR ISSUING A DETERMINATION LETTER OR RULING ON EXEMPT STATUS?**

**Exempt status must be established in application and supporting documents**

.01 A favorable determination letter or ruling will be issued to an organization only if its application and supporting documents establish that it meets the particular requirements of the section under which exemption from Federal income tax is claimed.

**Determination letter or ruling based solely on administrative record**

.02 A determination letter or ruling on exempt status is issued based solely upon the facts and representations contained in the administrative record.

(1) The applicant is responsible for the accuracy of any factual representations contained in the application.

(2) Any oral representation of additional facts or modification of facts as represented or alleged in the application must be reduced to writing over the signature of an officer or director of the taxpayer under a penalties of perjury statement.

(3) The failure to disclose a material fact or misrepresentation of a material fact on the application may adversely affect the reliance that would otherwise be obtained through issuance by the Service of a favorable determination letter or ruling.

**Exempt status may be recognized in advance of actual operations**

.03 Exempt status may be recognized in advance of the organization's operations if the proposed activities are described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements for exemption pursuant to the section of the Code under which exemption is claimed.

(1) A mere restatement of exempt purposes or a statement that proposed activities will be in furtherance of such purposes will not satisfy this requirement.

(2) The organization must fully describe all of the activities in which it expects to engage, including the standards, criteria, procedures, or other means adopted or planned for carrying out the activities, the anticipated sources of receipts, and the nature of contemplated expenditures.

(3) Where the organization cannot demonstrate to the satisfaction of the Service that it qualifies for exemption pursuant to the section of the Code under which exemption is claimed, the Service will generally issue a proposed adverse determination letter or ruling. *See also* section 7 of this revenue procedure.

**No letter if exempt status issue in litigation or under consideration within the Service**

.04 A determination letter or ruling on exempt status ordinarily will not be issued if an issue involving the organization's exempt status under § 501 or § 521 is pending in litigation, is under consideration within the Service, or if issuance of a determination letter or ruling is not in the interest of sound tax administration. If the Service declines to issue a determination or ruling to an organization seeking exempt status under § 501(c)(3), the organization may be able to pursue a declaratory judgment under § 7428, provided that it has exhausted its administrative remedies.

**Incomplete application**

.05 If an application does not contain all of the items set out in section 3.08 of this revenue procedure, the Service may return it to the applicant for completion.

(1) In lieu of returning an incomplete application, the Service may retain the application and request additional information needed for a substantially completed application.

(2) In the case of an application under § 501(c)(3) that is returned incomplete, the 270-day period referred to in § 7428(b)(2) will not be considered as starting until the date a substantially completed Form 1023 is refiled with or remailed to the Service. If the application is mailed to the Service and a postmark is not evident, the 270-day period will start to run on the date the Service actually receives the substantially completed Form 1023. The same rules apply for purposes of the notice requirement of § 508.

(3) Generally, the user fee will not be refunded if an incomplete application is filed. *See* Rev. Proc. 2013-8, section 10.

**Even if application is complete, additional information may be required**

.06 Even though an application is substantially complete, the Service may request additional information before issuing a determination letter or ruling.

(1) If the application involves an issue where contrary authorities exist, an applicant's failure to disclose and distinguish contrary authorities may result in requests for additional information, which could delay final action on the application.

(2) In the case of an application under § 501(c)(3), the period of time beginning on the date the Service requests additional information until the date the information is submitted to the Service will not be counted for purposes of the 270-day period referred to in § 7428(b)(2).

**Expedited handling**

.07 Applications are normally processed in the order of receipt by the Service. However, expedited handling of an application may be approved where a request is made in writing and contains a compelling reason for processing the application ahead of others. Upon approval of a request for expedited handling, an application will be considered out of its normal order. This does not mean the application will be immediately approved or denied. Circumstances generally warranting expedited processing include:

(1) a grant to the applicant is pending and the failure to secure the grant may have an adverse impact on the organization's ability to continue to operate;

(2) the purpose of the newly created organization is to provide disaster relief to victims of emergencies such as flood and hurricane; and

(3) there have been undue delays in issuing a determination letter or ruling caused by a Service error.

**May decline to issue group exemption**

.08 The Service may decline to issue a group exemption letter when appropriate in the interest of sound tax administration.

**SECTION 5. WHAT OFFICES ISSUE AN EXEMPT STATUS DETERMINATION LETTER OR RULING?**

**EO Determinations issues a determination letter in most cases**

.01 Under the general procedures outlined in Rev. Proc. 2013-4, EO Determinations is authorized to issue determination letters on applications for exempt status under §§ 501 and 521.

**Certain applications referred to EO Technical**

.02 EO Determinations will refer to EO Technical those applications that present issues which are not specifically covered by statute or regulations, or by a ruling, opinion, or court decision published in the Internal Revenue Bulletin. In addition, EO Determinations will refer those applications that have been specifically reserved by revenue procedure or by other official Service instructions for handling by EO Technical for purposes of establishing uniformity or centralized control of designated categories of cases. EO Technical will notify the applicant organization upon receipt of a referred application, and will consider each such application and issue a ruling directly to the organization.

**Technical advice may be requested in certain cases**

.03 If at any time during the course of consideration of an exemption application by EO Determinations the organization believes that its case involves an issue on which there is no published precedent, or there has been non-uniformity in the Service's handling of similar cases, the organization may request that EO Determinations either refer the application to EO Technical or seek technical advice from EO Technical. *See* Rev. Proc. 2013-5, sections 4.04 and 4.05.

**Technical advice must be requested in certain cases**

.04 If EO Determinations proposes to recognize the exemption of an organization to which EO Technical had issued a previous contrary ruling or technical advice, EO Determinations must seek technical advice from EO Technical before issuing a determination letter. This does not apply where EO Technical issued an adverse ruling and the organization subsequently made changes to its purposes, activities, or operations to remove the basis for which exempt status was denied.

**SECTION 6. WITHDRAWAL OF AN APPLICATION**

**Application may be withdrawn prior to issuance of a determination letter or ruling**

.01 An application may only be withdrawn upon the written request of an authorized individual prior to the issuance of a determination letter or ruling. The issuance of a determination letter or ruling includes the issuance of a proposed adverse determination letter or ruling.

(1) When an application is withdrawn, the Service will retain the application and all supporting documents. The Service may consider the information submitted in connection with the withdrawn request in a subsequent examination of the organization.

(2) Generally, the user fee will not be refunded if an application is withdrawn. *See* Rev. Proc. 2013-8, section 10.

**§ 7428 implications of withdrawal of application under § 501(c)(3)**

.02 The Service will not consider the withdrawal of an application under § 501(c)(3) as either a failure to make a determination within the meaning of § 7428(a)(2) or as an exhaustion of administrative remedies within the meaning of § 7428(b)(2).

## **SECTION 7. WHAT ARE THE PROCEDURES WHEN EXEMPT STATUS IS DENIED?**

### **Proposed adverse determination letter or ruling**

.01 If EO Determinations or EO Technical reaches the conclusion that the organization does not satisfy the requirements for exempt status pursuant to the section of the Code under which exemption is claimed, the Service generally will issue a proposed adverse determination letter or ruling, which will:

- (1) include a detailed discussion of the Service's rationale for the denial of tax-exempt status; and
- (2) advise the organization of its opportunity to appeal or protest the decision and request a conference.

### **Appeal of a proposed adverse determination letter issued by EO Determinations**

.02 A proposed adverse determination letter issued by EO Determinations will advise the organization of its opportunity to appeal the determination by requesting Appeals Office consideration. To do this, the organization must submit a statement of the facts, law and arguments in support of its position within 30 days from the date of the adverse determination letter. The organization must also state whether it wishes an Appeals Office conference. Any determination letter issued on the basis of technical advice from EO Technical may not be appealed to the Appeals Office on issues that were the subject of the technical advice.

### **Protest of a proposed adverse ruling issued by EO Technical**

.03 A proposed adverse ruling issued by EO Technical will advise the organization of its opportunity to file a protest statement within 30 days and to request a conference. If a conference is requested, the conference procedures outlined in Rev. Proc. 2013-4, section 12, are applicable.

### **Final adverse determination letter or ruling where no appeal or protest is submitted**

.04 If an organization does not submit a timely appeal of a proposed adverse determination letter issued by EO Determinations, or a timely protest of a proposed adverse ruling issued by EO Technical, a final adverse determination letter or ruling will be issued to the organization. The final adverse letter or ruling will provide information about the filing of tax returns and the disclosure of the proposed and final adverse letters or rulings.

### **How EO Determinations handles an appeal of a proposed adverse determination letter**

.05 If an organization submits a protest of the proposed adverse determination letter, EO Determinations will first review the protest, and, if it determines that the organization qualifies for tax-exempt status, issue a favorable exempt status determination letter. If EO Determinations maintains its adverse position after reviewing the protest, it will forward the protest and the exemption application case file to the Appeals Office.

### **Consideration by the Appeals Office**

.06 The Appeals Office will consider the organization's appeal. If the Appeals Office agrees with the proposed adverse determination, it will either issue a final adverse determination or, if a conference was requested, contact the organization to schedule a conference. At the end of the conference process, which may involve the submission of additional information, the Appeals Office will either issue a final adverse determination letter or a favorable determination letter. If the Appeals Office believes that an exemption or private foundation status issue is not covered by published precedent or that there is non-uniformity, the Appeals Office must request technical advice from EO Technical in accordance with Rev. Proc. 2013-5, sections 4.04 and 4.05.

### **If a protest of a proposed adverse ruling is submitted to EO Technical**

.07 If an organization submits a protest of a proposed adverse exempt status ruling, EO Technical will review the protest statement. If the protest convinces EO Technical that the organization qualifies for tax-exempt status, a favorable ruling will be issued. If EO Technical maintains its adverse position after reviewing the protest, it will either issue a final adverse ruling or, if a conference was requested, contact the organization to schedule a conference. At the end of the conference process, which may involve the submission of additional information, EO Technical will either issue a final adverse ruling or a favorable exempt status ruling.



**An appeal or protest may be withdrawn**

.08 An organization may withdraw its appeal or protest before the Service issues a final adverse determination letter or ruling. Upon receipt of the withdrawal request, the Service will complete the processing of the case in the same manner as if no appeal or protest was received.

**Appeal or protest and conference rights not applicable in certain situations**

.09 The opportunity to appeal or protest a proposed adverse determination letter or ruling and the conference rights described above are not applicable to matters where delay would be prejudicial to the interests of the Service (such as in cases involving fraud, jeopardy, the imminence of the expiration of the statute of limitations, or where immediate action is necessary to protect the interests of the Government).

**SECTION 8. DISCLOSURE OF APPLICATIONS AND DETERMINATION LETTERS AND RULINGS**

Sections 6104 and 6110 provide rules for the disclosure of applications, including supporting documents, and determination letters and rulings.

**Disclosure of applications, supporting documents, and favorable determination letters or rulings**

.01 The applications, any supporting documents, and the favorable determination letter or ruling issued, are available for public inspection under § 6104(a)(1). However, there are certain limited disclosure exceptions for a trade secret, patent, process, style of work, or apparatus, if the Service determines that the disclosure of the information would adversely affect the organization.

(1) The Service is required to make the applications, supporting documents, and favorable determination letters or rulings available upon request. The public can request this information by submitting Form 4506–A, *Request for Public Inspection or Copy of Exempt or Political Organization IRS Form*. Organizations should ensure that applications and supporting documents do not include unnecessary personal identifying information (such as bank account numbers or social security numbers) that could result in identity theft or other adverse consequences if publicly disclosed.

(2) The exempt organization is required to make its exemption application, supporting documents, and determination letter or ruling available for public inspection without charge. For more information about the exempt organization's disclosure obligations, see Publication 557, *Tax-Exempt Status for Your Organization*.

**Disclosure of adverse determination letters or rulings**

.02 The Service is required to make adverse determination letters and rulings available for public inspection under § 6110. Upon issuance of the final adverse determination letter or ruling to an organization, both the proposed adverse determination letter or ruling and the final adverse determination letter or ruling will be released pursuant to § 6110.

(1) These documents are made available to the public after the deletion of names, addresses, and any other information that might identify the taxpayer. *See* § 6110(c) for other specific disclosure exemptions.

(2) The final adverse determination letter or ruling will enclose Notice 437, *Notice of Intention to Disclose*, and redacted copies of the final and proposed adverse determination letters or rulings. Notice 437 provides instructions if the organization disagrees with the deletions proposed by the Service.

**Disclosure to State officials when the Service refuses to recognize exemption under § 501(c)(3)**

.03 The Service may notify the appropriate State officials of a refusal to recognize an organization as tax-exempt under § 501(c)(3). *See* § 6104(c). The notice to the State officials may include a copy of a proposed or final adverse determination letter or ruling the Service issued to the organization. In addition, upon request by the appropriate State official, the Service may make available for inspection and copying the exemption application and other information relating to the Service's determination on exempt status.

**Disclosure to State officials of information about § 501(c)(3) applicants**

.04 The Service may disclose to State officials the name, address, and identification number of any organization that has applied for recognition of exemption under § 501(c)(3).

## **SECTION 9. REVIEW OF DETERMINATION LETTERS BY EO TECHNICAL**

**Determination letters may be reviewed by EO Technical to assure uniformity**

.01 Determination letters issued by EO Determinations may be reviewed by EO Technical, or the Office of the Associate Chief Counsel (Passthroughs and Special Industries) (for cases under § 521), to assure uniform application of the statutes or regulations, or rulings, court opinions, or decisions published in the Internal Revenue Bulletin.

**Procedures for cases where EO Technical takes exception to a determination letter**

.02 If EO Technical takes exception to a determination letter issued by EO Determinations, the manager of EO Determinations will be advised. If EO Determinations notifies the organization of the exception taken, and the organization disagrees with the exception, the file will be returned to EO Technical. The referral to EO Technical will be treated as a request for technical advice, and the procedures in sections 14, 15, and 16 of Rev. Proc. 2013–5 will be followed.

## **SECTION 10. DECLARATORY JUDGMENT PROVISIONS OF § 7428**

**Actual controversy involving certain issues**

.01 Generally, a declaratory judgment proceeding under § 7428 can be filed in the United States Tax Court, the United States Court of Federal Claims, or the district court of the United States for the District of Columbia with respect to an actual controversy involving a determination by the Service or a failure of the Service to make a determination with respect to the initial or continuing qualification or classification of an organization under § 501(c)(3) (charitable, educational, etc.); § 170(c)(2) (deductibility of contributions); § 509(a) (private foundation status); § 4942(j)(3) (operating foundation status); or § 521 (farmers cooperatives).

**Exhaustion of administrative remedies**

.02 Before filing a declaratory judgment action, an organization must exhaust its administrative remedies by taking, in a timely manner, all reasonable steps to secure a determination from the Service. These include:

(1) the filing of a substantially completed application Form 1023 under § 501(c)(3) pursuant to section 3.08 of this revenue procedure, or the request for a determination of foundation status pursuant to Rev. Proc. 2013–10, this Bulletin, or its successor;

(2) in appropriate cases, requesting relief pursuant to Treas. Reg. § 301.9100–1 of the Procedure and Administration Regulations regarding the extension of time for making an election or application for relief from tax;

(3) the timely submission of all additional information requested by the Service to perfect an exemption application or request for determination of private foundation status; and

(4) exhaustion of all administrative appeals available within the Service pursuant to section 7 of this revenue procedure.

**Not earlier than 270 days after seeking determination**

.03 An organization will in no event be deemed to have exhausted its administrative remedies prior to the earlier of:

(1) the completion of the steps in section 10.02, and the sending by the Service by certified or registered mail of a final determination letter or ruling; or

(2) the expiration of the 270-day period described in § 7428(b)(2) in a case where the Service has not issued a final determination letter or ruling, and the organization has taken, in a timely manner, all reasonable steps to secure a determination letter or ruling.

**Service must have reasonable time to act on an appeal or protest**

.04 The steps described in section 10.02 will not be considered completed until the Service has had a reasonable time to act upon an appeal or protest, as the case may be.

**Final determination to which § 7428 applies**

.05 A final determination to which § 7428 applies is a determination letter or ruling, sent by certified or registered mail, which holds that the organization is not described in § 501(c)(3) or § 170(c)(2), is a public charity described in a part of § 509 or § 170(b)(1)(A) other than the part

under which the organization requested classification, is not a private foundation as defined in § 4942(j)(3), or is a private foundation and not a public charity described in a part of § 509 or § 170(b)(1)(A).

## **SECTION 11. EFFECT OF DETERMINATION LETTER OR RULING RECOGNIZING EXEMPTION**

### **Effective date of exemption**

.01 A determination letter or ruling recognizing exemption of an organization described in § 501(c), other than § 501(c)(29), is usually effective as of the date of formation of an organization if: (1) its purposes and activities prior to the date of the determination letter or ruling have been consistent with the requirements for exemption; (2) it has not failed to file required Form 990 series returns or notices for three consecutive years; and (3) it has filed an application for recognition of exemption within 27 months from the end of the month in which it was organized. Special rules may apply to an organization applying for exemption under §§ 501(c)(3), (9) or (17). See §§ 505 and 508, and Treas. Reg. §§ 1.508-1(a)(2), 1.508-1(b)(7), and 301.9100-2(a)(2)(iii)-(iv). In addition, special rules apply with respect to organizations described in § 501(c)(29). See Rev. Proc. 2012-11, 2012-7 I.R.B. 368.

(1) If the Service requires the organization to alter its activities or make substantive amendments to its enabling instrument, the exemption will be effective as of the date specified in a determination letter or ruling.

(2) If the Service requires the organization to make a nonsubstantive amendment, exemption will ordinarily be recognized as of the date of formation. Examples of nonsubstantive amendments include correction of a clerical error in the enabling instrument or the addition of a dissolution clause where the activities of the organization prior to the determination letter or ruling are consistent with the requirements for exemption.

(3) An organization that otherwise meets the requirements for tax-exempt status and the issuance of a determination letter or ruling that does not meet the requirements for recognition from date of formation will generally be recognized from the postmark date of its application.

(4) Organizations that claim exempt status under § 501(c) generally must file annual Form 990 series returns or notices, even if they have not yet received their determination letter or ruling recognizing exemption. If an organization fails to file required Form 990 series returns or notices for three consecutive years, its exemption will be automatically revoked by operation of § 6033(j). Such an organization may apply for reinstatement of its exempt status, and such recognition may be granted retroactively, only in accordance with the procedure described in Notice 2011-44, 2011-25 I.R.B. 883.

### **Reliance on determination letter or ruling**

.02 A determination letter or ruling recognizing exemption may not be relied upon if there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of the organization, or a change in the applicable law. Also, a determination letter or ruling may not be relied upon if it was based on any inaccurate material factual representations. See section 12.01.

## **SECTION 12. REVOCATION OR MODIFICATION OF DETERMINATION LETTER OR RULING RECOGNIZING EXEMPTION**

### **Revocation or modification of a determination letter or ruling may be retroactive**

A determination letter or ruling recognizing exemption may be revoked or modified: (1) by a notice to the taxpayer to whom the determination letter or ruling was issued; (2) by enactment of legislation or ratification of a tax treaty; (3) by a decision of the Supreme Court of the United States; (4) by the issuance of temporary or final regulations; (5) by the issuance of a revenue ruling, revenue procedure, or other statement published in the Internal Revenue Bulletin; or (6) automatically, pursuant to § 6033(j), for failure to file a required annual return or notice for three consecutive years.

.01 The revocation or modification of a determination letter or ruling recognizing exemption may be retroactive if there has been a change in the applicable law, the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, in the case of organizations to which § 503 applies, engaged in a prohibited

transaction with the purpose of diverting corpus or income of the organization from its exempt purpose and such transaction involved a substantial part of the corpus or income of such organization. In certain cases an organization may seek relief from retroactive revocation or modification of a determination letter or ruling under § 7805(b). Requests for § 7805(b) relief are subject to the procedures set forth in Rev. Proc. 2013–4.

(1) Where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change.

(2) In the case where a determination letter or ruling is issued in error or is no longer in accord with the Service’s position and § 7805(b) relief is granted (*see* sections 13 and 14 of Rev. Proc. 2013–4), ordinarily, the revocation or modification will be effective not earlier than the date when the Service modifies or revokes the original determination letter or ruling.

**Appeal and conference procedures in the case of revocation or modification of exempt status letter**

.02 In the case of a revocation or modification of a determination letter or ruling, the appeal and conference procedures are generally the same as set out in section 7 of this revenue procedure, including the right of the organization to request that EO Determinations or the Appeals Office seek technical advice from EO Technical. However, appeal and conference rights are not applicable to matters where delay would be prejudicial to the interests of the Service (such as in cases involving fraud, jeopardy, the imminence of the expiration of the statute of limitations, or where immediate action is necessary to protect the interests of the Government). Organizations revoked under § 6033(j) will not have an opportunity for Appeal consideration.

(1) If the case involves an exempt status issue on which EO Technical had issued a previous contrary ruling or technical advice, EO Determinations generally must seek technical advice from EO Technical.

(2) EO Determinations does not have to seek technical advice if the prior ruling or technical advice has been revoked by subsequent contrary published precedent or if the proposed revocation involves a subordinate unit of an organization that holds a group exemption letter issued by EO Technical, the EO Technical ruling or technical advice was issued under the Internal Revenue Code of 1939 or prior revenue acts.

**SECTION 13. EFFECT ON OTHER REVENUE PROCEDURES**

Rev. Proc. 2012–9 is superseded.

**SECTION 14. EFFECTIVE DATE**

This revenue procedure is effective January 7, 2013.

**SECTION 15. PAPERWORK REDUCTION ACT**

The collection of information for a letter application under section 3.05 of this revenue procedure has been reviewed and approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act (44 U.S.C. § 3507) under control number 1545–2080. All other collections of information under this revenue procedure have been approved under separate OMB control numbers.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collection of this information is required if an organization wants to be recognized as tax-exempt by the Service. We need the information to determine whether the organization meets the legal requirements for tax-exempt status. In addition, this information will be used to help the Service delete certain information from the text of an adverse determination letter or ruling before it is made available for public inspection, as required by § 6110.

The time needed to complete and file a letter application will vary depending on individual circumstances. The estimated average time is 10 hours.

Books and records relating to the collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. The rules governing the confidentiality of letter applications are covered in § 6104.

## DRAFTING INFORMATION

The principal author of this revenue procedure is Mr. Jonathan Carter of the Exempt Organizations, Tax Exempt and Government Entities Division. For further information regarding this revenue procedure, please contact the TE/GE Customer Service office at (877) 829-5500 (a toll-free call), or send an e-mail to [tege.eo@irs.gov](mailto:tege.eo@irs.gov) and include "Question about Rev. Proc. 2013-9" in the subject line.

## Rev. Proc. 2013-10

### SECTION 1. PURPOSE AND SCOPE

The purpose of this revenue procedure is to set forth updated procedures of the Internal Revenue Service (the "Service") with respect to issuing rulings and determination letters on private foundation status under § 509(a) of the Internal Revenue Code, operating foundation status under § 4942(j)(3), and exempt operating foundation status under § 4940(d)(2), of organizations exempt from Federal income tax under § 501(c)(3). This revenue procedure also applies to the issuance of determination letters on the foundation status under § 509(a)(3) of nonexempt charitable trusts described in § 4947(a)(1).

### SECTION 2. WHAT CHANGES HAVE BEEN MADE TO REV. PROC. 2012-10?

.01 This revenue procedure is a general update of Rev. Proc. 2012-10, 2012-2 I.R.B. 273.

.02 Section 7.01 is amended to clarify that subordinate organizations included in a group exemption letter wishing to change public charity status must do so by filing Form 8940.

### SECTION 3. BACKGROUND

.01 All § 501(c)(3) organizations are classified as private foundations under § 509(a) unless they qualify as a public charity under § 509(a)(1) (which cross-references § 170(b)(1)(A)(i)-(vi)), (2), (3), or (4). See Treas. Reg. §§ 1.170A-9, 1.509(a)-1 through 1.509(a)-7. The Service determines an organization's private foundation or public charity status when the organization files its Form 1023. This status will be included in the organization's determination letter.

.02 In its Form 990, *Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except*

*black lung benefit trust or private foundation)*, a public charity indicates the paragraph of § 509(a), and subparagraph of § 170(b)(1)(A), if applicable, under which it qualifies as a public charity. Because of changes in its activities or operations, this may differ from the public charity status listed in its original determination letter. Although an organization is not required to obtain a determination letter to qualify for the new public charity status, in order for Service records to recognize any change in public charity status, an organization must obtain a new determination of foundation status pursuant to this revenue procedure.

.03 If a public charity no longer qualifies as a public charity under § 509(a)(1)-(4), then it becomes a private foundation, and as such, it must file Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*. It is not necessary for the organization to obtain a determination letter on its new private foundation status (although it is permitted to do so pursuant to this revenue procedure). The organization indicates this change in foundation status by filing its Form 990-PF return and following any procedures specified in the form, instructions, or other published guidance. Thereafter, the organization may terminate its private foundation status, such as by giving notice and qualifying as a public charity again under § 509(a)(1)-(3) during a 60-month termination period in accordance with the procedures under § 507(b)(1)(B) and Treas. Reg. § 1.507-2(b).

.04 This revenue procedure applies to organizations that may have erroneously determined that the organization was a private foundation and wish to correct the error. For example, an organization may have erroneously classified an item or items in its calculation of public support, causing the organization to classify itself as a private foundation and to file Forms 990-PF. Pursuant to this revenue procedure, the organization can request to be classified as a public charity by showing

that it continuously met the public support tests during the relevant periods. See section 7 below.

.05 A private foundation may qualify as an operating foundation under § 4942(j)(3) without a determination letter from the Service, but the Service will not recognize such status in its records without a determination letter from the Service. An organization claiming to be an exempt operating foundation under § 4940(d)(2) must obtain a determination letter from the Service recognizing such status to be exempt from the § 4940 tax on net investment income.

### SECTION 4. DETERMINATIONS OF FOUNDATION STATUS

.01 EO Determinations will issue determination letters on foundation status, including whether an organization is:

- (1) a private foundation;
- (2) a public charity described in §§ 509(a)(1) and 170(b)(1)(A) (other than clauses (v), (vii), and (viii));
- (3) a public charity described in § 509(a)(2) or (4);
- (4) a public charity described in § 509(a)(3), whether such organization is described in § 509(a)(3)(B)(i), (ii), or (iii) ("supporting organization type"), and whether or not a Type III supporting organization is functionally integrated;
- (5) a private operating foundation described in § 4942(j)(3); or
- (6) an exempt operating foundation described in § 4940(d)(2).

.02 EO Determinations will also issue determination letters on whether a nonexempt charitable trust described in § 4947(a)(1) is described in § 509(a)(3).

.03 EO Determinations will issue such determinations in response to applications for recognition of exempt status under § 501(c)(3), submitted by organizations pursuant to § 508(b). EO Determinations will also issue such determinations in response to separate requests for determination of foundation status submitted on Form 8940, *Request for Miscellaneous*