

mation regarding this revenue procedure, contact Garrett Gluth at 202-317-8413 (not a toll-free number).

26 CFR 1.6033-2. Returns by exempt organizations (taxable years beginning after December 31, 1969) and returns by certain nonexempt organizations (taxable years beginning after December 31, 1980).

## Rev. Proc. 2014-11

### SECTION 1. PURPOSE

.01 This revenue procedure provides procedures for reinstating the tax-exempt status of organizations that have had their tax-exempt status automatically revoked under section 6033(j)(1) of the Internal Revenue Code (“Code”) for failure to file required Annual Returns or notices for three consecutive years.

.02 *Streamlined Retroactive Reinstatement Process.* An organization that was eligible to file either Form 990-EZ, *Short Form Return Of Organization Exempt from Income Tax*, or Form 990-N, *e-Postcard*, for each of the three consecutive years that it failed to file and that has not previously had its tax-exempt status automatically revoked may use the process described in SECTION 4 of this revenue procedure to apply for streamlined retroactive reinstatement of its tax-exempt status if it applies not later than 15 months after the later of the date of the Revocation Letter or the date on which the IRS posted the organization’s name on the Revocation List.

.03 *Retroactive Reinstatement Process (Within 15 Months of Revocation).* An organization that is not eligible to use the streamlined process may use the process described in SECTION 5 of this revenue procedure to apply for retroactive reinstatement of its tax-exempt status if it applies not later than 15 months after the later of the date of the Revocation Letter or the date on which the IRS posted the organization’s name on the Revocation List.

.04 *Retroactive Reinstatement Process.* If it has been more than 15 months from the later of the date of the Revocation Letter or the date on which the IRS posted the organization’s name on the Revocation List, an organization may apply for retroactive reinstatement of its tax-exempt status only under the process described in SECTION 6 of this revenue procedure.

.05 *Post-Mark Date Process.* An organization may apply for reinstatement of its tax-exempt status effective from the Post-Mark Date at any time, regardless of whether it is eligible to use any of the three retroactive reinstatement processes described in SECTIONS 4 through 6 of this revenue procedure, by using the process described in SECTION 7 of this revenue procedure.

### SECTION 2. DEFINITIONS

.01 For purposes of this revenue procedure –

- (1) “Application” means Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*; Form 1024, *Application for Recognition of Exemption Under Section 501(a)*; or any other prescribed form or procedure regularly used to apply for recognition of exempt status as provided in Rev. Proc. 2013-9, 2013-2 I.R.B. 255, or its successor.
- (2) “Annual Return” means the return that the organization must file annually under section 6033(a) (e.g., Form 990, *Return of Organization Exempt from Income Tax*, Form 990-EZ, *Short Form Return of Organization Exempt from Income Tax*, or Form 990-PF, *Return of Private Foundation*).
- (3) “Post-Mark Date” means the date on which the organization files an Application for reinstatement of its tax-exempt status.
- (4) “Reasonable Cause Statement” means the statement described in SECTION 8 of this revenue procedure.
- (5) “Revocation Date” means the date on which the organization’s exempt status is automatically revoked pursuant to section 6033(j)(1) for failing to file an Annual Return or notice for three consecutive years. The Revocation Date is the date set by the Secretary for the filing of the third Annual Return or notice, although an organization’s exempt status will not be automatically revoked pursuant to section 6033(j) unless the organization failed to file an Annual Return or notice for three consecutive years on or before

the date, including any requested extensions, set by the Secretary for the filing of the third Annual Return or notice.

- (6) “Revocation Letter” means the letter issued by the IRS to the organization providing notice that the organization’s exempt status is revoked for failing to file an Annual Return or notice for three consecutive years on or before the date set by the Secretary for the filing such third Annual Return or notice.
- (7) “Revocation List” means the list of all organizations that have had their tax-exempt statuses revoked under section 6033(j)(1), which the Secretary is required to publish and maintain. The IRS publishes the Revocation List on (<http://www.irs.gov/Charities-&Non-Profits/Exempt-Organizations-Select-Check>).

### SECTION 3. BACKGROUND

.01 In general, section 6033(a)(1) requires an organization exempt from taxation under section 501(a) or a nonexempt charitable trust treated as a private foundation under section 4947(a)(1) to file an Annual Return. Most small organizations (other than private foundations or section 509(a)(3) supporting organizations) whose annual gross receipts are normally not more than \$50,000 (\$25,000 for taxable years beginning before January 1, 2010) are not required to file an Annual Return, but are required to file an annual notice, Form 990-N, instead. See I.R.C. § 6033(a)(3) and 6033(i); Rev. Proc. 2011-15, 2011-3 I.R.B. 322.

.02 Currently, an organization (other than a private foundation or supporting organization) may file Form 990-N if the organization normally has annual gross receipts of \$50,000 or less. An organization may file Form 990-EZ if the organization has gross receipts of less than \$200,000 and total assets of less than \$500,000 at the end of the taxable year. However, these dollar thresholds are subject to change.

.03 The Pension Protection Act of 2006, Pub. L. No.109-280, 120 Stat. 780, § 1223 (2006) (“PPA”), added section 6033(j) to the Code, effective for taxable years beginning after 2006.

.04 Section 6033(j)(1) automatically revokes the tax-exempt status of any organization described in section 6033(a)(1) that fails to file a required Annual Return for three consecutive years or any organization described in section 6033(i) that fails to file an Annual Return or notice for three consecutive years. Revocation under section 6033(j)(1) is effective on and after the date set by the Secretary for the filing of the third Annual Return or notice.

.05 In accordance with section 6033(j)(1), the IRS updates the Revocation List monthly. The IRS also mails a letter to the last known address of each organization on the Revocation List to notify the organization that its tax-exempt status has been revoked under section 6033(j)(1).

.06 Section 6033(j)(2) provides that any organization that has had its tax-exempt status automatically revoked under section 6033(j)(1) must apply to the IRS in order to obtain reinstatement of its tax-exempt status, regardless of whether the organization was originally required to apply for recognition of its tax exemption. For example, if the tax-exempt status of a subordinate organization included in a group exemption letter is automatically revoked under section 6033(j)(1), the subordinate organization must apply for reinstatement of its tax-exempt status on its own behalf. If the Application is approved, the effective date of the organization's reinstated tax-exempt status generally will be the Post-Mark Date. However, section 6033(j)(3) provides that if, upon application for reinstatement, an organization "can show to the satisfaction of the Secretary evidence of reasonable cause for the failure described in [section 6033(j)(1)], the organization's exempt status may, in the discretion of the Secretary, be reinstated effective from the date of the revocation."

.07 Section 6652 provides for penalties for failure to file certain information returns. Section 6652(c)(1)(A)(i) imposes a penalty for failure to file a return required under section 6033 on the date and in the manner prescribed by section 6033. Section 6652(c)(1)(E) provides that the penalty does not apply to the notice required under section 6033(i) (Form 990-N).

#### SECTION 4. STREAMLINED RETROACTIVE REINSTATEMENT OF TAX-EXEMPT STATUS FOR SMALL ORGANIZATIONS WITHIN 15 MONTHS OF REVOCATION.

.01 An organization that was eligible to file either Form 990-EZ or 990-N for each of the three consecutive years that it failed to file, and that has not previously had its tax-exempt status automatically revoked pursuant to section 6033(j), may apply to have its tax-exempt status retroactively reinstated effective from the Revocation Date if it does both of the following:

- (1) Completes and submits an Application at the address provided in the instructions to the Application not later than 15 months after the later of the date of the Revocation Letter or the date on which the IRS posted the organization's name on the Revocation List. To facilitate processing, organizations should write "Revenue Procedure 2014-11, Streamlined Retroactive Reinstatement" on the top of the Application.
- (2) Includes the appropriate user fee with the Application. *See* Rev. Proc. 2013-8, 2013-1 I.R.B. 237, section 6.07, or its successor.

.02 If an organization files an Application pursuant to SECTION 4.01 and its Application is approved, then for purposes of section 6033(j), the organization will be deemed to have reasonable cause for its failures to file Forms 990-EZ or 990-N, as applicable, for three consecutive years and it will be reinstated retroactively to the Revocation Date. This rule will apply to Applications submitted before the date the IRS revises the Form 1023 and Form 1024 to permit organizations that otherwise qualify for retroactive reinstatement under this SECTION 4 to demonstrate reasonable cause by attesting that the organization's failure to file was not intentional and that it has put in place procedures to file in the future. After such date, reasonable cause may be demonstrated through that attestation.

.03 The Service will not impose the penalty under section 6652(c) for failure to file Annual Returns for the three consecutive taxable years for which the orga-

nization was required, but failed, to file Form 990-EZ, if the organization that is retroactively reinstated under this SECTION 4, files properly completed and executed paper Forms 990-EZ for all such taxable years. For any year for which the organization was eligible to file a Form 990-N, the organization is not required to file a prior year Form 990-N or Form 990-EZ for such year. The Forms 990-EZ must be mailed to the following address:

Department of Treasury  
Internal Revenue Service Center  
Ogden, UT 84201-0027

The organization should write "Retroactive Reinstatement" on the Forms 990-EZ.

#### SECTION 5. RETROACTIVE REINSTATEMENT OF TAX-EXEMPT STATUS WITHIN 15 MONTHS OF REVOCATION.

.01 An organization that is not eligible to apply under SECTION 4 of this revenue procedure may apply to have its tax-exempt status retroactively reinstated effective from the Revocation Date if it does all of the following:

- (1) Completes and submits the appropriate Application to the address provided in the instructions to the Application not later than 15 months after the later of the date of the Revocation Letter or the date on which the IRS posted the organization's name on the Revocation List. To facilitate processing, organizations should write "Revenue Procedure 2014-11, Retroactive Reinstatement" on top of the Application.
- (2) Includes the appropriate user fee with the Application. *See* Rev. Proc. 2013-8, 2013-1 I.R.B. 237, section 6.07, or its successor.
- (3) Includes the Reasonable Cause Statement described in SECTION 8.01 of this revenue procedure with the Application;
- (4) Includes a statement with the Application confirming that it has filed the Annual Returns required in step (5) below.
- (5) Files properly completed and executed paper Annual Returns for all

taxable years in the consecutive three-year period for which the organization was required, and failed, to file Annual Returns (and for any other taxable years after such period and before the Post-Mark Date for which required returns were due and not filed). The Annual Returns must be mailed to the following address:

Department of the Treasury  
Internal Revenue Service Center  
Ogden, UT 84201-0027

.02 The Service will not impose the penalty under section 6652(c) for the failure to file Annual Returns for the three consecutive taxable years for which the organization was required, but failed, to file Annual Returns, if the organization's Application is approved, it satisfies all the requirements of SECTION 5.01 of this revenue procedure, and the organization is retroactively reinstated effective from the Revocation Date. The organization should write "Retroactive Reinstatement" on the Annual Returns.

#### SECTION 6. RETROACTIVE REINSTATEMENT MORE THAN 15 MONTHS AFTER REVOCATION

.01 An organization that applies for reinstatement of its tax-exempt status more than 15 months from the later of the date of the Revocation Letter or the date on which the IRS posted the organization's name on the Revocation List may have its tax-exempt status retroactively reinstated effective from the Revocation Date only if it satisfies all the requirements of SECTION 5.01 of this revenue procedure, except that it must provide the Reasonable Cause Statement described in SECTION 8.02 of this revenue procedure (in place of the one described in SECTION 8.01) for the requirement described in SECTION 5.01(3).

.02 The Service will not impose the penalty under section 6652(c) for the failure to file Annual Returns for the three consecutive taxable years for which the organization was required, but failed, to file Annual Returns, if the organization's Application is approved, it satisfies all the requirements of SECTION 6.01 of this revenue procedure, and the organization is

retroactively reinstated effective from the Revocation Date. The organization should write "Retroactive Reinstatement" on the Annual Returns.

#### SECTION 7. REINSTATEMENT OF TAX-EXEMPT STATUS FROM POST-MARK DATE

.01 An organization may apply for reinstatement of its tax-exempt status effective from the Post-Mark Date by completing and submitting the appropriate Application to the address provided in the instructions to the Application and including the appropriate user fee with the Application. To facilitate processing, the organization should write "Revenue Procedure 2014-11, Reinstatement Post-Mark Date" on the top of the Application.

#### SECTION 8. REASONABLE CAUSE STATEMENT

.01 To be retroactively reinstated under SECTION 5 of this revenue procedure, an organization must establish reasonable cause with respect to its failure to file a required Annual Return or notice for at least one of the three consecutive years in which it failed to file.

.02 To be retroactively reinstated under SECTION 6 of this revenue procedure, an organization must establish reasonable cause with respect to its failure to file a required Annual Return or notice for all three years that it failed to file such Annual Returns or notice.

.03 To establish reasonable cause under this section of this revenue procedure, an organization must establish that it exercised ordinary business care and prudence in determining and attempting to comply with its reporting requirements under section 6033. In determining whether the organization establishes reasonable cause, the IRS will take into account all pertinent facts and circumstances.

.04 The Reasonable Cause Statement under paragraph .01 or .02 must provide all of the facts that support a claim for reasonable cause for failing to file a required Annual Return or notice for the relevant tax year or period, including a detailed description of all the facts and circumstances that led to the failure, the discovery of the failure, and the steps that

have been or will be taken to avoid or mitigate future failures.

.05 The following factors would weigh in favor of finding reasonable cause (with no single factor being either necessary or determinative):

(1) The organization's failure was due to its reasonable, good faith reliance on erroneous written information from the IRS, stating that the organization was not required to file a return or notice under section 6033, provided the IRS was made aware of all relevant facts;

(2) The failure to file the return or notice arose from events beyond the organization's control ("impediment") that made it impossible for the organization to file a return or notice for the year;

(3) The organization acted in a responsible manner by undertaking significant steps to avoid or mitigate the failure to file the required return or notice and to prevent similar failures in the future, including, but not limited to—

(a) Attempting to prevent an impediment or a failure, if it was foreseeable;

(b) Acting as promptly as possible to remove an impediment or correct the cause of the reporting failure, once the failure was discovered; and

(c) After the failure was discovered, implementing safeguards designed to ensure future compliance with the reporting requirements under section 6033; and

(4) The organization has an established history of complying with its reporting requirements (if any) under section 6033 and/or any other applicable reporting or other requirements under the Code.

.06 The Reasonable Cause Statement must also include an original declaration, dated and signed under penalties of perjury by an officer, director, trustee, or other official who is authorized to sign for the organization in the following form:

I, (Name), (Title) declare, under penalties of perjury, that I am authorized to sign this request for retroac-



tive reinstatement on behalf of [Name of Organization], and I further declare that I have examined this request for retroactive reinstatement, including the written explanation of all the facts of the claim for reasonable cause, and to the best of my knowledge and belief, this request is true, correct, and complete.

#### SECTION 9. SUBSEQUENT AUTOMATIC REVOCATIONS

.01 An organization whose tax-exempt status has been automatically revoked and reinstated may have its tax-exempt status automatically revoked again under section 6033(j)(1) if it fails to file required Annual Returns or notices for another three consecutive taxable year period beginning with the taxable year in which the IRS approves its application for reinstatement of tax-exempt status. For example, if an organization reporting on a calendar year basis has its tax-exempt status automatically revoked for failing to file required Annual Returns or notices for 2009, 2010, and 2011 and receives a determination letter dated September 1, 2013, reinstating its tax-exempt status, the organization must file an Annual Return or notice for 2013, 2014, and 2015 by the due date of the 2015 Annual Return or notice to avoid having its tax-exempt status automatically revoked again. An organization seeking reinstatement of its tax-exempt status as a result of a subsequent revocation may apply for reinstatement of its tax-exempt status under SECTION 5, SECTION 6, or SECTION 7 of this revenue procedure by following the applicable requirements.

#### SECTION 10. EFFECTIVE DATE

.01 *In general.* This revenue procedure is effective for Applications submitted after January 02, 2014.

.02 *Transition Relief* –

(1) *Pending applications.* To the extent the rules in this revenue procedure benefit an organization's ability to have its tax exempt status retroactively reinstated, the IRS will apply this revenue procedure to Applications that it has already received and are pending.

(2) *Previously reinstated.* (a) An organization that applied for and received reinstatement of its tax-exempt status effective from the Post-Mark Date prior to the effective date of this revenue procedure, and that would have satisfied the streamlined retroactive reinstatement requirements of SECTION 4, will be reinstated effective from the Revocation Date. The organization should keep its determination letter reinstating its tax-exempt status and a copy of this revenue procedure with its books and records.

(b). An organization that applied for and received reinstatement of its exempt status effective from the Post-Mark Date prior to the effective date of this revenue procedure, and that would have satisfied the retroactive reinstatement requirements of SECTION 5 or 6 of this revenue procedure, may reapply by submitting a copy of the Application it previously filed to receive reinstatement and complying with the other requirements of the applicable section of this revenue procedure on or before May 2, 2014, except that the user fee is waived. In addition, the organization should include with its copy of its previous Application a copy of its determination letter reinstating its tax-exempt status. The copy of the Application (including all other required items) should be mailed to the following address:

Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

#### SECTION 11. EFFECT ON OTHER DOCUMENTS

Notice 2011–44, 2011–25 I.R.B. 883, is modified and superseded.

#### SECTION 12. PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been submitted to the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) and approved under OMB control number 1545–2206.

The collection of information in this revenue procedure is in SECTIONS 5 and 6. In order to have its tax-exempt status retroactively reinstated under section 6033(j)(3), an organization must show to the satisfaction of the IRS evidence that it exercised ordinary business care and prudence in determining and attempting to comply with its reporting obligations under section 6033 for one or more of the three years that it failed to meet such requirements. This information is necessary for inspection by the IRS in determining whether reasonable cause exists. The collection of information is required to meet the reasonable cause standard under section 6033(j)(3). The likely respondents providing the information required in SECTIONS 5 and 6 of this revenue procedure are tax-exempt organizations that have had their tax-exempt statuses automatically revoked under section 6033(j)(1), have applied for reinstatement of such status under section 6033(j)(2), and are requesting that the reinstatement be made retroactive to the date of revocation under section 6033(j)(3).

Estimated total annual reporting burden: 6,206 hours.

Estimated average annual burden per respondent: 1 hour.

Estimated number of respondents over the next three years: 18,618.

Additional collection of information is proposed in SECTIONS 4, 5, 6, and 7 of this revenue procedure, which will be reported and approved through Forms 1023 and 1024 (OMB approval numbers 1545–0056 and 1545–0057, respectively).

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

## SECTION 13. FOR FURTHER INFORMATION CONTACT:

For additional information, please contact Timothy Berger at 202-317-8533 or Melinda Williams at 202-317-8532. These are not toll free numbers.

*26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability*  
(Also: Part I, Sections 47 and 704; 1.46-3, 1.704-1.)

## Rev. Proc. 2014-12

### SECTION 1. PURPOSE

This revenue procedure establishes the requirements (the Safe Harbor) under which the Internal Revenue Service (the Service) will not challenge partnership allocations of § 47 rehabilitation credits by a partnership to its partners. The Treasury Department and the Service intend for the Safe Harbor to provide partnerships and partners with more predictability regarding the allocation of § 47 rehabilitation credits to partners of partnerships that rehabilitate certified historic structures and other qualified rehabilitated buildings.

### SECTION 2. BACKGROUND

Section 38(a) provides a credit against income taxes for certain business credits. Business credits include the investment credit determined under § 46. Section 38(b). Section 46 provides that, for purposes of § 38, the amount of the investment credit includes the rehabilitation credit.

Section 47(a) provides that the rehabilitation credit for any taxable year is the sum of 10 percent of the qualified rehabilitation expenditures with respect to any qualified rehabilitated building other than a certified historic structure, and 20 percent of the qualified rehabilitation expenditures with respect to any certified historic structure.

Section 47(b)(1) provides that qualified rehabilitation expenditures with respect to any qualified rehabilitated building shall be taken into account for the taxable year in which the qualified rehabilitated building is placed in service.

Section 50 provides additional rules for computing the investment credit. Section 50(d)(5) makes applicable rules similar to

the rule of former § 48(d) (relating to certain leased property). Accordingly, a person who is a lessor of certain property may elect with respect to the property to treat the lessee as having acquired the property if specified requirements are met, including the income inclusion requirement of former § 48(d)(5).

Section 704(a) provides that a partner's distributive share of income, gain, loss, deduction, or credit shall be, except as otherwise provided in chapter 1 of subtitle A of Title 26, determined by the partnership agreement. Under § 704(b), a partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) is determined in accordance with the partner's interest in the partnership (taking into account all facts and circumstances) if (1) the partnership agreement does not provide as to the partner's distributive share of income, gain, loss, deduction, or credit (or item thereof), or (2) the allocation to a partner under the agreement of income, gain, loss, deduction, or credit (or item thereof) does not have substantial economic effect.

Section 1.704-1(b)(4)(ii) provides that, with respect to the investment tax credit provided by § 38, allocations of cost or qualified investment made in accordance with § 1.46-3(f) shall be deemed to be made in accordance with the partners' interests in the partnership. Under § 1.46-3(f)(2)(i), for purposes of § 47, each partner's share of the qualified rehabilitation expenditures is determined in accordance with the ratio in which the partners divide the general profits of the partnership (that is, the taxable income of the partnership described in § 702(a)(8)) regardless of whether the partnership has a profit or loss for its taxable year during which the qualified rehabilitation building is placed in service.

In *Historic Boardwalk Hall, LLC v. Commissioner*, 694 F.3d 425 (3d Cir. 2012), *cert. denied*, U.S., No. 12-901, May 28, 2013, the Third Circuit considered whether an investor's interest in the success or failure of a partnership that incurred qualifying rehabilitation expenditures was sufficiently meaningful for the investor to qualify as a partner in that partnership. The agreements governing the Historic Boardwalk Hall transaction ensured that the investor would receive

the § 47 rehabilitation credits (or their cash equivalent) and a preferred return, with only a remote opportunity for additional sharing in profit. Both the § 47 rehabilitation credits and the preferred return were guaranteed as part of the transaction. The preferred return guarantee was funded. The Third Circuit determined that the investor's return from the partnership was effectively fixed, and that the investor also had no meaningful downside risk because its investment was guaranteed. The Third Circuit agreed with the Commissioner's reallocation of all of the partnership's claimed losses and tax credits from the investor to the principal, holding that "because [the investor] lacked a meaningful stake in either the success or failure of [the partnership], it was not a bona fide partner." *Id.* at 463.

### SECTION 3. SCOPE

The Safe Harbor in section 4 of this revenue procedure applies in the case of a partnership that validly claims the § 47 rehabilitation credit (Partnership). The Service will not challenge a Partnership's allocations of validly claimed § 47 rehabilitation credits if the Partnership and its partners satisfy the Safe Harbor. However, taxpayers should not infer that compliance with the Safe Harbor ensures that the § 47 rehabilitation credits are otherwise valid. A Partnership and its partners that do not satisfy each of the requirements in section 4 of this revenue procedure do not qualify for the Safe Harbor.

Partners in a Partnership may include one or more managers authorized to act for the Partnership (Principals) and one or more Investors (as defined in section 4.01 of this revenue procedure). A Partnership can be structured as either a Developer Partnership or a Master Tenant Partnership. A Developer Partnership is a Partnership that owns and restores a qualified rehabilitation building or a certified historic structure (Building). A Master Tenant Partnership is a Partnership that leases a Building from a Developer Partnership (Head Lease) and for which an election is made pursuant to § 1.48-4(a)(1) to treat the Master Tenant Partnership as having acquired the Building solely for purposes of the § 47 rehabilitation credit.

This revenue procedure applies only with respect to allocations of § 47 reha-