



## Tax Exempt & Government Entities

### Identification of Possible Political Campaign Intervention Activity

Exempt Organizations

### Student Guide



**ELMS #56385**

Official IRS Training Material

This material was designed specifically for training purposes only. Under no circumstances should the contents be used or cited as authority for setting or sustaining a technical position.



## **The IRS Mission**

**Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.**

## **The Tax Exempt and Government Entities Mission**

**Provide customers top quality service by helping them understand and comply with the applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to**

## **14 General Principles of Ethical Conduct for Federal Employees**

### **5 C.F.R. § 2635.101(b)**

- 1) Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws and ethical principles above private gain.
- 2) Employees shall not hold financial interests that conflict with the conscientious performance of duty.
- 3) Employees shall not engage in financial transactions using nonpublic Government information or allow the improper use of such information to further any private interest.
- 4) An employee shall not, except as permitted by subpart B of the Standards of Ethical Conduct, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.
- 5) Employees shall put forth honest effort in the performance of their duties.
- 6) Employees shall not knowingly make unauthorized commitments or promises of any kind purporting to bind the Government.
- 7) Employees shall not use public office for private gain.
- 8) Employees shall act impartially and not give preferential treatment to any private organization or individual.
- 9) Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.
- 10) Employees shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Government duties and responsibilities.
- 11) Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.
- 12) Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those – such as Federal, State, or local taxes – that are imposed by law.
- 13) Employees shall adhere to all laws and regulations that provide equal opportunity for all Americans regardless of race, color, religion, sex, national origin, age, or handicap.
- 14) Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the above ethical standards. Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts.

## Notices and Disclaimers

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### **Identification Numbers**

If identification numbers are used in this document, such as Document Locator Numbers (DLNs), Employer Identification Numbers (EINs), Social Security Numbers (SSNs), Individual Taxpayer Identification Numbers (ITINs), Preparer Tax Identification Numbers (PTINs), Credit Card Numbers, Checking Account Numbers, Phone Numbers, and Direct Deposit Routing Numbers, they are hypothetical. They were constructed by random selection of numbers to appear realistic and increase the effectiveness of the training. Any duplication of numbers actually assigned is purely coincidental. All other names and numbers used in this material are fictitious.

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### **Naming Conventions**

If this text contains taxpayer and business names, they are fictitious. They were chosen at random from a list of names of Counties and Colleges in the United States as shown in *United States Government Printing Office Style Manual*. In many instances, we attempted to choose names that were not of English origin to better illustrate “International” entities. Street names were chosen from this same list, and are not meant to identify any actual addresses.

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## Course Overview

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**Introduction** This lesson is based on Memorandum TEGE-07-0913-15 and IRM 7.20.2, generally effective August 24, 2012, which provides guidance and procedures for processing Exempt Organizations determination letter applications submitted on Forms 1023, 1024 and 1028.

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**Intended Audience** Exempt Organization Rulings and Agreements, Determinations, and Examination agents and specialists.

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## Evaluation Process

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### Level 1 Evaluation

At the end of the class, you will be asked to complete an online Level 1 Evaluation of Classroom Training. This is a very important part of the training, since the information will be used to update and improve the training materials. This evaluation form will be automatically added to your ELMS learning plan once training is completed. Please keep notes during the class to include on this form. The information will be made available to the course development team assigned to update this course and to other IRS staff reviewing this training for effectiveness and needed improvements.

**Note:** All of the questions on the Level 1 evaluation form refer to the training materials.

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### Level 2 Evaluation

The Level 2 Evaluation, or the case study activity, for this course will cover the four chapters related to Political Campaign Intervention Activity as follows:

- Course #56385, Identification of Possible Political Campaign Intervention Activity
  - Course #56386, Political Campaign Intervention and Other Advocacy
  - Course #56387, Referral of Cases to EO Examination Classification
  - Course #56388, Political Campaign Intervention and Other Advocacy – Requesting Information
- 

### Level 3 Evaluation

In 6 to 8 weeks, you may be asked to complete a survey on how well the course materials trained you to do your job. Your manager may also receive a similar survey on how well you were prepared to do the work after training. Please take the time to complete this survey and to return it. Information from these surveys will be used during the update of the materials.

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# Identification of Possible Political Campaign Intervention Activity

## Overview

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### Introduction

While processing applications for exemption (section 501(c)(3), 501(c)(4), etc.), specialists must identify any applications that require a secondary review of possible political campaign intervention activities.

Political campaign intervention includes any and all activities that favor or oppose one or more candidates for public office. For a more detailed discussion of the rules on political campaign intervention, see the lesson titled, *Political Campaign Intervention and Other Advocacy*.

Section 501(c)(3) organizations are prohibited from engaging in political campaign intervention. Section 501(c)(4) organizations, on the other hand, are permitted to engage in some political campaign intervention but must “primarily” engage in activities that promote social welfare. Information regarding other sections of the Code can be found in IRM. 7.25.

Memorandum TEGE-07-0913-15, *Interim Guidance on Initial Classification of Applications*, dated September 30, 2013, (see Exhibit A), provides procedures regarding the initial classification of applications. The contents of the memorandum will be incorporated into IRM 7.20.2.3.2. The memorandum emphasizes that it is important that all applications are identified based on the applicant’s activities, including the facts and circumstances presented in the application and information gathered during the processing of the case. Cases should not be identified based on specific labels of any kind, including words in an applicant’s name.

This lesson is based on Memorandum TEGE-07-0913-15 and IRM 7.20.2, generally effective August 24, 2012, which provides guidance and procedures for processing Exempt Organizations determination letter applications submitted on Forms 1023, 1024 and 1028.

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## Overview, Continued

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### Objectives

At the end of this lesson, you will be able to:

- Identify applications that require review of possible political campaign intervention activities
    - During classification
    - During intermediate processing
    - During full development
  - Determine where to find relevant information regarding possible political campaign intervention
- 

### Table of Contents

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## Identifying Applications

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### Identifying Applications during Classification

Classification is the process of initially screening applications for closure or identification for further technical and procedural development based upon the activities of the particular case. The specialist considers the material submitted and generally considers the following options:

- **Close on Merit** - Generally, the application is substantially complete (see Rev. Proc. 2013-9, 2013-1 C.B. 255, section 3.08) with no other substantial issues and meets the requirements of the applicable subsection to which the applicant is applying.
- **Send to Secondary Screening** - Generally, the application contains an activity-based issue (or issues) determined to require additional screening by a specified group or individuals (i.e., specialty group). The attached “Classification Sheet” contains the five secondary screening categories (see Exhibit B).
- **Send to Intermediate Processing** - Generally, the application requires limited development. The attached “EO Determinations-Intermediate Processing Checklist” contains typical issues requiring limited development (see Exhibit C).
- **Send to Full Development** - Generally, the application contains an activity-based issue that requires full development of the facts and circumstances. The attached “Classification Sheet” contains the full development categories (see Exhibit B).
- **Send the case to EO Technical** - Per guidance provided in IRM 7.20.1.3., generally, the application contains an activity-based issue or is a category that has been pre-determined to require development in EO Technical.

If a specialist reviews an application in classification and determines, based on facts and circumstances of the stated activities, that the application should be routed to a specialty group, he or she will select the appropriate activity-based issue reflected on the classification sheet that describes the appropriate reason for transfer (see Memorandum TEGE-07-0913-15, September 30, 2013).

Specifically, if a specialist reviewing an application in classification notes possible campaign intervention activities, he or she should request on the classification sheet that the application be sent to “Secondary Screening-Political/Advocacy.”

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## Identifying Applications, Continued

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### **Identifying Applications during Intermediate Processing and Full Development**

Applications requiring limited development are sent to Intermediate Processing and applications requiring more than limited development are sent to Full Development by the initial specialist who classified the application.

If, during the processing of an Intermediate Processing or Full Development application, a specialist identifies possible political campaign intervention activities, the specialist's group manager should be consulted. As indicated in more detail below, with the manager's approval, the application should be sent to "Secondary Screening - Political/Advocacy."

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### **Secondary Screening**

Any request for an application to be sent to secondary screening must be approved by the specialist's group manager. Upon receipt of a request for secondary screening, the manager will review the application for possible political campaign intervention activities and either agree or disagree with the classifier's assessment. If the manager agrees, he or she will indicate concurrence on the classification sheet and the application will be routed to the designated group. If the manager disagrees, the application will be routed to Intermediate Processing or Full Development based on the facts and circumstances of activities (see Memorandum TEGE-07-0913-15, September 30, 2013).

Any application sent to secondary screening will be screened by the designated specialty group to confirm that the application meets the technical requirements of a specialty case. If the secondary screener determines that the case does not meet the requirements, it will be re-routed, generally to Intermediate Processing or Full Development, or closed as an approval of exempt status (see Memorandum TEGE-07-0913-15, September 30, 2013).

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## Identifying Applications, Continued

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**Where to Find  
Relevant  
Information  
Regarding  
Political  
Campaign  
Intervention**

The following form sections or additional information received may have indications of possible political campaign intervention activities:

- Form 1023, Page 5, Part VIII, Question 1
  - Form 1024, Page 2, Part II, Question 1
  - Form 1024, Page 4, Part II, Question 15
  - Additional information submitted by the applicant including, but not limited to, the organizing document, the bylaws, the narrative description of activities, and any printed materials or publications enclosed with the application.
  - Information on relevant websites regarding the applicant's activities - If such information is the basis for a referral to secondary screening, for recording purposes, the specialist should print a sample of the website pages that indicate possible political campaign intervention activities. The sample pages should be inserted into the non-disclosable file and should contain a header or footer with the website address and date printed.
-

## IRM Screening (Classification) and Secondary Screening Timeframes

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### **Initial Screening (Classification)**

IRM 7.20.2.3.2 indicates the following regarding the timeframes for initial screening:

- Cases are assigned to a technical screener (classifier) within 30 calendar days from the control (postmark) date. This does not apply to expedite requests.
  - The screener (classifier) must review and take action within 5 business days of assignment. Action includes:
    - Recommend closure
    - Send to secondary screening
    - Send to unassigned inventory for development
  - The manager will review the case within 5 business days of the screener's (classifier's) update.
- 

### **Secondary Screening**

IRM 7.20.2.3 indicates the following regarding the timeframes for secondary screening:

- If secondary screening is required, cases are assigned to the secondary screener within 15 calendar days from the date the case was updated to status 75 (unassigned group inventory).
  - The secondary screener must review and take action within 5 business days of assignment. Action includes:
    - Recommend closure
    - Send to secondary screening
    - Send to unassigned inventory for development
  - The manager will review the case within 5 business days of the secondary screener's update.
-

## Examples

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**Example 1** A specialist, processing an application in classification, notes that a section 501(c)(3) applicant has checked “yes” for question 1 on Form 1023, page 5, Part VIII.

*The specialist should request that the case be sent to secondary screening because of the activity-based issue.*

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**Example 2** A specialist, processing an application in intermediate processing, receives a response from the applicant indicating possible political campaign intervention activities.

*The specialist should request that the case be sent to secondary screening because of the activity-based issue.*

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**Example 3** A specialist is processing an application in full development. There is no evidence in the file of possible political campaign intervention activities. However, Internet research indicates that there are links from the applicant’s website to political candidates.

*The specialist should print out the pertinent website pages and insert them into the non-disclosable file. Then the specialist should request that the case be sent to secondary screening because of the activity-based issue.*

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**Example 4** A specialist is processing a case in classification and notes that a section 501(c)(4) applicant has checked “yes” on Form 1024, Part II, question 15 on page 4.

*The specialist should request that the case be sent to secondary screening. The secondary screener will determine if the explanation and list of the amounts spent provided by the applicant, if any, make clear whether the applicant is primarily engaged in activities that further social welfare purposes.*

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## Examples, Continued

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### Example 5

A specialist is processing a section 501(c)(4) case in intermediate processing. A response indicates that the applicant creates voter guides and holds candidate forums. However, the description of these activities does not make clear whether they constitute political campaign intervention and/or whether the applicant is primarily engaged in activities that promote social welfare.

*The specialist should request that the case be sent to secondary screening because of the activity-based issue.*

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### Example 6

A specialist is processing a section 501(c)(4) case in classification. The application is substantially complete and indicates that the organization is primarily engaged in promoting social welfare and otherwise meets all exemption requirements. The specialist does not find any evidence of political campaign intervention activity in the case file or on the applicant's website. However, the name of the applicant suggests possible political campaign intervention activity.

*The specialist should approve the case because it is substantially complete with no private benefit or other issues indicating the organization does not qualify for exemption under section 501(c)(4). Cases should not be identified for secondary screening based on specific labels of any kind, including words in an applicant's name. (See Memorandum TEGE 07-0913-15.)*

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## Summary

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### Key Points

This lesson provided a brief summary of application processing in EO Determinations and guidance regarding the proper ways to identify applications during case processing that require a review of possible political campaign intervention.

- Applications should be identified based on the applicant's activities, including the facts and circumstances presented in the application and information gathered during the processing of the application.
  - Applications should not be identified based on specific labels of any kind, including words in an applicant's name.
  - If possible political campaign intervention activity is discovered, the specialist should recommend that the application be sent to secondary screening. Any request for an application to be sent to secondary screening must be approved by the specialist's group manager.
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**Exhibit A**  
Page 1 of 3



**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224**

September 30, 2013

Control No: TEGE - 07-0913-15  
Affected IRM: IRM 7.20.2.3.2  
Expiration Date: September 30, 2014

**MEMORANDUM FOR ALL EMPLOYEES - EXEMPT ORGANIZATIONS DETERMINATIONS  
UNIT**

**FROM:** /s/ Kenneth C. Corbin *Kenneth C. Corbin*  
Acting Director, Exempt Organizations, TE/GE

**SUBJECT:** Interim Guidance on Initial Classification of Applications

The purpose of this memorandum is to provide procedures to the Exempt Organizations Determinations Unit regarding the initial classification of applications. Effective immediately, the following procedures must be followed when classifying applications when merit approval is not an option:

1. Classifier reviews the application and determines if it should be routed to a specialty group. This determination is based upon facts and circumstances of the stated activities within Part II of the application rather than names or labels. This is consistent with Karen Schiller's August 9, 2013 memorandum (**attached**).
2. Classifier selects the appropriate activity-based option reflected on the classification sheet (**attached**) that describes the reason the case is being routed to the specialty group.
3. The manager reviews the file and either agrees/disagrees with the classifier's assessment. If the manager agrees, s/he indicates concurrence on the classification sheet, and the application is routed to the designated group. If the manager disagrees, the application is routed to other intermediate or general inventory categories based upon facts and circumstances of activities.
4. The application will be secondarily screened by the designated specialty group to confirm that the application meets the technical requirements of a specialty case. If the secondary screener determines that the case does not meet the requirements, it will be re-routed or approved.

Any questions regarding this memorandum should be directed to Tracy Dornette, at 513-263-5513.

The contents of the memorandum will be incorporated into IRM 7.20.2.3.2.

Attachments: August 9, 2013 Memorandum, Revised Classification Sheet

cc: [www.irs.gov](http://www.irs.gov)

**Exhibit A**

Page 2 of 3

<b>Classification Sheet</b>			
Non-closure			
Classifier name: _____		T#: _____	Date: _____
EIN: _____			Case time: _____
Case Grade: <input type="checkbox"/> 11 <input type="checkbox"/> 12 <input type="checkbox"/> 13			

<b>Case Categories</b>	
<input type="checkbox"/> <b>Auto Revocations</b> Auto Revoked  <input type="checkbox"/> <b>Expedited Handling</b> 100 - Approved Expedite 104 - Expedite Denied  <input type="checkbox"/> <b>Secondary Screening (75) (Mgr. Sign. Req.)</b> *Secondary Screening - Credit Counseling (Required) Activities indicate: <input type="checkbox"/> Substantial credit counseling <input type="checkbox"/> Credit repair <input type="checkbox"/> Mortgage mitigation <input type="checkbox"/> *Secondary Screening - Health Care (Required) Activities indicate health care issue: <input type="checkbox"/> Hospital status request (Schedule C) <input type="checkbox"/> Accountable care organization <input type="checkbox"/> Community service center for pregnant/parenting teens <input type="checkbox"/> *Secondary Screening - Political/Advocacy (Required) Activities indicate: <input type="checkbox"/> Actual or potential political campaign intervention <input type="checkbox"/> Lobbying activity that exceeds permitted thresholds <input type="checkbox"/> Benefits to a political party or a candidate for public office <input type="checkbox"/> *Secondary Screening - Potential Anti-terrorism (Required) Activities indicate: <input type="checkbox"/> Operations or distributions (domestic or foreign) that could lead to diversion of funds to or for the benefit of terrorists <input type="checkbox"/> Operations or distributions in sanctioned/higher risk countries (see <a href="http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/OFAC-Recent-Actions.aspx">http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/OFAC-Recent-Actions.aspx</a> ) <input type="checkbox"/> Full name CLTG match <input type="checkbox"/> *Secondary Screening - Potentially Abusive (Required) Activities indicate abusive scheme for: <input type="checkbox"/> Tax avoidance <input type="checkbox"/> Furthering for-profit interests <input type="checkbox"/> Benefit of private/non-charitable interests	<b>Intermediate Processing (71)</b> <input type="checkbox"/> IP ? 2011-43 <input type="checkbox"/> IP ? 2011-44 <input type="checkbox"/> IP - General (Intermediate Processing) <input type="checkbox"/> IP - Sub to Individual  <b>Full Development Categories (51)</b> <input type="checkbox"/> *Specialty Case - 501(c)(2) <input type="checkbox"/> *Specialty Case - 501(c)(6) <input type="checkbox"/> *Specialty Case - 501(c)(12) <input type="checkbox"/> *Specialty Case - Carbon Credits <input type="checkbox"/> *Specialty Case - Medical Marijuana <input type="checkbox"/> *Specialty Case - Private School <input type="checkbox"/> All Cases - General Inventory <input type="checkbox"/> All Cases - Limited Liability Corporation <input type="checkbox"/> Form 1023 - 501(d) & (f) <input type="checkbox"/> Form 1023 - 509(a)(3) Type 3 <input type="checkbox"/> Form 1023 - Conservation Easement <input type="checkbox"/> Form 1023 - Donor Advised Funds <input type="checkbox"/> Form 1023 - Foreign Organizations <input type="checkbox"/> Form 1023 - Gaming - Primary Activity <input type="checkbox"/> Form 1023 - Hedge Funds <input type="checkbox"/> Form 1023 - Housing - Down Payment <input type="checkbox"/> Form 1023 - Partnerships <input type="checkbox"/> Form 1023 - School-Charter <input type="checkbox"/> Form 1024 - 501(c)(5) <input type="checkbox"/> Form 1024 - 501(c)(7) <input type="checkbox"/> Form 1024 - 501(c)(8) <input type="checkbox"/> Form 1024 - 501(c)(9) & (17) <input type="checkbox"/> Form 1024 - 501(c)(10) <input type="checkbox"/> Form 1024 - 501(c)(13) <input type="checkbox"/> Form 1024 - 501(c)(19)  <b>Form 8940 Full Development (51)</b> <input type="checkbox"/> 4942(g)(2) Set-Asides (31745) <input type="checkbox"/> 4945(f) Voter Registration (31744) <input type="checkbox"/> 4945(g) (31589) <input type="checkbox"/> 507(b)(1)(B) Termination - 60 month (31746) <input type="checkbox"/> 507(b)(1)(B) Termination - Adv Rul (31746) <input type="checkbox"/> 990 Filing Exemption (31508) <input type="checkbox"/> Form 1023 - 509(a)(3) Type 3 (31524) <input type="checkbox"/> Foundation Status Reclassification (31508) <input type="checkbox"/> Unusual Grant (31508)

**Required for Secondary Screening**  
**Manager Concurrence (initial and date):**  
☐



**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224**

August 9, 2013

**MEMORANDUM FOR SENIOR MANAGERS, EO: RULINGS AND AGREEMENTS**

**FROM:** Karen Schiller  
Acting Director, EO Rulings and Agreements

**SUBJECT:** Determinations Classification Process

In recent months, numerous changes have been made to our initial screening process for preliminary categorization and case referrals. I wanted to take a moment to reiterate the current policy and touch on some of our current efforts to continuously improve this process.

As Acting Commissioner Danny Werfel has said, the IRS has taken decisive action to eliminate the use of inappropriate political labels in the screening of 501(c)(4) applications. IRS policy is now clear that screening is based on activity, not words in a name. The new steps and current policies were outlined in the June 24 report, which noted: "In the absence of BOLO lists, the Determinations Unit will continue to screen for information affecting the determination of applications for tax exempt status, including activity tied to political campaign intervention, but it will be done without regard to specific labels of any kind." The 30-day report also reflects the June 20, 2013, memorandum, which was issued to officially suspend the use of the BOLO list in the screening process.

Also, as you are aware, the Lean Six Sigma team has been working to identify several potential process improvements and will be working in the coming weeks to develop potential improvements to the screening process. These ideas will be piloted and subsequently evaluated to ensure they provide the necessary safeguards in the process while providing benefits to the overall efficiency and success of the screening efforts. I would ask you continue to keep your ideas and suggestions coming to the team for consideration as we continue to improve our screening and application review processes.

Thanks again for your continued dedication and hard work.

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# Exhibit B

**Classification Sheet**  
Non-closure

Classifier name: Mitch Steele T#: 31360 Date: \_\_\_\_\_  
 EIN: \_\_\_\_\_ Case time: \_\_\_\_\_  
 Case Grade: ☐ 11 ☐ 12 ☐ 13

**Case Categories**

<input type="checkbox"/> <b>Auto Revocations</b> <input type="checkbox"/> Auto Revoked  <input type="checkbox"/> <b>Expedited Handling</b> <input type="checkbox"/> 100 - Approved Expedite <input type="checkbox"/> 104 - Expedite Denied  <input type="checkbox"/> <b>Secondary Screening (75) (Mgr. Sign. Req.)</b> <input type="checkbox"/> *Secondary Screening - Credit Counseling (Required) Activities indicate: <input type="checkbox"/> Substantial credit counseling <input type="checkbox"/> Credit repair <input type="checkbox"/> Mortgage mitigation <input type="checkbox"/> *Secondary Screening - Health Care (Required) Activities indicate health care issue: <input type="checkbox"/> Hospital status request (Schedule C) <input type="checkbox"/> Accountable care organization <input type="checkbox"/> Community service center for pregnant/parenting teens <input type="checkbox"/> *Secondary Screening - Political/Advocacy (Required) Activities indicate: <input type="checkbox"/> Actual or potential political campaign intervention <input type="checkbox"/> Lobbying activity that exceeds permitted thresholds <input type="checkbox"/> Benefits to a political party or a candidate for public office <input type="checkbox"/> *Secondary Screening - Potential Anti-terrorism (Required) Activities indicate: <input type="checkbox"/> Operations or distributions (domestic or foreign) that could lead to diversion of funds to or for the benefit of terrorists <input type="checkbox"/> Operations or distributions in sanctioned/higher risk countries (see <a href="http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/OFAC-Recent-Actions.aspx">http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/OFAC-Recent-Actions.aspx</a> ) <input type="checkbox"/> Full name CLTG match <input type="checkbox"/> *Secondary Screening - Potentially Abusive (Required) Activities indicate abusive scheme for: <input type="checkbox"/> Tax avoidance <input type="checkbox"/> Furthering for-profit interests <input type="checkbox"/> Benefit of private/non-charitable interests	<input type="checkbox"/> <b>Intermediate Processing (71)</b> <input type="checkbox"/> IP ? 2011-43 <input type="checkbox"/> IP ? 2011-44 <input type="checkbox"/> IP - General (Intermediate Processing) <input type="checkbox"/> IP - Sub to Individual  <input type="checkbox"/> <b>Full Development Categories (51)</b> <input type="checkbox"/> *Specialty Case - 501(c)(2) <input type="checkbox"/> *Specialty Case - 501(c)(6) <input type="checkbox"/> *Specialty Case - 501(c)(12) <input type="checkbox"/> *Specialty Case - Carbon Credits <input type="checkbox"/> *Specialty Case - Medical Marijuana <input type="checkbox"/> *Specialty Case - Private School <input type="checkbox"/> All Cases - General Inventory <input type="checkbox"/> All Cases - Limited Liability Corporation <input type="checkbox"/> Form 1023 - 501(d) & (f) <input type="checkbox"/> Form 1023 - 509(a)(3) Type 3 <input type="checkbox"/> Form 1023 - Conservation Easement <input type="checkbox"/> Form 1023 - Donor Advised Funds <input type="checkbox"/> Form 1023 - Foreign Organizations <input type="checkbox"/> Form 1023 - Gaming - Primary Activity <input type="checkbox"/> Form 1023 - Hedge Funds <input type="checkbox"/> Form 1023 - Housing - Down Payment <input type="checkbox"/> Form 1023 - Partnerships <input type="checkbox"/> Form 1023 - School-Charter <input type="checkbox"/> Form 1024 - 501(c)(5) <input type="checkbox"/> Form 1024 - 501(c)(7) <input type="checkbox"/> Form 1024 - 501(c)(8) <input type="checkbox"/> Form 1024 - 501(c)(9) & (17) <input type="checkbox"/> Form 1024 - 501(c)(10) <input type="checkbox"/> Form 1024 - 501(c)(13) <input type="checkbox"/> Form 1024 - 501(c)(19)  <input type="checkbox"/> <b>Form 8940 Full Development (51)</b> <input type="checkbox"/> 4942(g)(2) Set-Asides (31745) <input type="checkbox"/> 4945(f) Voter Registration (31744) <input type="checkbox"/> 4945(g) (31589) <input type="checkbox"/> 507(b)(1)(B) Termination - 60 month (31746) <input type="checkbox"/> 507(b)(1)(B) Termination - Adv Rul (31746) <input type="checkbox"/> 990 Filing Exemption (31508) <input type="checkbox"/> Form 1023 - 509(a)(3) Type 3 (31524) <input type="checkbox"/> Foundation Status Reclassification (31508) <input type="checkbox"/> Unusual Grant (31508)
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**Required for Secondary Screening**  
 Manager Concurrence (initial and date):  
☐

Revised 9/26/2013

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**Exhibit C**

**EO Determinations – Intermediate Processing Checklist**

Classifier Name:		Date:	
EIN:		Case Grade:	<input type="checkbox"/> 11 <input type="checkbox"/> 12 <input type="checkbox"/> 13
Unable to close on merit. Screened to IP for the reason(s) indicated below.			
<p><b><u>A. Issues Requiring No Further Action (state the issue/s and justification):</u></b></p> <p>Issues / Justification:</p>			
<p><b><u>B. Issues Requiring Resolution:</u></b></p> <p><b>1) Administrative Items:</b></p> <p><input type="checkbox"/> Organizational document; <input type="checkbox"/> Missing <input type="checkbox"/> Not Filed</p> <p><input type="checkbox"/> Need Amendment; Click For Options</p> <p><input type="checkbox"/> Bylaws missing,</p> <p><input type="checkbox"/> Effective date of exemption must be clarified,</p> <p><input type="checkbox"/> Financial,</p> <p><input type="checkbox"/> Foundation status needs to be reviewed,</p> <p><input type="checkbox"/> Private Operating Foundation (claiming POF, but is probably a public charity),</p> <p><input type="checkbox"/> Schedule(s),</p> <p><input type="checkbox"/> Signature missing on page</p> <p><input type="checkbox"/> User fee needs to be clarified,</p>			
<p><b><u>B. continued:</u></b></p> <p><b>2) Technical Issues Requiring Resolution (state the issues and suggested steps to take):</b></p> <p>Issues / Suggested Steps to take :</p>			

Revised 04/11/2013

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## Tax Exempt & Government Entities

### Political Campaign Intervention and Other Advocacy

Exempt Organizations

### Student Guide



**ELMS #56386**

Official IRS Training Material

This material was designed specifically for training purposes only. Under no circumstances should the contents be used or cited as authority for setting or sustaining a technical position.



## **The IRS Mission**

**Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.**

## **The Tax Exempt and Government Entities Mission**

**Provide customers top quality service by helping them understand and comply with the applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to**

## **14 General Principles of Ethical Conduct for Federal Employees**

### **5 C.F.R. § 2635.101(b)**

- 1) Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws and ethical principles above private gain.
- 2) Employees shall not hold financial interests that conflict with the conscientious performance of duty.
- 3) Employees shall not engage in financial transactions using nonpublic Government information or allow the improper use of such information to further any private interest.
- 4) An employee shall not, except as permitted by subpart B of the Standards of Ethical Conduct, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.
- 5) Employees shall put forth honest effort in the performance of their duties.
- 6) Employees shall not knowingly make unauthorized commitments or promises of any kind purporting to bind the Government.
- 7) Employees shall not use public office for private gain.
- 8) Employees shall act impartially and not give preferential treatment to any private organization or individual.
- 9) Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.
- 10) Employees shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Government duties and responsibilities.
- 11) Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.
- 12) Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those – such as Federal, State, or local taxes – that are imposed by law.
- 13) Employees shall adhere to all laws and regulations that provide equal opportunity for all Americans regardless of race, color, religion, sex, national origin, age, or handicap.
- 14) Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the above ethical standards. Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts.

## Notices and Disclaimers

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### **Identification Numbers**

If identification numbers are used in this document, such as Document Locator Numbers (DLNs), Employer Identification Numbers (EINs), Social Security Numbers (SSNs), Individual Taxpayer Identification Numbers (ITINs), Preparer Tax Identification Numbers (PTINs), Credit Card Numbers, Checking Account Numbers, Phone Numbers, and Direct Deposit Routing Numbers, they are hypothetical. They were constructed by random selection of numbers to appear realistic and increase the effectiveness of the training. Any duplication of numbers actually assigned is purely coincidental. All other names and numbers used in this material are fictitious.

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### **Naming Conventions**

If this text contains taxpayer and business names, they are fictitious. They were chosen at random from a list of names of Counties and Colleges in the United States as shown in *United States Government Printing Office Style Manual*. In many instances, we attempted to choose names that were not of English origin to better illustrate “International” entities. Street names were chosen from this same list, and are not meant to identify any actual addresses.

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## Course Overview

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**Introduction** This lesson is based on Memorandum TEGE-07-0913-15 and IRM 7.20.2, generally effective August 24, 2012, which provides guidance and procedures for processing Exempt Organizations determination letter applications submitted on Forms 1023, 1024 and 1028.

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**Intended Audience** Exempt Organization Rulings and Agreements, Determinations, and Examination agents and specialists.

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## Evaluation Process

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### Level 1 Evaluation

At the end of the class, you will be asked to complete an online Level 1 Evaluation of Classroom Training. This is a very important part of the training, since the information will be used to update and improve the training materials. This evaluation form will be automatically added to your ELMS learning plan once training is completed. Please keep notes during the class to include on this form. The information will be made available to the course development team assigned to update this course and to other IRS staff reviewing this training for effectiveness and needed improvements.

**Note:** All of the questions on the Level 1 evaluation form refer to the training materials.

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### Level 2 Evaluation

The Level 2 Evaluation, or the case study activity, for this course will cover the four chapters related to Political Campaign Intervention Activity as follows:

- Course #56385, Identification of Possible Political Campaign Intervention Activity
  - Course #56386, Political Campaign Intervention and Other Advocacy
  - Course #56387, Referral of Cases to EO Examination Classification
  - Course #56388, Political Campaign Intervention and Other Advocacy – Requesting Information
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### Level 3 Evaluation

In 6 to 8 weeks, you may be asked to complete a survey on how well the course materials trained you to do your job. Your manager may also receive a similar survey on how well you were prepared to do the work after training. Please take the time to complete this survey and to return it. Information from these surveys will be used during the update of the materials.

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## Political Campaign Intervention and Other Advocacy

### Distinguishing Among Political Campaign Intervention, Influencing Legislation, and Other Advocacy as Applied to Some Tax-Exempt Organizations<sup>1</sup>

## Overview

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### Purpose

This lesson provides information on what constitutes political campaign intervention, influencing legislation and other advocacy, how to distinguish these activities from each other, and how engaging in these activities may affect those organizations seeking exemption under sections 501(c)(3), 501(c)(4), 501(c)(5) and 501(c)(6) of the Internal Revenue Code.

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### Introduction

The Code allows tax exemption for many types of organizations that conduct advocacy activities. The purposes of these organizations vary, and because of that variation, the organizations may be described under several differing subsections including sections 501(c)(3), 501(c)(4), 501(c)(5) and 501(c)(6).

Advocacy activities take place in a variety of forms. The term *advocacy* is not a defined term for tax purposes but is often used when organizations attempt to influence legislation or become involved in political campaigns. Organizations may also be engaging in advocacy when they express views and provide information on various matters, including controversial subjects.

Political campaign intervention includes any and all activities that favor or oppose one or more candidates for public office. Influencing legislation, also known as lobbying, involves proposing, supporting or opposing legislation. Other advocacy involves expressing views and providing information beneficial to the public on various matters.

Organizations may engage in one or more of these activities and, for purposes of this lesson, are called “advocacy organizations.” The appropriate subsection for the tax exemption for these organizations, 501(c)(3), (4), (5) or (6), depends, in part, on what activities the organization conducts and how often the activities are conducted.

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<sup>1</sup> This training material reflects the Service’s current interpretation of available legal authority. It will be revised to reflect changes in the authority as they occur.

## Overview, Continued

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### **Introduction** (continued)

Throughout this lesson, it is most important to remember the policy of the Service, and TEGE's mission to provide Tax Exempt and Government Entities' customers top-quality service by helping them understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all.

The Service recognizes that organizations which advocate particular viewpoints or positions may qualify for exemption even though the viewpoints or positions being advocated are unpopular or are not generally accepted. The focus is not on the viewpoint or position, but rather the purposes and activities of the organization in communicating or advancing its viewpoints.

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### **Lesson Format**

This lesson provides information on how to apply tax law to advocacy activities. The lesson is organized into three parts:

- The first part addresses how to identify various types of advocacy, which includes political campaign intervention, influencing legislation and other advocacy.
  - The second part addresses how the federal tax law applies to the various activities.
  - The third part provides information on how to analyze various activities to differentiate the activities among each other.
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## Overview, Continued

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### Objectives

By the end of this lesson, you will be able to:

- Identify types of advocacy that include:
    - Political campaign intervention
    - Influencing legislation
    - Other advocacy
  - Apply the tax law to advocacy activities of various organizations exempt under section 501(c), including:
    - section 501(c)(3)
    - section 501(c)(4)
    - section 501(c)(5)
    - section 501(c)(6)
  - Analyze organizations' activities to determine the type of advocacy by:
    - Applying the facts and circumstances test to specific activities
    - Differentiating facts and circumstances among the types of advocacy
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### Contents

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## Overview, Continued

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## Part I – Identifying Types of Advocacy

### Political Campaign Intervention

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**Activities that  
Constitute  
Intervention**

Section 1.501(c)(3)-1(c)(3)(iii) of the Income Tax Regulations provides that conducting activities, directly or indirectly, on behalf of or in opposition to a candidate for public office, constitute participation or intervention in a political campaign.

Political campaign intervention includes any and all activities that favor or oppose one or more candidates for public office. The prohibition extends beyond candidate endorsements. Contributions to political campaign funds or public statements of position (verbal or written) made by or on behalf of an organization in favor of or in opposition to any candidate for public office clearly constitute political campaign intervention. Distributing statements prepared by others that favor or oppose any candidate for public office constitutes political campaign intervention. Allowing a candidate to use an organization's assets or facilities also constitutes political campaign intervention if other candidates are not given an equivalent opportunity.

Although tax-exempt organizations may engage in some activities to promote voter registration, encourage voter participation, and provide voter education, these activities constitute political campaign intervention if the activities favor or oppose any candidate for public office. Certain activities will require an evaluation of all the facts and circumstances to determine whether they result in political campaign intervention.

Two Revenue Rulings provide valuable guidance in evaluating facts and circumstances:

- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328

The two revenue rulings review various advocacy activities and the pertinent facts and circumstances that are relevant in determining whether the activities are political campaign intervention. Taken together, some general thoughts are apparent.

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## Political Campaign Intervention, Continued

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### Activities that Constitute Intervention (continued)

All the facts and circumstances must be considered in order to determine whether an activity is considered political campaign intervention. To apply the facts and circumstances test, various factors can be used as indicators of political campaign intervention. Some of the factors to consider include, but are not limited to, the following:

- **Identifying a candidate:** An express statement in favor of or in opposition to a candidate indicates political campaign intervention.
  - **Timing:** An activity that coincides with the timing of an election tends to indicate political campaign intervention.
  - **Voter Focus:** An activity that focuses on particular voters in an election tends to indicate political campaign intervention.
  - **Distinguishing a Candidate:** An activity that distinguishes a candidate, favorably or unfavorably, from other candidates indicates political campaign intervention.
  - **Excluding a Candidate:** An activity open to certain candidates and closed to other candidates may indicate political campaign intervention.
  - **Lack of Neutrality:** An activity that treats certain candidates favorably or treats certain candidates unfavorably indicates political campaign intervention.
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## Influencing Legislation or Lobbying

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### **Influencing Legislation**

As mentioned in the introduction, advocacy can exist in the form of influencing legislation, also called lobbying. Actions attempting to influence legislation include:

- Contacting, or urging the public to contact, members of a legislative body for the purpose of proposing, supporting, or opposing legislation
- Advocating the adoption or rejection of legislation

See Treas. Reg. § 1.501(c)(3)-1(c)(3)(ii) and Rev. Rul. 71-530, 1971-2 C.B. 237 (applying to 501(c)(4) organizations).

Lobbying also includes attempts to influence the Senate's confirmation of a federal judicial nominee. See Notice 88-76, 1988-2 C.B. 392.

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### **Legislation**

“Legislation” includes action by the Congress, any state legislature, any local council or similar legislative body, or the public in a referendum, ballot initiative, constitutional amendment or similar procedure. See Treas. Reg. § 1.501(c)(3)-1(c)(3)(ii).

“Legislation” includes a proposed treaty required to be submitted by the President to the Senate for its advice and consent from the time the President's representative begins to negotiate its position with the prospective parties to the proposed treaty. See Treas. Reg. § 56.4911-2(d)(1) (for section (c)(3) organizations that have made an election pursuant to section 501(h)).

“Legislation” also includes attempts to influence and advocate changes in the laws of a foreign country. See Rev. Rul. 73-440, 1973-2 C.B. 177.

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### **Activities *not* Considered Lobbying**

To better understand what influencing legislation is, it is useful to understand what is not. Some examples of activities that are not considered lobbying include:

- Conducting nonpartisan analysis, study and research and publishing the results for the benefit of the general public. See Rev. Rul. 70-79, 1970-1 C.B. 127.
  - Testifying at the request of a legislative committee as an expert witness on pending legislation affecting the organization. See Rev. Rul. 70-449, 1970-2 C.B. 112.
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## Other Advocacy

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### **In General**

As mentioned above, organizations may conduct activities other than political campaign intervention or lobbying. These activities may be educational or otherwise promote social welfare or the organization's exempt purposes.

The term "educational" relates to:

- The instruction or training of the individual for the purpose of improving or developing his or her capabilities
- The instruction of the public on subjects useful to the individual and beneficial to the community

The term "social welfare" means the common good and general welfare of the people of the community, bringing about civic betterments and social improvements. It does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

See the discussion under Part II for determining whether activities are educational for section 501(c)(3) purposes or otherwise further an organization's exempt purposes.

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## Part II - Applying the Tax Law

### Application of Tax Law

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#### How the Tax Law Applies to Activities

The first part of this lesson addressed how to identify various types of advocacy. This next part will look at the various subsections for exempt status and how political campaign intervention, influencing legislation, and other advocacy activities are treated under the various sections.<sup>2</sup>

In general, advocacy activities may be conducted by organizations exempt under various sections of the Code, including sections 501(c)(3), 501(c)(4), 501(c)(5) and 501(c)(6).<sup>3</sup> However, under each section, the treatment of the specific activities of political campaign intervention, influencing, legislation and other advocacy varies greatly.

It is also worth noting that the presence and amount of an activity may affect what exemption options are available to an organization.

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#### § 501(c)(3)

Organizations described in section 501(c)(3) are organized and operated exclusively for charitable, religious, educational, scientific, testing for public safety, literary or educational purposes, to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals. Under section 501(c)(3), the different types of advocacy activities are treated as follows:

- Political campaign intervention is absolutely prohibited.
  - Influencing legislation is permissible up to an insubstantial amount.<sup>4</sup>
  - Educational activity is permitted in unlimited amounts and may in fact be the organization's exclusive activity.
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<sup>2</sup> This section addresses advocacy activities under certain sections of the Internal Revenue Code. It does not discuss other requirements for exemption, such as private inurement, private benefit or having a qualifying exempt purpose or activities.

<sup>3</sup> Advocacy activities may also be conducted by 527 political organizations. Section 527 governs the tax treatment of political organizations and provides generally that amounts received as contributions and other funds raised for political purposes (section 527 exempt function income) are not subject to tax. Section 527 organizations are beyond the scope of this training lesson and will be covered later as an advanced topic.

<sup>4</sup> Note that private foundations are subject to an excise tax, for taxable expenditures, on amounts paid or incurred to carry on propaganda or otherwise attempt to influence legislation. See § 4945(d)(1).

## Application of Tax Law, Continued

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### **Action Organization**

An organization that advocates social or civic changes, presents opinion on controversial issues with the intention of molding public opinion, or creating public sentiment to an acceptance of its views may qualify for exemption under section 501(c)(3) as long as it is not an action organization.

See Treas. Reg. § 1.501(c)(3)-1(d)(2).

There are three means of being an action organization:

1. An organization is an action organization if a substantial part of its activities is attempting to influence legislation by propaganda or otherwise.
2. An organization is an action organization if it participates or intervenes, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office.
3. An organization is an action organization if it has the following two characteristics:
  - Its main or primary objective or objectives (as distinguished from its incidental or secondary objectives) may be attained only by legislation or a defeat of proposed legislation.
  - It advocates, or campaigns for, the attainment of such main or primary objective or objectives as distinguished from engaging in nonpartisan analysis, study or research and making the results thereof available to the public.

See Treas. Reg. § 1.501(c)(3)-1(c)(3).

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### **Determining if Lobbying is Substantial**

In general, no organization may qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation (commonly known as *lobbying*). A section 501(c)(3) organization may engage in some lobbying, but too much lobbying activity risks loss of 501(c)(3) tax-exempt status.

Whether an organization's attempts to influence legislation; i.e., lobbying, constitute a substantial part of its overall activities is based on one of two tests.

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## Application of Tax Law, Continued

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### **Determining if Lobbying is Substantial (continued)**

The first test is determined based on all the pertinent facts and circumstances in each case. The IRS considers a variety of factors, including the time devoted (by both compensated and volunteer workers) and the expenditures devoted by the organization to the activity, when determining whether the lobbying activity is substantial.

The second test is based on expenditures only; however, organizations must elect to be covered by that test. Organizations electing to use the expenditure test under section 501(h) as an alternative method for measuring lobbying activity must file Form 5768, *Election/Revocation of Election by an Eligible IRC Section 501(c)(3) Organization to Make Expenditures to Influence Legislation*, at any time during the tax year for which it is to be effective. The election remains in effect for succeeding years unless it is revoked by the organization. Non-electing organizations (whether eligible to elect or not) will be subject to the facts and circumstances substantiality test. Remember that making this election only affects whether or not lobbying activities are substantial and does not affect whether the organization otherwise meets the requirements for exemption.

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### **Education - Methodology Test**

In determining whether advocacy is educational, the IRS renders no judgment as to the viewpoint or position of the organization. In the context of section 501(c)(3), the IRS will look to the method used by an organization to develop and present its views to determine if activities further an educational purpose. The organization's method will not be considered educational if it fails to provide a factual foundation for the viewpoint or position being advocated, or if it fails to provide a development from the relevant facts that would materially aid a listener or reader in a learning process.

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## Application of Tax Law, Continued

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### **Education - Methodology Test (continued)**

The presence of any of the following factors in the presentations made by an organization may be indicative that the organization's method to advocate its viewpoints or positions is not educational.

- The presentation of viewpoints or positions unsupported by facts is a significant portion of the organization's communications.
- The facts that purport to support the viewpoints or positions are distorted.
- The organization's presentations make substantial use of inflammatory and disparaging terms and express conclusions more on the basis of strong emotional feelings than of objective evaluations.
- The approach used in the organization's presentations is not aimed at developing an understanding on the part of the intended audience or readership because it does not consider their background or training in the subject matter.

See Rev. Proc. 86-43 1986-2 C.B. 729; § 1.501(c)(3)-1(d)(3)(i). See also *Seasongood v. Commissioner*, 227 F.2d 907, 911 (6th Cir. 1955) (the term educational does not extend to "public address with selfish or ulterior purpose and characterized by the coloring or distortion of facts").

There may be exceptional circumstances, however, where an organization's advocacy activities may be educational even if one or more of the above factors are present. The IRS will look to all the facts and circumstances to determine whether activities may be considered educational despite the presence of one or more of such factors.

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### **§ 501(c)(4)**

Social welfare organizations described in section 501(c)(4) are organized and operated exclusively for the promotion of social welfare. They cannot be operated for profit.

An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting the common good and general welfare of people in the community. Political campaign intervention does not promote social welfare.

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## Application of Tax Law, Continued

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### § 501(c)(4) (continued)

However, an organization may qualify for tax-exempt status under section 501(c)(4) even if it engages in some political campaign intervention as long as the organization primarily engages in activities that promote social welfare. See Treas. Reg. § 1.501(c)(4)-1(a)(2).

In Rev. Rul. 81-95, 1981-1 C.B. 332, the IRS considered the effect of engaging in political campaign intervention activities on a section 501(c)(4) organization. The ruling refers to five revenue rulings, each of which involves a section 501(c)(3) organization. Each ruling has an example that illustrates participation or intervention in political campaigns. The organization in Rev. Rul. 81-95 was primarily engaged in activities designed to promote social welfare. In addition, it conducted activities involving participation and intervention in political campaigns on behalf of or in opposition to candidates for nomination or election to public office.

The ruling concluded that, because the organization's primary activities promoted social welfare, its lawful participation or intervention in political campaigns on behalf of or in opposition to candidates for public office would not adversely affect its exempt status under section 501(c)(4). See also Rev. Rul. 67-368, 1967-2 C.B. 194.

Attempting to influence legislation may be the organization's primary or only activity as long as the lobbying is on issues related to its exempt purpose. See Rev. Rul. 71-530, 1971-2 C.B. 237.

Other advocacy activity that promotes social welfare is permissible in an unlimited amount. See Treas. Reg. § 1.501(c)(4)-1(a)(2). See also Rev. Rul. 76-81, 1976-1 C.B. 156; Rev. Rul. 68-656, 1968-2 C.B. 216.

The factors listed in Rev. Proc. 86-43, *supra*, may be relevant to the determination of whether the advocacy promotes social welfare. (Cf. Rev. Rul. 68-656, 1968-2 C.B. 216.)

An action organization can be a section(c)(4) organization. See Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii) and Rev. Rul. 68-656.

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## Application of Tax Law, Continued

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### § 501(c)(5)

Section 501(c)(5) provides for the exemption from federal income tax of labor, agricultural, or horticultural organizations.

Exempt purposes under section 501(c)(5) include the betterment of the conditions of those engaged in labor, agricultural or horticultural pursuits. See Treas. Reg. § 1.501(c)(5)-1(a).

Regulations under section 501(c)(5) do not specifically address political campaign intervention, lobbying or other advocacy activity. Nor is there any case law interpreting the section 501(c)(5) requirements with regard to the permissibility of advocacy activities.

In a 1969 memorandum, the IRS Office of Chief Counsel expressed the view that political campaign intervention does not further section (c)(5) purposes, because support of a candidate for public office necessarily involves a broader range of issues than the labor (or agricultural or horticultural) interest of a section 501(c)(5) organization. Therefore, political campaign activity, along with all other non-(c)(5) activities, cannot make up an organization's primary activities. See GCM 34233.

The same 1969 memorandum concluded that attempting to influence legislation may be the primary or only activity of a section 501(c)(5) organization, as long as the lobbying is conducted with regard to issues that are related to the organization's labor, agricultural, or horticultural interests. See GCM 34233.

Other advocacy activity related to the organization's exempt purpose (such as bettering the conditions of those engaged in labor, agricultural, or horticultural pursuits) is permissible in an unlimited amount.

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### § 501(c)(6)

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

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## Application of Tax Law, Continued

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### § 501(c)(6) (continued)

Business league organizations described in section 501(c)(6) are associations of persons with a common business interest, and their purposes must be to promote this common interest. The organization cannot conduct a regular trade or business for profit. See Treas. Reg. § 1.501(c)(6)-1.

Regulations under section 501(c)(6) do not specifically address political campaign intervention, lobbying or other advocacy activity. Nor is there any case law interpreting the section 501(c)(6) requirements with regard to the permissibility of advocacy activities.

In a 1969 memorandum, the IRS Office of Chief Counsel expressed the view that political campaign intervention does not further (c)(6) purposes because support of a candidate for public office necessarily involves a broader range of issues than the common business interest of a section 501(c)(6) organization; therefore, political campaign activity, along with all other non-(c)(6) activities, cannot make up an organization's primary activities. See GCM 34233.

The same 1969 memorandum concluded that attempting to influence legislation may be the primary or only activity of a section 501(c)(6) organization, as long as the lobbying is conducted with regard to issues that are related to the organization's common business interest. See GCM 34233.

See Rev. Rul. 61-177, 1961-2 C.B. 117.

Other advocacy activity related to the organization's exempt purpose of furthering a common business interest is also permissible in an unlimited amount. However, see Treas. Reg. § 1.501(c)(6)-1 which provides that an association engaged in furnishing information to prospective investors, to enable them to make sound investments is not exempt under section 501(c)(6).

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## Part III - Analyzing an Organization's Activities

### Activity Analysis

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#### **Analysis of the Facts**

The prior part discussed the various sections of the Code and how political campaign intervention, influencing legislation, and other advocacy activities are treated under each section. This part will discuss how to distinguish one type of advocacy activity from another.

Whether an activity is considered to be political campaign intervention, influencing legislation, other advocacy that may be educational, promoting social welfare, or otherwise is related to the organization's exempt purpose depends upon the analysis of the facts and circumstances associated with the activity. For an advocacy activity, a change to one fact could change the conclusion of whether the activity is considered political campaign intervention.

The following are some specific types of common advocacy activities. Each activity will be discussed in further detail below:

- Voter Education & Voter Registration
  - Individual Activity by Organization Leaders
  - Candidate Appearances
  - Advocacy Communications
  - Websites
  - Business Activity
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## Voter Education, Voter Registration, and Get-Out-The-Vote Drives

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### Factors

Activities associated with voters may be considered political campaign intervention or educational based on how the activity is conducted. For example, certain voter education, including the preparation and distribution of certain voter guides, conducted in a non-partisan manner, may not constitute political campaign intervention. Some of the factors to consider when determining whether an activity is or is not political campaign intervention include, but are not limited to, the following:

<b>Factor</b>	<b>Not Indicative of Political Campaign Intervention</b>	<b>Indicative of Political Campaign Intervention</b>
Location	Conducted at a neutral location, e.g., public place open to all	Conducted at a place that favors or opposes; e.g., takes place at a political convention
Candidates	No direct or implied mention of candidates or political party	The organization treats persons differently based on response to questions; e.g., organization asks person opinion on issue
Incentives	No incentives offered	Incentives are offered differently based on response to questions; e.g., organization offers ride to polls if in agreement or no ride offered if not in agreement
Voting records	Provides complete voting record information of all members of a legislative body	Provides voting record on a limited issue
Candidate questionnaire	Questions to all candidates cover a wide variety of issues	Questions cover only certain issues
Timing of distribution of voting records, voter guides or other materials (in print or on website)	Generally made available (for example voting records that are distributed to the general public as opposed to an organization's normal readership)	Materials are timed to be distributed or published to coincide with an election campaign

See Rev. Rul. 2007-41, Situations 1 and 2; Rev. Rul. 80-282, 1980-2 C.B. 178 and Rev. Rul. 78-248, 1978-1 C.B. 154.

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## Voter Education, Voter Registration, and Get-Out-The-Vote Drives, Continued

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### Example 1

#### Facts:

- The organization promotes community involvement and sets up a booth at the state fair where citizens can register to vote.
- The signs and banners in and around the booth give only the name of the organization, the date of the next upcoming statewide election, and notice of the opportunity to register.
- No reference to any candidate or political party is made by the volunteers staffing the booth or in the materials available at the booth, other than the official voter registration forms which allow registrants to select a party affiliation.

**Conclusion:** The organization is not engaged in political campaign intervention when it operates this voter registration booth.

See Rev. Rul. 2007-41, Situation 1.

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### Example 2

#### Facts:

- The organization educates the public on environmental issues.
- Candidate G is running for the state legislature and an important element of her platform is challenging the environmental policies of the incumbent.
- Shortly before the election, the organization sets up a telephone bank to call registered voters in the district in which Candidate G is seeking election.
- In the phone conversations, the organization's representative tells the voter about the importance of environmental issues and asks questions about the voter's views on these issues.
- If the voter appears to agree with the incumbent's position, the organization's representative thanks the voter and ends the call.
- If the voter appears to agree with Candidate G's position, the organization's representative reminds the voter about the upcoming election, stresses the importance of voting in the election, and offers to provide transportation to the polls.

**Conclusion:** The organization is engaged in political campaign intervention when it conducts this get-out-the-vote drive.

See Rev. Rul. 2007-41, Situation 2.

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## Individual Activity by Organization Leaders

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### **Individual Action vs. Official Capacity Attributable to Organization**

The political campaign intervention prohibition for 501(c)(3) organizations and limitation for 501(c)(4), (5), and (6) organizations is not intended to restrict free expression on political matters by leaders of organizations speaking for themselves, as individuals. Nor are leaders prohibited from speaking about important issues of public policy. However, if leaders make comments that favor or oppose a candidate in official organization publications or at official functions of the organization, this constitutes political campaign intervention. Any political campaign intervention by an individual acting in his or her official capacity for an organization is attributable to the organization.

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### **Acting in a Personal Capacity**

Facts that indicate an individual is acting in a personal capacity (actions are not attributable to the organization):

- Titles and affiliations of each individual are provided for identification purposes only
  - No mention of an individual's association with the organization
  - No assets of the organization used with communication
  - Communication is not an official publication of the organization
- See Rev. Rul. 2007-41, Situations 3 through 6.
- 

### **Acting in an Official Capacity**

Facts that indicate acting in an official capacity (actions are attributable to the organization):

- Statement appears in an official publication of the organization
  - Payment for statement by individual or personal statements such as "my views" and "in my opinion" do not alter attribution to organization
- Expressly speaking in an official capacity
- Statement made during an official organization meeting

See Rev. Rul. 2007-41, Situations 3 through 6.

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*Continued on next page*

## Individual Activity by Organization Leaders, Continued

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### Example 3

#### Facts:

- President A is the Chief Executive Officer of Hospital J, a tax-exempt organization and is well known in the community.
- With the permission of five prominent healthcare industry leaders, including President A, who have personally endorsed Candidate T, Candidate T publishes a full page ad in the local newspaper listing the names of the five leaders.
- President A is identified in the ad as the CEO of Hospital J.
- The ad states, "Titles and affiliations of each individual are provided for identification purposes only."
- The ad is paid for by Candidate T's campaign committee.

**Conclusion:** Because the ad was not paid for by Hospital J, the ad is not otherwise in an official publication of Hospital J, and the endorsement is made by President A in a personal capacity, the ad does not constitute campaign intervention by Hospital J.

See Rev. Rul. 2007-41, Situation 3.

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### Example 4

#### Facts:

- President B is the president of University K, a tax-exempt organization.
- University K publishes a monthly alumni newsletter that is distributed to all alumni of the university.
- In each issue, President B has a column titled "My Views."
- The month before the election, President B states in the "My Views" column, "It is my personal opinion that Candidate U should be reelected."
- For that one issue, President B pays from his personal funds the portion of the cost of the newsletter attributable to the "My Views" column.

**Conclusion:** Even though he paid part of the cost of the newsletter, the newsletter is an official publication of the university. Because the endorsement appeared in an official publication of University K, it constitutes campaign intervention by University K.

See Rev. Rul. 2007-41, Situation 4.

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*Continued on next page*

## Individual Activity by Organization Leaders, Continued

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### Example 5

#### Facts:

- Minister C is the minister of Church L, a tax-exempt organization and Minister C is well known in the community.
- Three weeks before the election, he attends a press conference at Candidate V's campaign headquarters and states that Candidate V should be reelected.
- Minister C does not say he is speaking on behalf of Church L.
- His endorsement is reported on the front page of the local newspaper and he is identified in the article as the minister of Church L.

**Conclusion:** Because Minister C did not make the endorsement at an official church function, in an official church publication or otherwise use the church's assets, and did not state that he was speaking as a representative of Church L, his actions do not constitute campaign intervention by Church L.

See Rev. Rul. 2007-41, Situation 5.

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### Example 6

#### Facts:

- Chairman D is the chairman of the Board of Directors of M, a tax-exempt organization that educates the public on conservation issues.
- During a regular meeting of M shortly before the election, Chairman D spoke on a number of issues, including the importance of voting in the upcoming election, and concluded by stating, "It is important that you all do your duty in the election and vote for Candidate W."

**Conclusion:** Because Chairman D's remarks indicating support for Candidate W were made during an official organization meeting, they constitute political campaign intervention by M.

See Rev. Rul. 2007-41, Situation 6.

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## Candidate Appearances

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### Potential Scenarios

Organizations may invite candidates to speak at an official function of their organization. These speaking engagements may happen in various scenarios:

- Candidate appearing in capacity as a candidate
- Candidates speaking in a forum
- Candidate appearing in public in a capacity other than as a candidate

For each of these scenarios, there are facts that indicate whether the activity is or is not political campaign intervention. Each scenario is discussed further below.

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### Appearing as a Candidate

#### **Candidate appearing in capacity as a candidate:**

Facts that may indicate political campaign intervention:

- The organization does not provide an equal opportunity for all candidates for the same office to appear.
- The organization indicates support or opposition to the candidate.
- There is presence of political fundraising.

See Rev. Rul. 2007-41, Situations 7-9.

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### In a Forum

#### **Candidates in a forum:**

Facts that may indicate political campaign intervention:

- The questions are not prepared and presented by an independent, nonpartisan panel.
- The topics covered are limited to certain issues and do not cover a broad range of topics.
- Candidates are not given an equal opportunity to express views on issues discussed.
- Candidates are asked to agree or disagree with positions, agendas, platforms, or statements of the organization.
- The moderator expresses or implies approval or disapproval of candidate statements.

See Rev. Rul. 2007-41; Rev. Rul. 86-95, 1986-2 C.B. 73; and Rev. Rul. 66-256, 1966-2 C.B. 210.

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*Continued on next page*



## Candidate Appearances, Continued

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### Public Appearances as a Non-Candidate

#### A candidate appearing in public in a capacity other than as a candidate:

Facts that may indicate that it is not political campaign intervention:

- The individual is chosen to speak solely for reasons other than candidacy for public office.
- The individual did not speak as a candidate.
- The individual's candidacy or the election was not mentioned.
- No campaign activity occurred in connection with the individual's appearance.
- The organization maintained a nonpartisan atmosphere.
- The organization clearly indicates the capacity in which the individual is appearing and does not mention the individual's candidacy or the upcoming election in communications related to the event.

See Rev. Rul. 2007-41, Situations 10 through 13.

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### Example 7

#### Facts:

- President E is the president of Society N, a historical society that is a tax-exempt organization.
- In the month prior to the election, President E invites the three Congressional candidates for the district in which Society N is located to address the members, one each at a regular meeting held on three successive weeks.
- Each candidate is given an equal opportunity to address and field questions on a wide variety of topics from the members.
- Society N's publicity announcing the dates for each of the candidate's speeches, and President E's introduction of each candidate, include no comments on their qualifications or any indication of a preference for any candidate.

**Conclusion:** Society N's actions do not constitute political campaign intervention.

See Rev. Rul. 2007-41, Situation 7.

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*Continued on next page*

## Candidate Appearances, Continued

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### Example 8

#### Facts:

- The facts are the same as in Example 7 except that there are four candidates in the race rather than three, and one of the candidates declines the invitation to speak.
- In the publicity announcing the dates for each of the candidate's speeches, Society N includes a statement that the order of the speakers was determined at random and the fourth candidate declined the Society's invitation to speak.
- President E makes the same statement in his opening remarks at each of the meetings where one of the candidates is speaking.

**Conclusion:** Society N's actions do not constitute political campaign intervention.

See Rev. Rul. 2007-41, Situation 8.

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### Example 9

#### Facts:

- Minister F is the minister of Church O, a tax-exempt organization.
- The Sunday before the November election, Minister F invites Senate Candidate X to preach to her congregation during worship services.
- During his remarks, Candidate X states, "I am asking not only for your votes, but for your enthusiasm and dedication, for your willingness to go the extra mile to get a very large turnout on Tuesday."
- Minister F invites no other candidate to address her congregation during the Senatorial campaign.

**Conclusion:** Because these activities take place during official church services, they are attributed to Church O. By selectively providing church facilities to allow Candidate X to speak in support of his campaign, Church O's actions constitute political campaign intervention.

See Rev. Rul. 2007-41, Situation 9.

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## Candidate Appearances, Continued

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### Example 10

#### Facts:

- Historical society P is a tax-exempt organization.
- Society P is located in the state capital.
- President G is the president of Society P and customarily acknowledges the presence of any public officials present during meetings.
- During the state gubernatorial race, Lieutenant Governor Y, a candidate, attends a meeting of the historical society.
- President G acknowledges the Lieutenant Governor's presence in his customary manner, saying, "We are happy to have joining us this evening Lieutenant Governor Y."
- President G makes no reference in his welcome to the Lieutenant Governor's candidacy or the election.

**Conclusion:** Society P has not engaged in political campaign intervention as a result of President G's actions.

See Rev. Rul. 2007-41, Situation 10.

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### Example 11

#### Facts:

- Chairman H is the chairman of the Board of Hospital Q, a tax-exempt organization.
- Hospital Q is building a new wing.
- Chairman H invites Congressman Z, the representative for the district containing Hospital Q, to attend the groundbreaking ceremony for the new wing.
- Congressman Z is running for reelection at the time.
- Chairman H makes no reference in her introduction to Congressman Z's candidacy or the election.
- Congressman Z also makes no reference to his candidacy or the election and does not do any political campaign fundraising while at Hospital Q.

**Conclusion:** Hospital Q has not engaged in political campaign intervention as a result of Chairman H's actions.

See Rev. Rul. 2007-41, Situation 11.

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*Continued on next page*

## Candidate Appearances, Continued

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### Example 12

#### Facts:

- University X is a tax-exempt organization.
- X publishes an alumni newsletter on a regular basis.
- Individual alumni are invited to send in updates about themselves which are printed in each edition of the newsletter.
- After receiving an update letter from Alumnus Q, X prints the following: “Alumnus Q, class of ‘XX is running for mayor of Metropolis.”
- The newsletter does not contain any reference to this election or to Alumnus Q’s candidacy other than this statement of fact.

**Conclusion:** University X has not engaged in political campaign intervention.

See Rev. Rul. 2007-41, Situation 12.

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### Example 13

#### Facts:

- Mayor G attends a concert performed by Symphony S, a tax-exempt organization, in City Park.
- The concert is free and open to the public.
- Mayor G is a candidate for reelection, and the concert takes place after the primary and before the general election.
- During the concert, the chairman of S’s board addresses the crowd and says, “I am pleased to see Mayor G here tonight. Without his support, these free concerts in City Park would not be possible. We will need his help if we want these concerts to continue next year, so please support Mayor G in November as he has supported us.”

**Conclusion:** As a result of these remarks, Symphony S has engaged in political campaign intervention.

See Rev. Rul. 2007-41, Situation 13.

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## Advocacy Communications

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### **Facts Indicative of Political Campaign Intervention**

Whether via television, radio, the web, or print, advocacy communications are common activities of advocacy organizations discussed in this lesson. While organizations may lobby for or against legislation or otherwise take positions on public policy issues, including issues that divide candidates in an election for public office, advocacy with regard to such issues may function as political campaign intervention depending on the facts and circumstances. Some facts that tend to be indicative of political campaign intervention, include, but are not limited to, the following:

- The communication identifies one or more candidates for a given public office.
- The communication expresses approval or disapproval for one or more candidates' positions and/or actions.
- The communication is delivered close in time to the election.
- The communication makes reference to voting or an election.
- The issue addressed in the communication has been raised as an issue distinguishing candidates for a given office.
- The communication is not part of an ongoing series of communications by the organization on the same issue that are made independent of the timing of any election.
- The timing of the communication and identification of the candidate are not related to a non-electoral event such as a scheduled vote on specific legislation by an officeholder who also happens to be a candidate for public office.

See Rev. Rul. 2007-41, Situations 14 through 16.

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### **Other Facts Not Indicative of Political Campaign Intervention**

It is important to remember the above facts, although indicative of political campaign intervention, are part of a facts and circumstances test.

Some of the facts that tend to indicate that the activity is not political campaign intervention include, but are not limited to, the following:

- The absence of any one or more of the factors listed above
  - The communication identifies specific legislation, or a specific event outside the control of the organization, that the organization hopes to influence.
- 

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## Advocacy Communications, Continued

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**Other Facts  
Not Indicative  
of Political  
Campaign  
Intervention  
(continued)**

- The timing of the communication coincides with a specific event outside the control of the organization that the organization hopes to influence, such as a legislative vote or other major legislative action (for example, a hearing before a legislative committee on the issue that is the subject of the communication).
- The communication identifies the candidate solely as a government official who is in a position to act on the public policy issue in connection with the specific event (such as a legislator who is eligible to vote on the legislation).
- The communication identifies the candidate solely in the list of key or principal sponsors of the legislation that is the subject of the communication.

See Rev. Rul. 2004-6.

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**Example 14**

**Facts:**

- University O, a tax-exempt organization, prepares and finances a full-page newspaper advertisement that is published in several large circulation newspapers in State V shortly before an election in which Senator C is a candidate for nomination in a party primary.
- Senator C represents State V in the United States Senate.
- The advertisement states that S. 24, a pending bill in the United States Senate, would provide additional opportunities for State V residents to attend college, but Senator C has opposed similar measures in the past.
- The advertisement ends with the statement "Call or write Senator C to tell him to vote for S. 24."
- Educational issues have not been raised as an issue distinguishing Senator C from any opponent.
- S. 24 is scheduled for a vote in the United States Senate before the election, soon after the date that the advertisement is published in the newspapers.

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## Advocacy Communications, Continued

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### Example 14 (continued)

**Conclusion:** Even though the advertisement appears shortly before the election and identifies Senator C's position on the issue as contrary to O's position, University O has not engaged in political campaign intervention.

- The advertisement does not mention the election or the candidacy of Senator C.
- Education issues have not been raised as distinguishing Senator C from any opponent.
- The timing of the advertisement and the identification of Senator C are directly related to the specifically identified legislation University O is supporting.
- The advertisement appears immediately before the United States Senate is scheduled to vote on that particular legislation.
- The candidate identified, Senator C, is an officeholder who is in a position to vote on the legislation.

See Rev. Rul. 2007-41, Situation 14.

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### Example 15

**Facts:**

- Organization R, a tax-exempt organization that educates the public about the need for improved public education, prepares and finances a radio advertisement urging an increase in state funding for public education in State X, which requires a legislative appropriation.
  - Governor E is the governor of State X.
  - The radio advertisement is first broadcast on several radio stations in State X beginning shortly before an election in which Governor E is a candidate for re-election.
  - The advertisement is not part of an ongoing series of substantially similar advocacy communications by Organization R on the same issue.
  - The advertisement cites numerous statistics indicating that public education in State X is underfunded.
- 

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## Advocacy Communications, Continued

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### Example 15 (continued)

- While the advertisement does not say anything about Governor E's position on funding for public education, it ends with "Tell Governor E what you think about our under-funded schools."
- In public appearances and campaign literature, Governor E's opponent has made funding of public education an issue in the campaign by focusing on Governor E's veto of an income tax increase the previous year to increase funding of public education.
- At the time the advertisement is broadcast, no legislative vote or other major legislative activity is scheduled in the State X legislature on state funding of public education.

**Conclusion:** Organization R has engaged in political campaign intervention because the advertisement:

- Identifies Governor E
- Appears shortly before an election in which Governor E is a candidate
- Is not part of an ongoing series of substantially similar advocacy communications by Organization R on the same issue
- Is not timed to coincide with a non-election event such as a legislative vote or other major legislative action on that issue
- Takes a position on an issue that the opponent has used to distinguish himself from Governor E

See Rev. Rul. 2007-41, Situation 15.

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### Example 16

#### Facts:

- Candidate A and Candidate B are candidates for the state senate in District W of State X.
  - The issue of State X funding for a new mass transit project in District W is a prominent issue in the campaign.
  - Both candidates have spoken out on the issue.
  - Candidate A supports funding the new mass transit project.
  - Candidate B opposes the project and supports State X funding for highway improvements instead.
- 

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## Advocacy Communications, Continued

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### Example 16 (continued)

- P is the executive director of C, a tax-exempt organization that promotes community development in District W.
- At C's annual fundraising dinner in District W, which takes place in the month before the election in State X, P gives a lengthy speech about community development issues including the transportation issues.
- P does not mention the name of any candidate or any political party.
- However, at the conclusion of the speech, P makes the following statement, "For those of you who care about quality of life in District W and the growing traffic congestion, there is a very important choice coming up next month. We need new mass transit. More highway funding will not make a difference. You have the power to relieve the congestion and improve your quality of life in District W. Use that power when you go to the polls and cast your vote in the election for your state senator."

**Conclusion:** C has engaged in political campaign intervention as a result of P's remarks at C's official function shortly before the election, in which P referred to the upcoming election after stating a position on an issue that is a prominent issue in a campaign that distinguishes the candidates.

See Rev. Rul. 2007-41, Situation 16.

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## Websites

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### **Communicating via a Website**

For many advocacy organizations, a website is essential for disseminating information to the public. As another method of communication, the same factors and considerations discussed above apply to the content of a website. A statement on a webpage directly or indirectly endorsing or opposing a candidate for elected office is considered political campaign intervention. Also, a statement on a website urging the public to call their senator and support a bill in Congress is considered influencing legislation. The analysis of the website is similar to much of the analysis discussed above, especially those in the Advocacy Communication section.

A website can also be used for voter education purposes. The same analysis for voter education described above would apply in this situation.

When a charitable organization chooses to establish a link to another website, the organization is responsible for the consequences of establishing and maintaining that link, even if it does not have control over the content of the linked site.

See Rev. Rul. 2007-41, Situations 19-21 and Rev. Rul. 78-248.

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### **Example 17**

#### **Facts:**

- M, a tax-exempt organization, maintains a website and posts an unbiased, nonpartisan voter guide that is prepared consistent with the principles discussed in Rev. Rul. 78-248.
- For each candidate covered in the voter guide, M includes a link to that candidate's official campaign website.
- The links to the candidates' websites are presented on a consistent neutral basis for each candidate, with text saying "For more information on Candidate X, you may consult [URL]."

**Conclusion:** M has not engaged in political campaign intervention because the links are provided for the exempt purpose of educating voters and are presented in a neutral, unbiased manner that includes all candidates for a particular office.

See Rev. Rul. 2007-41, Situation 19.

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*Continued on next page*

## Websites, Continued

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### Example 18

#### Facts:

- Hospital N, a tax-exempt organization, maintains a website that includes such information as medical staff listings; directions to Hospital N; descriptions of its specialty health programs, major research projects, and other community outreach programs.
- On one page of the website, Hospital N describes its treatment program for a particular disease.
- At the end of the page, it includes a section of links to other websites titled "More Information."
- These links include links to other hospitals that have treatment programs for this disease, research organizations seeking cures for that disease, and articles about treatment programs.
- This section includes a link to an article on the website of O, a major national newspaper, praising Hospital N's treatment program for the disease.
- The page containing the article on O's website contains no reference to any candidate or election and has no direct links to candidate or election information.
- Elsewhere on O's website, there is a page displaying editorials that O has published.
- Several of the editorials endorse candidates in an election that has not yet occurred.

**Conclusion:** Hospital N has not engaged in political campaign intervention by maintaining the link to the article on O's website because the link is provided for the exempt purpose of educating the public about Hospital N's programs. Neither the context for the link, nor the relationship between Hospital N and O, nor the arrangement of the links going from Hospital N's website to the endorsement on O's website indicate that Hospital N was favoring or opposing any candidate.

See Rev. Rul. 2007-41, Situation 20.

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## Websites, Continued

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### Example 19

#### Facts:

- Church P, a tax-exempt organization, maintains a website that includes such information as biographies of its ministers, times of services, details of community outreach programs, and activities of members of its congregation.
- B, a member of the congregation of Church P, is running for a seat on the town council.
- Shortly before the election, Church P posts the following message on its website, "Lend your support to B, your fellow parishioner, in Tuesday's election for town council."

**Conclusion:** Church P has engaged in political campaign intervention on behalf of B.

See Rev. Rul. 2007-41, Situation 21.

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## Business Activity

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### Facts to Consider

The question of whether an activity constitutes political campaign intervention may also arise in the context of a business activity of the organization, such as selling or renting of mailing lists, the leasing of office space, or the acceptance of paid political advertising. In this context, some of the facts to be considered in determining whether the organization has engaged in political campaign intervention include, but are not limited to, the following:

- Goods, services or facilities are available to candidates in the same election on an unequal basis.
- Goods, services or facilities are available only to candidates and not to the general public.
- Fees charged to candidates are not at the organization's customary and usual rates
- The activity is not an ongoing activity of the organization or it is conducted only for a particular candidate.

See Rev. Rul. 2007-41, Situations 17 and 18.

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### Example 20

#### Facts:

- Museum K is a tax-exempt organization.
- It owns an historic building that has a large hall suitable for hosting dinners and receptions.
- For several years, Museum K has made the hall available for rent to members of the public.
- Standard fees are set for renting the hall based on the number of people in attendance, and a number of different organizations have rented the hall.
- Museum K rents the hall on a first come, first served basis.
- Candidate P rents Museum K's social hall for a fundraising dinner.
- Candidate P's campaign pays the standard fee for the dinner.

**Conclusion:** Museum K is not involved in political campaign intervention as a result of renting the hall to Candidate P for use as the site of a campaign fundraising dinner.

See Rev. Rul. 2007-41, Situation 17.

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*Continued on next page*

## Business Activity, Continued

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### Example 21

#### Facts:

- Theater L is a tax-exempt organization.
- It maintains a mailing list of all of its subscribers and contributors.
- Theater L has never rented its mailing list to a third party.
- Theater L is approached by the campaign committee of Candidate Q who supports increased funding for the arts.
- Candidate Q's campaign committee offers to rent Theater L's mailing list for a fee that is comparable to fees charged by other similar organizations.
- Theater L rents its mailing list to Candidate Q's campaign committee.
- Theater L declines similar requests from campaign committees of other candidates.

**Conclusion:** Theater L has engaged in political campaign intervention.

See Rev. Rul. 2007-41, Situation 18.

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## Summary

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### Key Points

The Internal Revenue Code allows for tax exemption for many types of advocacy organizations, which have varying purposes. Because of the variation, the organizations may be described under several different subsections of the Code. These subsections include 501(c)(3), 501(c)(4), 501(c)(5), and 501(c)(6). The appropriate subsection of exemption for an individual organization is based on its purpose and/or activities.

Advocacy activities include political campaign intervention, influencing legislation, and other advocacy. Distinguishing among the various activities requires a facts and circumstances analysis.

It is most important to remember the policy of the Service, and TEGE's mission to provide Tax Exempt and Government Entities' customers top-quality service by helping them understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all. The focus is not the viewpoint or position, but rather the purposes and activities of the organization in communicating or advancing its viewpoints.

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## Glossary

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**Political Campaign Intervention**

Conducting activities, directly or indirectly, on behalf of or in opposition to a candidate for public office constitute participation or intervention in a political campaign.

See Treas Reg. §1.501(c)(3)-1(c)(3)(iii) and §1.501(c)(4)-1(a)(2).

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**Candidate for Public Office**

The term candidate for public office means an individual who offers himself, or is proposed by others, as a contestant for an elective public office, whether such office be national, state or local.

See Treas. Reg. §1.501(c)(3)-1(c)(3)(iii).

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**Influencing Legislation**

An organization will be regarded as attempting to influence legislation if the organization:

- Contacts, or urges the public to contact, members of a legislative body for the purpose of proposing, supporting or opposing legislation; or
- Advocates the adoption or rejection of legislation.

See Treas. Reg. §1.501(c)(3)-1(c)(3)(ii).

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**Legislation**

The term “legislation” includes action by:

- Congress
- Any state legislature
- Any local council or similar governing body
- Public referendum, initiative, constitutional amendment or similar procedure

See Treas. Reg. §1.501(c)(3)-1(c)(3)(ii).

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## Glossary, Continued

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### **Action Organization**

There are three means of being an action organization:

- (1) An organization is an action organization if a substantial part of its activities is attempting to influence legislation by propaganda or otherwise.
- (2) An organization is an action organization if it participates or intervenes, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office.
- (3) An organization is an action organization if it has the following two characteristics:
  - Its main or primary objective or objectives (as distinguished from its incidental or secondary objectives) may be attained only by legislation or a defeat of proposed legislation.
  - It advocates, or campaigns for, the attainment of such main or primary objective or objectives as distinguished from engaging in nonpartisan analysis, study or research and making the results thereof available to the public.

See Treas. Reg. §1.501(c)(3)-1(c)(3).

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### **Educational**

The term “educational” relates to:

- The instruction or training of the individual for the purpose of improving or developing his capabilities
- The instruction of the public on subjects useful to the individual and beneficial to the community

It is important to note that an organization may be educational even though it advocates a particular position or viewpoint. Conversely, an organization is not educational if its principal function is the mere presentation of unsupported opinion.

See Treas. Reg. §1.501(c)(3)-1(d)(3). See also *Seasongood v. Commissioner*, 227 F.2d 907, 911 (6<sup>th</sup> Cir. 1955)(the term educational does not extend to “public address with selfish or ulterior purpose and characterized by the coloring or distortion of facts”).

See Treas. Reg. §1.501(c)(3)-1(d)(2).

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## Glossary, Continued

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**Social Welfare** Social welfare promotes in some way the common good and general welfare of the people of the community. A social welfare organization within section 501(c)(4) is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Often activities described as charitable in the 501(c)(3) Regulations may also qualify as social welfare. The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

See Treas. Reg. §1.501(c)(4)-1(a)(2).

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## Tax Exempt & Government Entities

### Referral of Cases to EO Examination Classification

Exempt Organizations

### Student Guide



**ELMS #56387**

Official IRS Training Material

This material was designed specifically for training purposes only. Under no circumstances should the contents be used or cited as authority for setting or sustaining a technical position.



## **The IRS Mission**

**Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.**

## **The Tax Exempt and Government Entities Mission**

**Provide customers top quality service by helping them understand and comply with the applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to**

## **14 General Principles of Ethical Conduct for Federal Employees**

### **5 C.F.R. § 2635.101(b)**

- 1) Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws and ethical principles above private gain.
- 2) Employees shall not hold financial interests that conflict with the conscientious performance of duty.
- 3) Employees shall not engage in financial transactions using nonpublic Government information or allow the improper use of such information to further any private interest.
- 4) An employee shall not, except as permitted by subpart B of the Standards of Ethical Conduct, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.
- 5) Employees shall put forth honest effort in the performance of their duties.
- 6) Employees shall not knowingly make unauthorized commitments or promises of any kind purporting to bind the Government.
- 7) Employees shall not use public office for private gain.
- 8) Employees shall act impartially and not give preferential treatment to any private organization or individual.
- 9) Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.
- 10) Employees shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Government duties and responsibilities.
- 11) Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.
- 12) Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those – such as Federal, State, or local taxes – that are imposed by law.
- 13) Employees shall adhere to all laws and regulations that provide equal opportunity for all Americans regardless of race, color, religion, sex, national origin, age, or handicap.
- 14) Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the above ethical standards. Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts.



## Notices and Disclaimers

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### **Identification Numbers**

If identification numbers are used in this document, such as Document Locator Numbers (DLNs), Employer Identification Numbers (EINs), Social Security Numbers (SSNs), Individual Taxpayer Identification Numbers (ITINs), Preparer Tax Identification Numbers (PTINs), Credit Card Numbers, Checking Account Numbers, Phone Numbers, and Direct Deposit Routing Numbers, they are hypothetical. They were constructed by random selection of numbers to appear realistic and increase the effectiveness of the training. Any duplication of numbers actually assigned is purely coincidental. All other names and numbers used in this material are fictitious.

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### **Naming Conventions**

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## Course Overview

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<b>Introduction</b>	This lesson provides information on the process of referring organizations to EO Examinations
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<b>Intended Audience</b>	Exempt Organization Rulings and Agreements, Determinations, and Examination agents and specialists.
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## Evaluation Process

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### **Level 1 Evaluation**

At the end of the class, you will be asked to complete an online Level 1 Evaluation of Classroom Training. This is a very important part of the training, since the information will be used to update and improve the training materials. This evaluation form will be automatically added to your ELMS learning plan once training is completed. Please keep notes during the class to include on this form. The information will be made available to the course development team assigned to update this course and to other IRS staff reviewing this training for effectiveness and needed improvements.

**Note:** All of the questions on the Level 1 evaluation form refer to the training materials.

---

### **Level 2 Evaluation**

The Level 2 Evaluation, or the case study activity, for this course will cover the four chapters related to Political Campaign Intervention Activity as follows:

- Course #56385, Identification of Possible Political Campaign Intervention Activity
  - Course #56386, Political Campaign Intervention and Other Advocacy
  - Course #56387, Referral of Cases to EO Examination Classification
  - Course #56388, Political Campaign Intervention and Other Advocacy – Requesting Information
- 

### **Level 3 Evaluation**

In 6 to 8 weeks, you may be asked to complete a survey on how well the course materials trained you to do your job. Your manager may also receive a similar survey on how well you were prepared to do the work after training. Please take the time to complete this survey and to return it. Information from these surveys will be used during the update of the materials.

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# Referral of Cases to EO Examination Classification

## Overview

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### Introduction

This lesson provides information on the process of referring organizations to EO Examinations, which is a change from how we previously conducted our operations. Effective immediately, EO Determinations will direct all referrals to EO Examination Classification via Form 5666, *TE/GE Referral Information Report*. The EO Examination Review of Operations (ROO) will no longer accept referrals from EO Determinations.

**Note:** The interim guidance memorandum, *Interim Guidance on Referrals to Examination* (September 10, 2013), outlines the procedures for processing all internal referrals to EO Examinations as further outlined in IRM 7.20.1.5.1.

---

### Objectives

At the end of this lesson, you will be able to:

- Identify the procedures for referring cases to EO Examinations
  - Complete the required Form 5666, *TEGE Referral Information Report*
- 

### Contents

This chapter contains the following topics:

Topic	See Page
Referrals to EO Examination Classification	2
Summary	4

---

## Referrals to EO Examination Classification

---

### Interim Guidance

Referrals are now made to EO Examination Classification and not to EO Examination ROO.

Per the interim guidance memorandum, dated September 10, 2013, EO Determinations will direct all referrals to EO Examination Classification. Previously, when some available facts caused the specialist to suspect that the organization's activities might jeopardize its exempt status, but did not have sufficient cause to deny exemption, the specialist would refer the case to the ROO staff via Form 14266, *EO Determinations - Referral to Review of Operations Unit*.

As indicated in the interim guidance memo, the ROO will no longer accept referrals from EO Determinations. The referral is made using Form 5666 to the EO Examinations Classification Unit. We will outline the referral procedures below.

---

### Reasons for Referral

There are two general reasons why a case might be identified for referral.

- First, where there is a strong likelihood that there are past taxes and/or penalties due (see IRM 7.20.1.5.1(1))
- Second, where available facts cause the specialist to suspect that the organization's activities might jeopardize its exempt status, but the specialist does not have sufficient cause to deny exemption

EO Examination Classification referrals are generally prepared at case closing. In situations where the statute for assessing tax is in jeopardy of expiration, an "early referral" should be submitted prior to case closing and as soon as possible after the potential for taxes and/or penalties due is identified (see IRM 7.20.1.5.1(2)).

---

### Referral Procedures

The following are the referral procedures according to IRM 7.20.1.5.1(3):

- To refer a case to EO Examination, the specialist should prepare Form 5666 following the instructions attached to the form. Include in Item O a detailed description of the reason for the referral.
  - If there is evidence in the case file that supports a referral to SBSE or LB&I, for example, questionable charitable deductions, loans to disqualified persons, significant non-liquid assets or other valuation issues, the specialist should include a recommendation for referral in Item O and all pertinent facts and circumstances.
- 

*Continued on next page*

## Referrals to EO Examination Classification, Continued

---

### Referral Procedures (continued)

- The specialist should attach copies of any relevant information in the file that specifically supports the referral; e.g., financial data, correspondence, etc.
  - Obtain the manager's signature.
  - Make a copy of Form 5666 and its attachments and place both copies with the nondisclosable documents in the determination case file. One copy will be forwarded to EO Examination. One copy is to be retained with the case file as nondisclosable information.
  - Attach Form 3198-A, *TE/GE Special Handling Notice*, to the front of the case file with instructions "Forward Form 5666 to Programs and Support Group."
- 

### Additional Information

More information on the referral process can be found by reviewing the following:

- IRM 7.20.1.5.1, *EO Exam Classification Referrals*
  - Interim guidance memorandum dated September 10, 2013, *Interim Guidance on Referrals to Examination*
  - Forms 5666, *TE/GE Referral Information Report*
  - Form 3198-A, *TE/GE Special Handling Notice*
-

## Summary

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### Key Points

- EO Determinations will direct all referrals to Classification via Form 5666.
  - If referring to SBSE or LB&I, the specialist should include a recommendation for referral in Item O and all pertinent facts and circumstances.
-





## Tax Exempt & Government Entities

### Political Campaign Intervention and Other Advocacy – Requesting Information

Exempt Organizations



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#### Student Guide

**ELMS #56388**

Official IRS Training Material

This material was designed specifically for training purposes only. Under no circumstances should the contents be used or cited as authority for setting or sustaining a technical position.



## **The IRS Mission**

**Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.**

## **The Tax Exempt and Government Entities Mission**

**Provide customers top quality service by helping them understand and comply with the applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to**

## **14 General Principles of Ethical Conduct for Federal Employees**

### **5 C.F.R. § 2635.101(b)**

- 1) Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws and ethical principles above private gain.
- 2) Employees shall not hold financial interests that conflict with the conscientious performance of duty.
- 3) Employees shall not engage in financial transactions using nonpublic Government information or allow the improper use of such information to further any private interest.
- 4) An employee shall not, except as permitted by subpart B of the Standards of Ethical Conduct, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.
- 5) Employees shall put forth honest effort in the performance of their duties.
- 6) Employees shall not knowingly make unauthorized commitments or promises of any kind purporting to bind the Government.
- 7) Employees shall not use public office for private gain.
- 8) Employees shall act impartially and not give preferential treatment to any private organization or individual.
- 9) Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.
- 10) Employees shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Government duties and responsibilities.
- 11) Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.
- 12) Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those – such as Federal, State, or local taxes – that are imposed by law.
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- 14) Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the above ethical standards. Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts.

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## Course Overview

---

<b>Introduction</b>	This lesson provides information on requesting additional information for possible political campaign intervention or other advocacy activities.
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<b>Intended Audience</b>	Exempt Organization Rulings and Agreements, Determinations, and Examination agents and specialists.
--------------------------	---

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## Evaluation Process

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### Level 1 Evaluation

At the end of the class, you will be asked to complete an online Level 1 Evaluation of Classroom Training. This is a very important part of the training, since the information will be used to update and improve the training materials. This evaluation form will be automatically added to your ELMS learning plan once training is completed. Please keep notes during the class to include on this form. The information will be made available to the course development team assigned to update this course and to other IRS staff reviewing this training for effectiveness and needed improvements.

**Note:** All of the questions on the Level 1 evaluation form refer to the training materials.

---

### Level 2 Evaluation

The Level 2 Evaluation, or the case study activity, for this course will cover the four chapters related to Political Campaign Intervention Activity as follows:

- Course #56385, Identification of Possible Political Campaign Intervention Activity
  - Course #56386, Political Campaign Intervention and Other Advocacy
  - Course #56387, Referral of Cases to EO Examination Classification
  - Course #56388, Political Campaign Intervention and Other Advocacy – Requesting Information
- 

### Level 3 Evaluation

In 6 to 8 weeks, you may be asked to complete a survey on how well the course materials trained you to do your job. Your manager may also receive a similar survey on how well you were prepared to do the work after training. Please take the time to complete this survey and to return it. Information from these surveys will be used during the update of the materials.

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## Political Campaign Intervention and Other Advocacy - Requesting Information

### Overview

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#### Purpose

This lesson provides information on requesting additional information for possible political campaign intervention or other advocacy activities.

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#### Introduction

The preceding lesson, *Political Campaign Intervention and Other Advocacy*, focused on distinguishing among political campaign intervention, attempts to influence legislation and other advocacy as applied to some tax-exempt organizations. It emphasized certain activities that will require an evaluation of all the facts and circumstances to determine whether they result in political campaign intervention.

The lesson also noted that all the facts and circumstances must be used to determine whether an activity is considered political campaign intervention. Because all the facts and circumstances must be considered, it may be necessary to request additional information when the information in an application is incomplete.

Throughout this lesson, it is most important to remember the policy of the Internal Revenue Service and TEGE's mission to provide Tax Exempt and Government Entities' customers with top-quality service by helping them understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all.

The IRS recognizes that organizations that advocate particular viewpoints or positions may qualify for exemption even though the viewpoints or positions being advocated are unpopular or are not generally accepted. The determining factors are not the organization's viewpoint or position but rather the purposes and activities of the organization in communicating or advancing its viewpoints.

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*Continued on next page*

## Overview, Continued

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**Lesson Format** This lesson provides information on how to request information regarding political campaign intervention and other advocacy activities. This lesson is organized into three parts:

The first part reviews Letter 1312, *Request for Additional Information*, and provides information on selective paragraphs and composed paragraphs.

The second part reviews Part K of Letter 1312, *Selective Questions Regarding Organizations Engaged in Attempting to Influence Legislation or Political Campaign Intervention*.

The third part provides information to consider when using selective questions or composing questions.

---

**Objectives** At the end of this lesson, you will be able to:

- Explain the use of Letter 1312
  - Request additional information using selective questions from Part K of Letter 1312, *Selective Questions Regarding Organizations Engaged in Attempting to Influence Legislation or Political Campaign Intervention*
  - Request additional information using general guidelines for selective questions and for composing questions
- 

*Continued on next page*

## Overview, Continued

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### Contents

This chapter contains the following topics:

Topic	See Page
Overview	1
Part I - Letter 1312, <i>Request for Additional Information</i>	4
Part II - Letter 1312, Part K, <i>Selective Questions Regarding Organizations Engaged in Attempting to Influence Legislation or Political Campaign Intervention</i>	7
Part III - Other Considerations for Using Selective Questions and Composing Questions	10
Summary	13
Exhibit A, Letter 1312, <i>Request for Additional Information</i>	15
Exhibit B, Letter 1312, <i>Information Request Enclosure</i>	17
Exhibit C, Part K of Letter 1312	19
Exhibit D, December 10, 2013, Interim Guidance Memo, <i>Processing Guidelines for Section 501(c)(3) Applications Involving Potential Political Campaign Intervention</i>	31

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## Part I - Letter 1312, *Request for Additional Information*

---

### Introduction

Organizations applying for tax exemption under certain sections of the Internal Revenue Code file either Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, or Form 1024, *Application for Recognition of Exemption Under Section 501(a) or for Determination Under Section 120*.

During the review of an application, it may be necessary for the IRS to request additional information from an applicant before issuing a determination letter. Letter 1312 is used to request additional information needed to determine if an organization qualifies for exemption.

---

### Office of Taxpayer Correspondence

The Office of Taxpayer Correspondence (OTC) is part of the Wage & Investment business unit and functions as the IRS hub for comprehensive correspondence services. OTC services range from design and development to effectiveness and downstream impact. It provides consistency, quality and plain language for notices and letters with the goal of helping taxpayers take the appropriate action to resolve their tax issues.

Exempt Organizations, with the assistance of OTC, recently revised Letter 1312. Among the changes are updates to meet Federal Plain Language Guidelines and a new structure. The structure consists of three parts:

- Letter 1312
- The information request enclosure
- A listing of selective questions

A new feature of the letter is a listing of pre-written, selectable questions that the specialist can insert into the information request enclosure. Questions are available on numerous topics that may require additional information when making a determination on exemption. While preparing the letter for an applicant, the specialist will choose certain questions needed to solicit the information for making a determination. Similar to earlier versions, the enclosure also allows for individualized, composed questions.

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## Part I - Letter 1312, Request for Additional Information, Continued

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### Letter 1312

The wording of the letter has significantly changed from the prior version. The two-page letter provides the applicant with some basic information:

- Gives notice that some additional information is needed
- Provides the contact information of the specialist reviewing the application
- Discusses some administrative information relating to the processing of exemption applications

See Exhibit A.

---

### Information Request Enclosure

The use of an enclosure to request needed information is similar to earlier versions. The new template form of the enclosure has placeholders into which the information request questions will be inserted. It also provides some general instructions for the specialist and for the applicant.

See Exhibit B.

---

### Selective Questions

Specific tax law or procedural requirements for exemption give rise to certain questions being asked on a regular basis. Activity-specific precedential guidance also results in certain information being requested frequently. Because specialists often request the same information in many different letters, it was possible to pre-write commonly asked questions. Pre-written questions help improve quality and consistency. Pre-written questions also allow for more review. EO Determinations, EO Guidance and attorneys from the Office of Chief Counsel reviewed all the pre-written questions that appear in the revised Letter 1312. These pre-written questions are referred to as “selective questions” in the letter and in this lesson.

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*Continued on next page*

## **Part I - Letter 1312, Request for Additional Information,** Continued

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### **Selective Questions** (continued)

Because the revised Letter 1312 is published for the public to see, the selective questions offer a benefit not available on earlier versions. Many of the questions are grouped based on the activity. With these questions available prior to completing an application, the public can know in advance what questions they might expect if further information is needed. Knowing these questions in advance also gives the public the opportunity to provide the information in the narrative of the activities as part of their original submission. Making an effort to include the information in the initial submission may minimize or eliminate the later need to request additional information.

---

### **Composed Questions**

Although selective questions provide many advantages, all facts and circumstances must be considered to make a determination. Pre-written questions cannot be expected to address every situation encountered in an application for exemption. If available selective questions are not sufficient, the specialist has the option to compose an original question to request the information needed to make a determination.

---

## **Part II - Letter 1312, Part K, *Selective Questions Regarding Organizations Engaged in Attempting to Influence Legislation or Political Campaign Intervention***

---

### **Introduction**

The updated version of Letter 1312 is used to request any needed additional information for all Form 1023 and Form 1024 tax exemption applications. The listing of selective questions on the template form of the letter is rather broad. It includes pre-written questions on many activities. The template version of the letter is 74 pages long. The selective questions are grouped by activity into 20 different sets of questions, Part A to Part T.

Because this lesson is specific to requesting information on potential political campaign intervention and other advocacy activities, it focuses on Part K, *Selective Questions Regarding Organizations Engaged in Attempting to Influence Legislation or Political Campaign Intervention*. Part K consists of 18 questions. See Exhibit C.

---

### **Specific Activities**

The facts and circumstances of an application determine which questions will be selected. Questions are selected only if the facts and circumstances indicate an activity has, is, or will be conducted and additional information is needed regarding that activity. Questions, based on an activity, are grouped as follows:

- K1: General question for Form 1023
  - K2-K4: Attempting to influence legislation for Form 1023
  - K5-K7: General questions
  - K8-K10: Communications, and research and surveys
  - K11-K12: Candidate forums and candidate appearances
  - K13-14: Voter registration, get out the vote drives and voter guides
  - K15-K16: Private benefit to a particular political party or inurement and/or private benefit to a candidate
  - K17: Affiliated organizations
  - K18: Grant making to other organizations
- 

*Continued on next page*

## **Part II - Letter 1312, Part K, Selective Questions Regarding Organizations Engaged in Attempting to Influence Legislation or Political Campaign Intervention, Continued**

---

### **Specific Activities (continued)**

The questions include an important instructional note for an organization that submitted Form 1024. Questions K5 through K18 are only asked if the activity in question could result in the organization not being primarily engaged in activities that further its exempt purpose. When determining primarily engaged, the activity should be considered either alone or together with other activities.

---

### **Specific Instructions**

Each of the questions includes specific instructions. It is important to read and follow the instructions. Although the instructions are question-specific, some general guidelines do apply. Be aware of the following:

- **Some questions are specific to Form 1023 or Form 1024**
  - Although Letter 1312 is used for either Form 1023 or Form 1024, selective questions in Part K change based on the application submitted. Instructions indicate that:
    - Some questions are exclusive to one form.
    - Some questions change depending on the form. For example, certain sub-questions are only used in association with Form 1024.
- **Some questions are mutually exclusive**
  - The information provided in the application determines which questions to use. Some questions are mutually exclusive, meaning when applicable, one or the other is used but not both at the same time. Questions K3 and K4 illustrate this point. Both questions request further information from a Form 1023 applicant regarding influencing legislation activities. However, question K3 applies when the organization answers “Yes” to Item 2a of Part VIII on Form 1023, while question K4 applies when there is a negative response to Item 2a of Part VIII on Form 1023. It would not make sense to ask both questions.

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*Continued on next page*



## **Part II - Letter 1312, Part K, Selective Questions Regarding Organizations Engaged in Attempting to Influence Legislation or Political Campaign Intervention, Continued**

### **Specific Instructions (continued)**

- 
- **Some questions require context**
    - Some questions require inserting language from the application. The language from the application provides context as to why the question is asked. It also focuses the applicant's attention on the activity in question, which will help the applicant provide a more complete response.
  - **Some questions require enclosures**
    - A question selected as a result of information, either provided or located through other means, should include as an enclosure a copy of the information. For provided information, the copy provides context. For non-provided information, the copy becomes part of the administrative record.
-

## Part III - Other Considerations for Using Selective Questions and Composing Questions

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### Introduction

As mentioned above, all the facts and circumstances must be considered to make a determination. Selective questions encompass commonly requested information. Yet, some of those questions may need to be modified to match the facts and circumstances of an application. Because pre-written questions could never address every information request in advance, it may be necessary to compose an original question to solicit the information needed.

Whether modifying a selective question or composing an original question, some general guidelines should be considered.

Those considerations include but are not limited to the following:

- Request information needed to make a determination
  - Request information based on tax law
  - Use correct spelling, grammar and style
  - Obtain managerial review
- 

### Request Information Needed to Make a Determination

Materiality of information to a determination depends on how significant the information is to reaching a conclusion regarding qualification for exemption. Information that is immaterial or not necessary to making a determination should not be requested.

For example, section 501(c)(3) organizations are required by the Code to meet an organizational test. Under the organizational test, the language of the purpose and dissolution clauses of the organizing document is material to the section 501(c)(3) determination. As such, additional information regarding the purpose or dissolution clauses may need to be requested. The organizing document might also contain language establishing a fundraising committee. The organizational test does not require or prohibit such a committee for exemption. Therefore, information regarding that committee would probably be immaterial to the determination and should not be requested.

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*Continued on next page*

## Part III - Other Considerations for Using Selective Questions and Composing Questions, Continued

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### **Request Information Needed to Make a Determination** (continued)

When gauging whether information is material, it may be helpful to consider whether the information requested is “need to know.” If the information is needed to make a determination, it is probably material. If the information would not affect the determination conclusion, it is likely immaterial and the information should not be requested.

Information requests are based on the facts and circumstances of an individual application.

- If the applicant already provided information answering one of the template questions (or sub-questions), do not ask the question again.
- If there is no indication that the applicant is engaged in a particular activity, do not ask the applicant questions regarding that activity.
- When asking for copies of material, be mindful of the burden placed on the applicant. If it appears that the organization would have to produce a substantial number of documents in response to a request for all documents, generally limit the request to representative samples.

---

### **Request Information Based on Tax Law**

As the discussion on materiality suggests, what to request as additional information is based on the tax law. Forming questions based on legal precedent is a good way to formulate requests for additional information.

Revenue rulings and court cases provide illustrations of how the facts and circumstances of a specific activity qualify for exemption. In revenue rulings and court cases, relevant facts are usually discussed in detail. The analysis of those relevant facts demonstrates how exemption depends favorably or unfavorably on certain facts. When developing an application with a fact pattern similar to a revenue ruling or court case, a composed question can be formed using that precedent as the basis of the additional information request.

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*Continued on next page*

## Part III - Other Considerations for Using Selective Questions and Composing Questions, Continued

---

### Use Correct Spelling, Grammar and Style

IRM 7.20.2.4.1, *Requesting Additional Information*, outlines the procedures for additional information requests. It lists several items to consider, which include tone, grammar, spelling, formatting, completeness and materiality. Therefore, taking the time to proofread additional information requests is essential to ensuring that all considerations are incorporated into the information requests. Many available resources cover these considerations in-depth. They include:

The IRS Communicators' Style Guide:

<http://irweb.irs.gov/AboutIRS/bu/cl/comm/style/default.aspx>

The Associated Press Style Guide:

<https://organization.ds.irsnet.gov/sites/cl/CLDocs/IC/style/APStyle.pdf>

The IRS Correspondence Manual:

<http://nhq.no.irs.gov/cos/Documents/IRSCorrespondenceManual.pdf>

The Federal Plain Language Guidelines:

<http://www.plainlanguage.gov/howto/guidelines/FederalPLGuidelines/index.cfm>

EO Writing Course: "EO R&A The Write Stuff," Modules 1, 2 and 3 (Centra recordings)

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### Obtain Managerial Review and Approval

For section 501(c)(3) applications, interim guidance was issued December 10, 2013. *Processing Guidelines for Section 501(c)(3) Applications Involving Potential Political Campaign Intervention* establishes procedures for using the template questions and the revised Letter 1312. Additional information request letters now require managerial review and approval plus EO Determinations Quality Assurance review and approval prior to being mailed. See Exhibit D.

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## Summary

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### Key Points

- It is most important to remember the policy of the IRS and TEGE's mission to provide Tax Exempt and Government Entities' customers with top-quality service by helping them understand and comply with applicable tax laws and to protect the public interests by applying the tax law with integrity and fairness to all.
  - The IRS recognizes that organizations that advocate particular viewpoints or positions may qualify for exemption even though the viewpoints or positions being advocated are unpopular or are not generally accepted. The determining factors are not the organization's viewpoint or position, but rather the purposes and activities of the organization in communicating or advancing its viewpoints.
  - The revised Letter 1312 incorporates pre-written selective questions into the letter to help improve quality and consistency.
  - Pre-written, selective questions could never address every information request in advance. If available selective questions are not sufficient, the specialist has the option to compose an original question to solicit the information needed to make a determination.
  - Whether selecting a pre-written question or composing a question, the specialist should consider the following:
    - Request information needed to make a determination
    - Base requests on tax law
    - Review spelling, grammar and style
-

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**Exhibit A**

Page 1 of 2



Department of the Treasury  
Internal Revenue Service  
[Insert address]  
[Insert address]

**Date:**

**Employer ID number:**

**Contact person/ID number:**

**Contact telephone number:**

**Contact fax number:**

**Response due date:**

Dear Sir or Madam:

**Why you are receiving this letter**

We need more information to complete consideration of your application for exemption.

**What you must do**

Provide responses to the questions listed on the enclosed *Information Request* using the submission instructions in the document. Your response should be submitted by the due date shown above. If you need additional time to respond, please call me at the telephone number listed at the top of this letter.

**If you don't respond**

If we don't hear from you by the due date, we'll send a letter stating your application package is in suspense.

**[Use with 501(c)(3) or IRC 521 Application]**

[Also, if you don't respond to the information request by the due date, we'll conclude that you have **not** taken all reasonable steps to complete your application for exemption. Under Internal Revenue Code Section 7428(b)(2), you must take all reasonable steps to obtain recognition of exemption under IRS procedures in a timely manner and exhaust all administrative remedies available to you within the IRS before a court can issue a declaratory judgment regarding your exempt status. If you fail to timely provide the information we need to act on your application, you may lose your rights to a declaratory judgment under Section 7428.]

**Additional information**

If you have questions, you can call me at the telephone number listed at the top of this letter. If you have concerns after speaking with me, feel free to call my supervisor, [Insert manager's name], who can be reached at [Insert manager's phone #].

Letter 1312 (Rev. 12-2013)  
Catalog Number 35183W

**Exhibit A**

Page 1 of 2

You can also contact the Taxpayer Advocate Service (TAS). TAS is an independent organization within the IRS. TAS helps taxpayers whose problems with the IRS are causing financial difficulties, who have tried but have not been able to resolve their problems with the IRS, and those who believe an IRS system or procedure is not working as it should. If you believe you are eligible for TAS assistance, call 1-877-777-4778, or for individuals who are deaf, hard of hearing, or have a speech disability, call TTY/TDD 1-800-829-4059. For more information, go to [www.irs.gov/advocate](http://www.irs.gov/advocate).

[Use with Power of Attorney]

[We sent a copy of this letter to your representative as indicated in your power of attorney.]

Sincerely,

[Specialist Name]

Exempt Organizations Specialist

Enclosures:

*Information Request*

*[Application Identification Sheet]*

Letter 1312 (Rev. 12-2013)

Catalog Number 35153W



**Exhibit B**

Page 1 of 2

**Information Request**  
**[(Insert First/Second/Third/etc.) Request]**

**Information we need to make our determination**

[Insert selective questions based on facts and circumstances considering:

- If the organization already provided information answering one of the template questions (or sub-questions), do not ask the question again.
- If there is no indication that an organization is engaged in a particular activity, do not ask the organization questions regarding that activity.
- When asking for copies of material, be mindful of the burden placed on the organization. If it appears that the organization would have to produce a substantial number of documents in response to a request for all documents, generally limit your request to representative samples.]

[Insert composed question(s) based on facts and circumstances considering same guidelines listed above.]

**How to submit the requested information (do's and don'ts)**

- **Don't include** any personal identifying information like bank account or social security numbers that could result in identity theft or other adverse consequences if publicly disclosed. If we approve your application for exemption, we're generally required by law to make the application and the information you submit in response to this letter available for public inspection. If you have questions about the public inspection of your application or other documents, please call me.
- **Do include** the following declaration with your response, signed by one of your principal officers or directors:

**Under penalties of perjury, I declare that I have examined this information, including accompanying documents, and, to the best of my knowledge and belief, the information contains all the relevant facts relating to the request for the information and such facts are true, correct, and complete.**

- **Do attach** [the enclosed *Application Identification Sheet* and] a copy of the cover letter to your response. This enables us to quickly and accurately associate your response with your case file.
- **Do fax or mail** your response to:

**Fax:**

[Fax number]  
ATT: [Specialist Name]  
[Room XXXX]  
[Group XXXX]

**US Mail:**

Internal Revenue Service  
Exempt Organizations  
[P. O. Box XXXX]  
[City, ST XXXXX]  
ATT: [Specialist Name]  
[Room XXXX]  
[Group XXXX]

**Street Address (delivery service):**

Internal Revenue Service  
Exempt Organizations  
[Street Address]  
[City, ST XXXXX]  
ATT: [Specialist Name]  
[Room XXXX]  
[Group XXXX]

- **Don't provide** multiple copies of your response. Providing more than a single response may result in unnecessary delays in processing your response. We must process, assign, and review each piece of

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**Exhibit B**

Page 1 of 2

correspondence submitted (whether fax or mail).

- **Do allow** adequate processing time if you want to call to verify we received your response. If you fax your response, allow a minimum of three workdays from the day you fax it. If you mail your response, allow a minimum of seven workdays from the day you mail it.

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## Part K of Letter 1312

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### **K. Selective Questions Regarding Organizations Engaged in Attempting to Influence Legislation or Political Campaign Intervention**

#### **Specific Questions for Form 1023, 501(c)(3) Organizations (K1 through K4)**

##### **K1: General question**

##### **K2-4: Attempting to influence legislation**

[Instruction: Ask question K1 if it appears based on the facts and circumstances that a Section 501(c)(3) applicant is better described as a Section 501(c)(4) organization.]

K1. Although you are applying for recognition as an organization described in Internal Revenue Code Section 501(c)(3), based on the information submitted, it appears that you more closely resemble a social welfare organization under Section 501(c)(4). To be tax-exempt under Section 501(c)(3), an organization must be organized and operated exclusively for exempt purposes set forth in Section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not attempt to influence legislation as a substantial part of its activities, and it may not participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office. On the other hand, a Section 501(c)(4) social welfare organization may spend 100% of its time attempting to influence legislation (so long as it is germane to the organization's social welfare purposes) and may engage in some political campaign intervention. A Section 501(c)(4) social welfare organization is also a tax-exempt organization; however, contributions are not tax-deductible.

- a. State whether or not you would like us to consider you as an organization described under Section 501(c)(4) as a social welfare organization rather than as a Section 501(c)(3) organization.
- b. If you do want us to consider you as an organization described under Section 501(c)(4), rather than a Section 501(c)(3) organization, submit a completed Form 1024, *Application for Recognition of Exemption Under Section 501(a)*, which is available on the IRS website at [www.irs.gov/Forms-&-Pubs](http://www.irs.gov/Forms-&-Pubs), *Forms & Publications*. You do not need to pay a new user fee.

[Instruction: K2 is applicable if a Section 501(c)(3) applicant indicated on Part VIII, line 2a of the Form 1023 that it will attempt to influence legislation, checked no to line 2b that it was making an election by filing Form 5768, and did not submit additional information as requested by the Form 1023.]

K2. On Part VIII, line 2a of your Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, you stated you would attempt to influence legislation. You checked no to Part VIII, line 2b of the Form 1023 but did not

**Exhibit C**  
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describe whether your attempts to influence legislation are a substantial part of your activities, including the time and money spent on your attempts to influence legislation as compared to your total activities. Please describe your attempts to influence legislation in detail and state the percentage of your total expenditures and total time spent on these activities during each of your past taxable years and an estimate of your total expenditures and total time you intend to spend on these activities in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, and other general expenditures to these activities using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.

For purposes of this question, you are attempting to influence legislation if you contact, or urge the public to contact, members of a legislative body for the purpose of proposing, supporting, or opposing legislation. For these purposes, the term “legislation” includes action by Congress, a state legislature, a local council, or a similar governing body, with respect to acts, bills, resolutions, or similar items (such as legislative confirmation of appointive offices) or by the public in referendums, ballot initiatives, constitutional amendments, or similar procedure.

[Instruction: K3 is applicable if the facts and circumstances indicate that the applicant attempts to influence legislation but it checked no to Part VIII, line 2a.]

K3. It appears you [insert description of activities set forth in the application indicating attempts to influence legislation and enclose any supporting materials that have not been submitted by applicant.] This activity appears to influence legislation, however you checked no to Part VIII, line 2a on your Form 1023. Provide the following information:

- a. Describe these activities in greater detail, including the percentage of your total expenditures and total time spent on these activities during each of your past taxable years and an estimate of your total expenditures and total time you intend to spend on these activities in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, and other general expenditures to these activities using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.
- b. Submit [representative] copies of the materials you prepare or distribute in furtherance of these activities.

[Instruction: K4 is applicable if the facts and circumstances indicate that the applicant may be an “action” organization whose purposes can only be attained by legislation (as defined in Treas. Reg. Section 1.501(c)(3)-1(c)(3)(iv)).]

K4. Your primary activity is [insert language from application]. It appears your purposes can only be attained by legislation or the defeat of proposed legislation. Explain whether

there are other means for accomplishing your purposes and if so, describe your activities in doing so.

**Potential Political Campaign Intervention Activities (Form 1023 or Form 1024) (K5 through K18)**

[Instruction: If an organization has submitted Form 1024, only ask questions in K5 through K18 if the activity at issue in the question (either alone or together with other activities) could potentially result in the organization not being primarily engaged in activities that further its exempt purpose.]

**K5-K7: General questions**

**K8-K10: Communications, and research and surveys**

**K11-K12: Candidate forums and candidate appearances**

**K13-14: Voter registration, get out the vote drives, and voter guides**

**K15-K16: Private benefit to a particular political party or inurement and/or private benefit to a candidate**

**K17: Affiliated organizations**

**K18: Grant making to other organizations**

[Instruction: Ask K5 only if a Section 501(c)(3) applicant stated on its Form 1023 that it engages in political campaign intervention activities but did not describe those activities as required by the Form.]

K5. You stated on Part VIII, line 1 of your Form 1023 that you support or oppose candidates in political campaigns, but you did not submit an explanation as required by the form. Submit a detailed explanation of your activities that support or oppose candidates in political campaigns.

[Instruction: Ask K6 only if an applicant stated on its Form 1024 that it engages in political campaign intervention activities but did not describe those activities as required by the Form.]

K6. You stated on Part II, line 15 of your Form 1024 that you spent or will spend money attempting to influence the selection, nomination, election, or appointment of any person to any federal, state, or local public office or to an office in a political organization. However, you did not submit a [detailed explanation of this activity and/or a list of the amounts to be spent] as required on the form. Please describe these activities in detail and state the percentage of your total expenditures and total time spent on these activities during each of your past taxable years and an estimate of your total expenditures and total time you intend to spend on these activities in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to these activities using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.

[Instruction: Ask K7 only if an applicant did not state on its Form 1023 or Form 1024 that it engages in political campaign intervention activities, but the facts and

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circumstances indicate that there may be an activity that does constitute political campaign intervention and there is not a category listed in this template that the activity would otherwise fall into.]

K7. You engage in [insert description of activities and enclose any supporting materials that have not been submitted by applicant]. It appears this may constitute political campaign intervention.

- a. Describe the activities in greater detail.
- b. State the percentage of your total expenditures and total spent on these activities in each of your past taxable years. Additionally, estimate the percentage of your total time and total funds you plan to spend on these activities in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to these activities using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.
- c. Submit [representative] samples of materials you prepared or distributed with regard to these activities (including materials you produced on your website or social media sites).

[Instruction: Ask K8 if there are facts and circumstances that indicate that there are communications by the organization that appear to constitute political campaign intervention and copies were either provided or located through other means]

K8. Enclosed are communication(s)/materials which appear you produced and/or distributed and which appear to constitute political campaign intervention. Did you produce or distribute this/these communication(s) or materials? If so, provide the following:

- a. The period of time during which the communication or material was distributed.
- b. The area in which the communication or material was distributed.
- c. The percentage of your total expenditures and total time spent on the communication(s)/materials during each of your past taxable years. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to these activities using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.

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[Instruction: Ask K9 if there are facts and circumstances that indicate that the organization is issuing communications that may constitute political campaign intervention, but copies are not available (i.e. the organization did not provide them, and they cannot be found through other means). If you asked question K8 above, use “(other than those described in question #),” presented in brackets below, filling in the actual question number.]

K9. Have you produced, distributed, or issued communications or materials [(other than those described in question #)] that (i) identify one or more candidates for public office and express approval or disapproval for their positions or actions; and/or (ii) reference voting in an upcoming election? If no, please answer no and you may skip the rest of this question. If yes, please provide the following:

- a. Provide a copy of any such communications or materials you have produced or distributed (including materials you produced on your website or social media sites), along with the period of time during which the communication or material was distributed, and the area in which the communication or material was distributed.
- b. For any communication or material that expressed approval or disapproval for the positions or actions of a candidate, were the issues discussed in the communication or material also discussed in communications that you distributed after the election in which the candidate was running? If so, provide or describe any such post-election communications or materials.
- c. Provide a copy of any publicly disclosable reports regarding such communications or materials that were submitted to the Federal Election Commission or other election authorities.
- d. State the percentage of your total expenditures and total time spent on each communication or material during each of your past taxable years. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to these communications using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.

[Instruction: Ask K10 only if the facts and circumstances indicate that the applicant may engage in research and survey activities that could constitute political campaign intervention.]

K10. It appears you engage in research and survey activities.

- a. Describe how you conduct your research and survey activities, including a description of how you determine survey populations and how you develop your survey questions.
- b. Describe how you distribute your survey and research results, including whether they are made available to the public.
- c. Provide [representative] copies of your survey questions and distributed research results.
- d. State the percentage of your total expenditures and total funds spent on this activity during each of your past taxable years. Additionally, estimate the percentage of your total expenditures and total time you plan to spend on this activity in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to this activity using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.

[Instruction: Ask K11 only if the facts and circumstances indicate the applicant may hold candidate forums.]

K11. It appears you hold candidate forums. With respect these forums, provide the following information:

- a. Do you invite all of the legally qualified candidates for the particular elected office to the events? If not, describe how you determine which candidates to invite.
- b. For the legally qualified candidates who did participate at your candidate forum, were each provided an equal opportunity to speak at your event?
- c. Describe how you determined what questions to ask of the candidates, including the scope of the subject matter of the questions.
- d. Describe how you determined who would present the questions to the candidates.



**Exhibit C**  
Page 7 of 11

- e. Do you state your support or opposition to any of the candidates at the event?
- f. Are candidates asked to agree or disagree with positions of the organization?
- g. Does any political fundraising take place at the event?
- h. Submit [representative] samples of materials you prepared or distributed with regard to these activities, including materials promoting the events and prepared candidate questions.
- i. **[Use for Form 1024 only]** [State the percentage of your total expenditures and total funds spent on this activity during each of your past taxable years. Additionally, estimate the percentage of your total expenditures and total time you plan to spend on this activity in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, fundraising, overhead, and other general expenditures to this activity using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.]

[Instruction: Ask K12 only if the facts and circumstances indicate that the applicant may have candidates appear at their events.]

K12. It appears you have candidates present at your events. Provide the following information:

- a. Explain whether they are appearing in their capacity as a candidate. If not, explain why they were chosen to appear.
- b. Explain whether during the course of the appearance, any references are made to the individual's candidacy or to the election.
- c. Does any political fundraising take place at the event?
- d. Submit [representative] samples of materials you prepared or distributed with regard to these activities, including materials promoting the events.
- e. **[Use for Form 1024 only]** [State the percentage of your total expenditures and total funds spent on this activity during each of your past taxable years. Additionally, estimate the percentage of your total expenditures and total time you plan to spend on this activity in the

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future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to this activity using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.]

[Instruction: Ask K13 only if the facts and circumstances indicate the applicant may engage in voter registration drives and/or get-out-the-vote drives].

K13. It appears you conduct voter registration drives and/or get-out-the-vote drives. Provide the following information about these activities:

- a. State where you conduct these activities and the criteria you use to choose the locations and/or the populations that are registered or encouraged to vote.
- b. State whether you ask questions to determine potential voters' views on issues and candidates prior to registering them to vote. If you do, please explain.
- c. Submit [representative] copies of materials you prepared or distributed with regard to these activities, including scripts, flyers, and brochures.
- d. **[Use for Form 1024 only]** [State the percentage of your total expenditures and total funds spent on this activity during each of your past taxable years. Additionally, estimate the percentage of your total expenditures and total time you plan to spend on this activity in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to this activity using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.]

[Instruction: Ask K14 only if the facts and circumstances indicate that the applicant may prepare and/or distribute voter guides.]

K14. It appears you distribute or publish voter guides. Provide the following information about this activity:

- a. Describe how you prepare your voter guide(s), including how you determine which issues are addressed in the guide(s).
- b. Do you include all legally qualified candidates in the guide(s)? If you do not, explain why and describe how you determine which candidates to include.

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- c. If you use a questionnaire to determine candidate positions, explain whether the questions contained in the questionnaire are identical to those provided in the voter guide, whether the candidates have a reasonable amount of time to respond to the questionnaire, whether candidates are given a reasonable opportunity to explain their positions in their own words, and whether the responses in the voter guide are unedited and appear in close proximity to the question to which they respond. Additionally, describe how you treat non-responders.
- d. Provide [representative] copies of the voter education guides you have prepared or distributed.
- e. **[Use for Form 1024 only]** [State the percentage of your total expenditures and total funds spent on this activity during each of your past taxable years. Additionally, estimate the percentage of your total expenditures and total time you plan to spend on this activity in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to this activity using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.]

[Instruction: Ask K15 if based on the facts and circumstances there is information to indicate that the organization might be providing a private benefit to a particular political party. As a note, it is sufficient to state that “one particular political party” and/or “one or more candidates for public office.” Do not specify by name the political parties or candidates in the question.]

K15. It appears you engage in [describe activity]. It appears this activity may be conducted primarily for the benefit of [one particular political party] [and/or] [one or more candidates for public office].

- a. Describe these activities in greater detail.
- b. State the percentage of your total expenditures and total funds spent on this activity during each of your past taxable years. Additionally, estimate the percentage of your total expenditures and total time you plan to spend on this activity in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to this activity using a reasonable method. The percentage of total time should include employee and volunteer hours.

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[Instruction: Ask K16 if based on the facts and circumstances there is information to indicate that the net earnings of the applicant may be inuring to the benefit of a candidate who is an officer, director, or founder (or a relative thereof).]

K16. Do you support a candidate for public office who is one of your founders, officers, or board members or related to one of your founders, officers, or board members? If yes, please provide the following information:

- a. A description of the individual's relationship to you.
- b. State what compensation, if any, you received from the candidate in exchange for the support and whether and how you determined that the compensation was reasonable.

[Instruction: Ask K17 if the facts and circumstances indicate that the applicant may be connected to a candidate for public office or another exempt organization and the applicant has not fully described its connection.]

K17. It appears you are affiliated with [a candidate for public office or other entities such as IRC 501(c) or 527 organizations], provide the following:

- a. The name of the candidate or the name and address of the organization(s).
- b. A detailed description of your relationship(s), including whether you work with them regularly.
- c. A statement of whether you share employees, volunteers, resources, office space, etc. with the organization(s).
- d. A copy of any agreements that you entered into with the candidate or organization(s) regarding the sharing of staff, funds, websites and/or other resources.

[Instruction: Ask K18 only if the facts and circumstances indicate that the applicant may engage in grant making to organizations other than those described in Section 501(c)(3) of the Code and that the grant funds may be used by the recipient to engage in political campaign intervention or, in the case of a grant from a Section 501(c)(3) organization, attempts to influence legislation.]

K18. It appears you make grants to organizations other than those described under Section 501(c)(3) of the Internal Revenue Code. Describe your grant making program. Your response should include the following:

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- a. What is the purpose of the grants?
- b. What is your criteria for making a grant, and how do you determine that the grants will further your exempt purposes?
- c. Describe any procedures you have for ensuring that the grantee uses the grant to further your exempt purposes.
- d. Provide [representative] copies of grant agreements and grant proposals.
- e. State the percentage of your total expenditures and total funds spent on this activity during each of your past taxable years. Additionally, estimate the percentage of your total expenditures and total time you plan to spend on this activity in the future. For purposes of calculating the percentage of expenditures, allocate salaries, administrative, overhead, fundraising, and other general expenditures to this activity using a reasonable method. For purposes of calculating the percentage of time, include volunteer as well as employee hours.

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**Exhibit D**

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**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224**

December 10, 2013

Control number: TEGE-07-1213-23  
Affected IRM: 7.20.2 and 7.20.5  
Expiration Date: December 10, 2014

**MEMORANDUM FOR EXEMPT ORGANIZATIONS DETERMINATIONS UNIT AND EXEMPT  
ORGANIZATIONS DETERMINATIONS QUALITY ASSURANCE**

**FROM:** Karen M. Schiller *KMS*  
Acting Director, Exempt Organizations, Rulings and Agreements

NR002  
cc=NR002, email=Karen.M.Schiller@n.gov  
2013.12.10 10:26:06 -0500

**SUBJECT:** Processing Guidelines for Section 501(c)(3) Applications Involving Potential Political  
Campaign Intervention

The purpose of this memorandum is to provide interim administrative guidance to the Exempt Organizations Determinations Unit (EOD) and Exempt Organizations Determinations Quality Assurance (EODQA) regarding processing and review guidelines for certain exemption applications under Section 501(c)(3). Specifically, these guidelines apply to applications for tax-exempt status under Section 501(c)(3) that indicate the organization may be involved in political campaign intervention for which additional development is necessary to determine qualification of exempt status. The following types of activities may suggest the potential for political campaign intervention (see, also, IRM 7.20.5, *Review Procedures for EO Determinations*):

- Voter registration
- Inaugural and convention host committees
- Post-election transition teams
- Voter guides
- Voter polling
- Voter education
- GOTV drives
- Events at which candidates speak
- Communications expressing approval or disapproval of candidates' positions or actions
- Other activities that appear to support or oppose candidates for public office

In the interest of effective and efficient tax administration and to assist in the transparent and consistent review of these types of applications for tax-exempt status under Section 501(c)(3), the following procedures must be followed:

1. The determination specialist will draft an additional information request letter. In accordance with applicable interim guidance and IRM 7.20.2.4.1, *Requesting Additional Information*, the specialist will ensure the information request is professional in tone, grammatically correct, free of spelling errors, formatted properly, complete, and material to the determination. The specialist should avoid asking for information that is already included in the case file. The scope of information needed will be based upon the facts and circumstances of the represented activities and

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qualification under Section 501(c)(3) of the Code. The specialist will submit the case and draft letter to his or her manager for review within five days.

2. The group manager conducts a review to ensure the additional information request letter is prepared in accordance with IRM 7.20.2.4.1 and the scope of the request appropriate within five days of receipt from the specialist. Once the group manager is satisfied the additional information letter is appropriate the case will be routed to EODQA for mandatory review following procedures in IRM 7.20.2.4.3, *Transferring Cases to Other Groups*, and IRM 7.20.5.
3. EODQA will assign the case to the next available reviewer. The reviewer will conduct an independent review of the case and the additional information request letter to ensure the scope of the request is appropriate and the letter is prepared in accordance with IRM 7.20.2.4.1 within five days of receipt from the group. If the reviewer agrees with the group manager, the reviewer will seek concurrence from the manager EODQA before sending the development letter to the applicant. The case file is returned to the originating determination specialist awaiting a response. If the reviewer and Manager EODQA disagree with the scope of the information request or find that the letter was not prepared in accordance with the IRM, a meeting will be held between the affected parties (EODQA reviewer and manager, group manager, and determination specialist) to discuss the findings. Upon agreement, the information request letter is sent to the applicant.
4. Upon receipt of a complete response from the applicant, the specialist will make a determination on the qualification of exemption under Section 501(c)(3) by preparing either the appropriate determination approval letter or a proposed adverse determination letter. In accordance with IRM 7.20.5, the proposed closed case will be returned to EODQA as a designated mandatory review case.

EOD and EODQA must follow the procedure for any Section 501(c)(3) application involving potential political campaign intervention issues beginning on the issuance date of this memo. Any questions are to be directed to Steve Bowling, Manager, Rulings and Agreements, Determinations, Area 1.

The contents of this memorandum will be incorporated into IRM 7.20.2 and IRM 7.20.5.

cc: [www.irs.gov](http://www.irs.gov)





TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224**

September 10, 2013

Control No: TEGE-07-0913-14

Affected IRM: 7.20.1

Expiration Date: September 10, 2014

**MEMORANDUM FOR EXEMPT ORGANIZATIONS DETERMINATIONS UNIT**

**FROM:** Kenneth Corbin /s/ *Ken Corbin*  
Acting Director, Exempt Organizations, TE/GE

**SUBJECT:** Interim Guidance on Referrals to EO Examinations

Currently, IRM 7.20.1 provides two separate methods of referring cases to EO Examinations. When there is a strong likelihood that there are past taxes and/or penalties due, a referral is made via Form 5666 to the EO Examinations Classification Unit (Classification), as provided by IRM 7.20.1.5.1. However, when the specialist suspects that the organization's activities might jeopardize its exempt status, but the specialist does not have sufficient cause to deny exemption, a referral is made to the EO Examinations Review of Operations (ROO) via Form 14266, as indicated in IRM 7.20.1.5.2.

It has been pointed out that IRM 4.75.5 provides that all internal referrals to EO Examinations are processed through Classification. Accordingly, EO Determinations will direct all referrals to Classification via Form 5666. The ROO will no longer accept referrals from EO Determinations. This change in procedure is effective immediately.

Any questions are to be directed to Rogelio Vera at 214-413-5411 or Mary Sheer at 513-263-4501.

The content of this memorandum will be incorporated into IRM 7.20.1.



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224**

September 10, 2013

Control No: TEGE-07-0913-14

Affected IRM: 7.20.1

Expiration Date: September 10, 2014

**MEMORANDUM FOR EXEMPT ORGANIZATIONS DETERMINATIONS UNIT**

**FROM:** Kenneth Corbin /s/ *Ken Corbin*  
Acting Director, Exempt Organizations, TE/GE

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The content of this memorandum will be incorporated into IRM 7.20.1.



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224**

September 10, 2013

Control No: TEGE-07-0913-14

Affected IRM: 7.20.1

Expiration Date: September 10, 2014

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**FROM:** Kenneth Corbin /s/ *Ken Corbin*  
Acting Director, Exempt Organizations, TE/GE

**SUBJECT:** Interim Guidance on Referrals to EO Examinations

Currently, IRM 7.20.1 provides two separate methods of referring cases to EO Examinations. When there is a strong likelihood that there are past taxes and/or penalties due, a referral is made via Form 5666 to the EO Examinations Classification Unit (Classification), as provided by IRM 7.20.1.5.1. However, when the specialist suspects that the organization's activities might jeopardize its exempt status, but the specialist does not have sufficient cause to deny exemption, a referral is made to the EO Examinations Review of Operations (ROO) via Form 14266, as indicated in IRM 7.20.1.5.2.

It has been pointed out that IRM 4.75.5 provides that all internal referrals to EO Examinations are processed through Classification. Accordingly, EO Determinations will direct all referrals to Classification via Form 5666. The ROO will no longer accept referrals from EO Determinations. This change in procedure is effective immediately.

Any questions are to be directed to Rogelio Vera at 214-413-5411 or Mary Sheer at 513-263-4501.

The content of this memorandum will be incorporated into IRM 7.20.1.

This summary discusses at a high level IRS Exempt Organizations (EO) processes with respect to examinations and compliance checks of tax exempt organizations involved in political activity.

An enforcement review of a tax exempt organization falls into one of two broad categories: examinations and compliance checks.

The IRS conducts examinations, also known as audits, which are authorized under Section 7602 of the Internal Revenue Code. An examination is a review of a taxpayer's books and records to determine tax liability, and may involve the questioning of third parties. For exempt organizations, an examination also determines an organization's qualification for tax-exempt status. EO conducts two different types of examinations: correspondence and field examinations. A correspondence examination is conducted remotely solely through the issuance of information document requests to the taxpayer by the examiner. During a field examination the examiner conducts in-person interviews of the taxpayer's representatives in addition to issuing information document requests.

A compliance check is a review to determine whether an organization is adhering to recordkeeping and information reporting requirements and/or whether an organization's activities are consistent with its stated tax-exempt purpose. Although during a compliance check the examiner may contact the taxpayer, it is not an examination since it does not involve review of the taxpayer's books and records and does not directly relate to determining a tax liability for any particular period. See Publication 4386, *Compliance Checks*, for further details.

As a result of the Advisory Committee for Tax Exempt and Government Entities (ACT) recommendation, EO established the Review of Operations (ROO) in 2005. Its initial vision was to follow-up on exempt organizations within three to five years of recognition of exemption in order to assess whether the organizations are operating as stated in their applications for exemption. The ROO conducts compliance reviews on organizations. It is authorized to determine whether an organization's activities are consistent with its stated tax-exempt purpose and whether the organization is adhering to recordkeeping and reporting requirements. However, unlike a compliance check, the ROO does not make taxpayer contact. In addition, because the ROO does not conduct an examination, it is not authorized to examine an organization's books and records or ask questions regarding tax liabilities or the organization's activities.

EO Determinations makes referrals to EO Examinations when questionable activity is likely to occur, e.g., future operations may impact exempt status, generate Unrelated Business Income (UBI) or other tax liabilities, or necessitate a change in private foundation classification (IRM 7.20.1.5.2). EO Determinations started sending referrals to the ROO in approximately July 2006. At that time, specialists in EO Determinations were required to complete a Form 6038 and a Form 6038 Attachment. In March 2009, the Form 6038 was discontinued for cases closed through the screening program and replaced with a version of Form 14261, Memorandum to File. The procedures were also changed and required the specialist to complete a Form 6038 attachment only if the specialist made a referral to the ROO. In 2011, the Form 6038 and attachments

were discontinued and replaced with the Form 14261 and Form 14266 for the ROO referrals. See IRM 7.20.1.5.2 for additional information.

The initial vision for the ROO has been expanded to include the building of cases for EO Examinations for various compliance initiatives. The initial review conducted by the ROO allows for a more focused examination thus increasing the overall effectiveness of EO Examinations. In 2011, EO began building a Dual Track process to use data analytics and referrals to determine if exempt organizations have compliance issues related to political activities. Procedures were approved in October 2012. Cases identified in the Dual Track process, including those identified through data analytics and referrals, first are routed to the ROO for case development and research. These cases then are routed to a Committee for review and decision on whether an examination is warranted. Dual Track Data Analytics and Referral examination cases were first assigned to the field late October 2012. The Director, EO suspended examination case work November 16, 2012, pending the development of additional guidance. On February 4, 2013, the directive to resume examination work was given. The first Dual Track examination case was started in March 2013.

On June 3, 2013, the new TEGE leadership team made a decision to temporarily suspend all Dual Track examinations until a review of the procedures and process is completed. During the summer of 2013, a cross functional team was created to review the selection and data analytics criteria and made recommendations. TEGE leadership is still evaluating the team's recommendations. Although several Dual-Track cases were started in March 2013, taxpayer contacts remain suspended.

In response to a congressional request, the IRS reviewed the 493 cases that were on the advocacy case tracking spreadsheet as of May 9, 2013, to determine whether they were considered by the ROO or are currently under examination. EO Examinations has received a total of 53 referrals on 24 organizations identified on the list. None of these referrals were from EO Determinations. Referrals can come from various sources, including, external stakeholders, other areas of the Federal government, and taxpayers. Eleven referrals went through the Dual Track process, and 13 referrals were determined by career civil servant classifiers not to have political allegations and thus did not go through Dual Track. Five organizations were identified through data analytics of the Dual Track process. Out of 16 Dual Track cases (11 referrals and five data analytics), 14 have been reviewed by the ROO and two are currently in the ROO review process. (See the following summary).

EO Examinations separately identified 60 organizations that were referred to EO Examinations from EO Determinations during the period of 2012 through 2013. However, EO Examinations has not taken any actions on these referrals for two reasons. First, they were not acted on because they were referrals for future year follow-ups. Second, they have not been acted on because in reviewing the ROO, Dual Track and examination processes during the summer of 2013, new TEGE leadership decided to return these referrals to EO Determinations for further review to ensure the referrals were appropriate. Accordingly, no EO Determinations referrals of political advocacy cases have resulted in review by the ROO or processing through the Dual Track system.

A. Referrals:		
1) Eleven referrals went through Dual Track process:		
a. Selected for examination: (None assigned to field groups)	b3/6103a	
b. Not selected for examination:		
c. Awaiting Committee Review:		
d. Transferred to ROO for research and review:		
2) Thirteen referrals were determined by career classifiers not to have political allegations, so did not go through the Dual Track process		
a. Selected for examination (None assigned to field groups)		
b. Not selected for examination:		
c. Awaiting classification		
B. Dual-Track Data Analytics:		
- Selected for examination (None assigned to field groups)		b3/6103a



**Lough Sunita B**

---

**From:** Lough Sunita B  
**Sent:** Friday, August 29, 2014 11:27 AM  
**To:** Coon, Justin (Finance)  
**Cc:** Oursler Leonard T  
**Subject:** RE: Dual Track summary of review - as requested  
**Attachments:** Dual Track Summary briefing (FEM 03-27-2014).doc

Hi Jason:

Sorry – sent the agenda rather than the briefing itself. Hope this addresses your question. Thanks

*Sunita*

Sunita Lough  
TE/GE Commissioner

---

**From:** Coon, Justin (Finance) [mailto:Justin\_Coon@finance.senate.gov]  
**Sent:** Friday, August 29, 2014 12:20 PM  
**To:** Lough Sunita B  
**Cc:** Oursler Leonard T  
**Subject:** RE: Dual Track summary of review - as requested

Sunita,

Thanks for your call this morning. I appreciate you and Lenny taking the time to address our question on this issue.

The document that you attached is a one-page outline of the topics that were discussed, but not the substance. Would it be possible to provide something that contains more of the discussion? It seems that the most relevant points appear in Jason Kall's part of the conference call,

b5/DP

b5/DP

Justin Coon  
Senior Oversight Counsel  
U.S. Senate Finance Committee, Minority Staff  
(202) 224-4515

---

**From:** Lough Sunita B [mailto:Sunita.B.Lough@irs.gov]  
**Sent:** Friday, August 29, 2014 12:07 PM  
**To:** Coon, Justin (Finance)  
**Cc:** Oursler Leonard T  
**Subject:** Dual Track summary of review - as requested

Hi Justin:

Attached please find an executive briefing that summarizes the review of procedures conducted by a cross functional team. I will provide an update on the "Open Pending" cases by mid-week next week. Have a great holiday weekend. Thanks

*Sunita*



Sunita Lough  
TE/GE Commissioner

**Dual Track Approach to Possible Impermissible Political Campaign Intervention  
by Exempt Organizations:  
Data Analytics and Referrals  
March 27, 2014**

**Background:**

EO has combined what it has learned from past projects on political activities with information gleaned from the redesigned Form 990 to focus its examination resources on serious allegations of impermissible political intervention. This effort has two tracks.

- **Referrals:** Exam receives allegations from outside sources that an EO has engaged in impermissible political campaign intervention
  - Cases are sent to ROO for research. ROO checks whether the case would have been identified by the queries used in the Data Analytics track, and conducts internet and other research on the organization.
  - The Political Activity Referral Committee (PARC) reviews the referral and ROO material and determines the priority level
  - Referrals regarding organizations that have not yet filed a return will go to ROO for determination of whether a return is delinquent. If delinquent the case is sent to PARC with recommendation to secure delinquent return. If a return is not due then the case is returned to classification to be set up as a future year referral.
- **Data Analytics:** Queries are run against data from the redesigned Form 990 to identify organizations engaging in possible impermissible campaign intervention. There are seven data driven categories.
  - Identified cases are sent to ROO for research
  - The PARC reviews the ROO material and determines whether the case should be selected for examination

**PARC:**

There are two PARCs, the Data Analytic PARC and Referral PARC. Both PARCs are comprised of three career civil servants with an expertise in Exempt Organizations tax law. The PARC applies criteria outlined in the procedures memorandum to determine the priority of the referrals.

**Training:**

- At the beginning of the process, a training class was held for ROO and PARC members. In addition, several subsequent conference calls to reinforce training have been held.
- Three training classes for field agents, Appeals personnel and FIU agents were held via conference call. Participants were instructed on analyzing potential impermissible political campaign intervention and lobbying (using published CPE texts, Rev. Ruls. and fact sheets).

**Program Management & Oversight:**

- Team lead is a CSCI program analyst
- The process team consists of the CSCI Program Manager, CSCI analyst, two subject matter experts (SMEs), Counsel and R&A.
- Regular calls held with the ROO agents by the project team.
- Bi-weekly calls with field agents and their managers by the project team

- All Information Document Requests on examination cases reviewed by SME and Process leader
- All closing letters will be reviewed by SME
- Counsel involved in all stages of church tax inquiry cases in accordance with IRC Sec. 7611
- Shared Drive established as repository of all process documents and information
- Weekly, the team briefs the Director of EO Examinations.
- Monthly the Director of EO Examinations briefs the Director of EO in the At A Glance meeting.

### **Current Status**

- The Dual Track process has been on pause, no taxpayer contact since June 3, 2013.
- A cross divisional team was assembled and was tasked with reviewing the EO Examinations dual track process and ensure that procedures and processes in place promote impartiality and safeguard against potential bias in the selection for examination of organizations.
- The team reviewed procedures in place and the actual operation of those procedures and identify any gaps. The Review Team determined that the dual track process as developed and implemented generally promotes impartiality in the selection of organizations for examination. The team recommended certain improvements to the process. The team feels that taxpayer contact can resume and briefed the Director of EO and the Director of EO Exam.
- The decision was made to continue the suspension pending the approval of draft directive and how it affects EO Examinations
- DT team Leader has reviewed the package for the resumption kick off call and forwarded to CE&O for review. The resumption agenda has been finalized. CE&O have approved the materials for the resumption call.
- The cover memo, DT Exam Procedures and the DT Procedures are following the IMD process for approval.
- The Director of EO has signed the decision making document for EO Exams to resume taxpayer contact. The DT team has scheduled the "kick-off" call for April 4<sup>th</sup> with the AM's, managers, PARC members, ROO, agents and Appeals.

**Judson Victoria A**

---

**From:** Judson Victoria A  
**Sent:** Thursday, June 06, 2013 6:52 PM  
**To:** Fisher David  
**Cc:** Cook Janine; Brown Susan D; Quesenberry Preston; Wilkins William J; O'Connor Jennifer M; Vorhaus David; Julianelle Michael D; Corbin Kenneth C; Maloy Heather C  
**Subject:** Description of process with two fast track letters  
**Attachments:** Proposal for Processing of Certain Exemption Applications two fast track letters 6 6 13.docx; Letter #1 6-6-2013.doc; Letter #2 6-6-2013.doc

David,

Attached is a draft description of the process you asked us to write up when we met in my office yesterday afternoon.

b5/DP

b5/DP

b5/DP

If you would like to discuss, I will be available between 8:45 and 10 tomorrow (which you previously indicated was your early window). I could also make myself available at other times that work for you.

Regards,

Vicki

**Victoria A. Judson**

Division Counsel/Associate Chief Counsel (TEGE)

Phone: 202-622-6000

Fax: 202-622-3865

















**Judson Victoria A**

---

**From:** Judson Victoria A  
**Sent:** Monday, June 10, 2013 7:29 PM  
**To:** Wilkins William J  
**Subject:** FW: Draft 501(c)(4) expedited procedure letter and representations and general review procedure  
**Attachments:** Letter - Optional Expedited Processing 6-10-2013 330 pmCLEAN.doc;  
Attachment - Optional Expedited Processing 6-10-2013 8pm CLEAN.doc; Proposal for Processing of Certain Exemption Applications 6 10 13 330pm CLEAN.docx

Any comments or thoughts are welcome.

**Victoria A. Judson**

Division Counsel/Associate Chief Counsel (TEGE)

Phone: 202-622-6000

Fax: 202-622-3865

---

**From:** Judson Victoria A  
**Sent:** Monday, June 10, 2013 8:21 PM  
**To:** Corbin Kenneth C; Fisher David  
**Cc:** Brown Susan D; Cook Janine; Quesenberry Preston; Khoury Mireille  
**Subject:** Draft 501(c)(4) expedited procedure letter and representations and general review procedure

Attached are the current drafts of the letter, representations document, and procedure.

*b5/DP*

Look forward to talking with you tomorrow.

**Victoria A. Judson**

Division Counsel/Associate Chief Counsel (TEGE)

Phone: 202-622-6000

Fax: 202-622-3865























**Judson Victoria A**

---

**From:** Judson Victoria A  
**Sent:** Tuesday, June 11, 2013 7:08 PM  
**To:** Corbin Kenneth C; Fisher David  
**Cc:** Cook Janine; Brown Susan D; Khoury Mireille; Quesenberry Preston; Wilkins William J; Corwin Erik H; Vorhaus David; Maloy Heather C  
**Subject:** Current draft of review process  
**Attachments:** Proposal for Processing of Certain Exemption Applications 6 -11-2013 8 pm.docx

Attached is a June 11 draft of the review process, updated to reflect decisions made today. There are still a few items we are checking on before finalizing.

**Victoria A. Judson**

Division Counsel/Associate Chief Counsel (TEGE)

Phone: 202-622-6000

Fax: 202-622-3865











**Lemons Terry L**

---

**From:** Lemons Terry L  
**Sent:** Saturday, June 15, 2013 10:51 AM  
**To:** Judson Victoria A; Kane Thomas J; Cook Janine; Wilkins William J; O'Connor Jennifer M; Julianelle Michael D; Corbin Kenneth C; Fisher David; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J  
**Subject:** Letter / press material  
**Attachments:** 061313backlogletterdraft.docx

Here's an initial draft of a press statement and talking points for the expedited process. Couple of things to note:

*b5/DP*

See what you think.

-----  
Sent from my BlackBerry Wireless Handheld

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**From:** Terry and [REDACTED] b6 Lemons [REDACTED] b6  
**Sent:** Saturday, June 15, 2013 11:43 AM Eastern Standard Time  
**To:** Lemons Terry L  
**Subject:**

DRAFT

IRS statement

*b5/DP*

b5/DP

Key points:

b5/DP

###





**Fisher David**

---

**From:** Fisher David  
**Sent:** Saturday, June 15, 2013 12:28 PM  
**To:** Lemons Terry L; Judson Victoria A; Kane Thomas J; Cook Janine; Wilkins William J; O'Connor Jennifer M; Julianelle Michael D; Corbin Kenneth C; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J  
**Subject:** Re: Letter / press material

Terry

b5/DP

b5/DP

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**From:** Lemons Terry L  
**Sent:** Saturday, June 15, 2013 11:50 AM  
**To:** Judson Victoria A; Kane Thomas J; Cook Janine; Wilkins William J; O'Connor Jennifer M; Julianelle Michael D; Corbin Kenneth C; Fisher David; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J  
**Subject:** Letter / press material

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b5/DP

b5/DP

See what you think.

-----  
Sent from my BlackBerry Wireless Handheld

---

**From:** Terry and b6 Lemons b6  
**Sent:** Saturday, June 15, 2013 11:43 AM Eastern Standard Time  
**To:** Lemons Terry L  
**Subject:**

DRAFT



*b5/DP*

Key points:

*b5/DP*

*b5/DP*

###

**Judson Victoria A**

---

**From:** Judson Victoria A  
**Sent:** Sunday, June 16, 2013 10:22 AM  
**To:** Fisher David; Lemons Terry L; Kane Thomas J; Cook Janine; Wilkins William J; O'Connor Jennifer M; Julianelle Michael D; Corbin Kenneth C; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille  
**Subject:** RE: Letter / press material

b5/DP

b5/DP

**Victoria A. Judson**

Division Counsel/Associate Chief Counsel (TEGE)

Phone: 202-622-6000

Fax: 202-622-3865

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**From:** Fisher David [mailto:David.Fisher@irs.gov]  
**Sent:** Saturday, June 15, 2013 1:28 PM  
**To:** Lemons Terry L; Judson Victoria A; Kane Thomas J; Cook Janine; Wilkins William J; O'Connor Jennifer M; Julianelle Michael D; Corbin Kenneth C; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J  
**Subject:** Re: Letter / press material

Terry - my concern is that

b5/DP

b5/DP

---

**From:** Lemons Terry L  
**Sent:** Saturday, June 15, 2013 11:50 AM  
**To:** Judson Victoria A; Kane Thomas J; Cook Janine; Wilkins William J; O'Connor Jennifer M; Julianelle Michael D; Corbin Kenneth C; Fisher David; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J  
**Subject:** Letter / press material

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b5/DP

*b5/DP*

See what you think.

-----  
Sent from my BlackBerry Wireless Handheld

---

**From:** Terry and [b6] Lemons [b6]  
**Sent:** Saturday, June 15, 2013 11:43 AM Eastern Standard Time  
**To:** Lemons Terry L  
**Subject:**

DRAFT

IRS statement

*b5/DP*

Key points:

*b5/DP*

*b5/DP*

###

**Lemons Terry L**

---

**From:** Lemons Terry L  
**Sent:** Sunday, June 16, 2013 1:04 PM  
**To:** Judson Victoria A; Kane Thomas J; Fisher David; Wilkins William J; Cook Janine; Julianelle Michael D; Corbin Kenneth C; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Zarín Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille  
**Subject:** Updated letter / press material  
**Attachments:** 061313backlogletterdraft1.docx

Thanks for comments. Here's updated text adding 40 percent into the statement.

Victoria - think [REDACTED] *b5/DP* will work and have updated text with that. [REDACTED] *b5/DP*  
[REDACTED] *b5/DP*

Please keep Dean Patterson copied on any comments and he will help keep on track; my schedule is a mess on Monday. Thanks.

-----  
Sent from my BlackBerry Wireless Handheld

---

**From:** Terry and [REDACTED] *b6* Lemons [REDACTED] *b6*  
**Sent:** Sunday, June 16, 2013 01:52 PM Eastern Standard Time  
**To:** Lemons Terry L  
**Subject:**

DRAFT

IRS statement

[REDACTED]

*b5/DP*

*b5/DP*

**Key points:**

*b5/DP*

###







**Wilkins William J**

---

**From:** Wilkins William J  
**Sent:** Sunday, June 16, 2013 2:12 PM  
**To:** Lemons Terry L; Judson Victoria A; Kane Thomas J; Fisher David; Cook Janine; Julianelle Michael D; Corbin Kenneth C; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille  
**Subject:** RE: Updated letter / press material

b5/DP

I think these are "key points" for follow-ups rather than text for the announcement.

---

**From:** Lemons Terry L [mailto:Terry.L.Lemons@irs.gov]  
**Sent:** Sunday, June 16, 2013 2:04 PM  
**To:** Judson Victoria A; Kane Thomas J; Fisher David; Wilkins William J; Cook Janine; Julianelle Michael D; Corbin Kenneth C; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille  
**Subject:** Updated letter / press material

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[REDACTED] b5/DP

Please keep Dean Patterson copied on any comments and he will help keep on track; my schedule is a mess on Monday. Thanks.

-----  
Sent from my BlackBerry Wireless Handheld

---

**From:** Terry and [REDACTED] b6 Lemons [REDACTED] b6  
**Sent:** Sunday, June 16, 2013 01:52 PM Eastern Standard Time  
**To:** Lemons Terry L  
**Subject:**

DRAFT

IRS statement

b5/DP

*b5/DP*

Key points:

*b5/DP*

###

**Lemons Terry L**

---

**From:** Lemons Terry L  
**Sent:** Sunday, June 16, 2013 2:32 PM  
**To:** Wilkins William J; Judson Victoria A; Kane Thomas J; Fisher David; Cook Janine; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J  
**Subject:** Re: Updated letter / press material

Bill - so that was one of the follow-up questions I had. L

b5/DP

b5/DP

Thanks.

-----  
Sent from my BlackBerry Wireless Handheld

---

**From:** Wilkins William J [mailto:William.J.Wilkins@irs.counsel.treas.gov]  
**Sent:** Sunday, June 16, 2013 03:12 PM Eastern Standard Time  
**To:** Lemons Terry L; Judson Victoria A; Kane Thomas J; Fisher David; Cook Janine; Julianelle Michael D; Corbin Kenneth C; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille  
**Subject:** RE: Updated letter / press material

b5/DP

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**From:** Lemons Terry L [mailto:Terry.L.Lemons@irs.gov]  
**Sent:** Sunday, June 16, 2013 2:04 PM  
**To:** Judson Victoria A; Kane Thomas J; Fisher David; Wilkins William J; Cook Janine; Julianelle Michael D; Corbin Kenneth C; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille  
**Subject:** Updated letter / press material

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b5/DP

b5/DP

b5/DP

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-----  
Sent from my BlackBerry Wireless Handheld

---

**From:** Terry and Lemons  
**Sent:** Sunday, June 16, 2013 01:52 PM Eastern Standard Time

b6

b6

to: Lemons Terry L

Subject:

DRAFT

IRS statement

*b5/DP*

Key points:

*b5/DP*

*b5/DP*

###

**Judson Victoria A**

---

**From:** Judson Victoria A  
**Sent:** Sunday, June 16, 2013 3:19 PM  
**To:** Lemons Terry L; Wilkins William J; Kane Thomas J; Fisher David; Cook Janine; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Quesenberry Preston; Khoury Mireille  
**Subject:** RE: Updated letter / press material  
**Attachments:** Terry Lemons edited 061613backlogletterdraft1.docx

Terry,

I took a quick stab at drafting some language to reflect the issue that Bill and I think is a key component of the procedure. Our experts may want to tweak it, but this should give you an idea. New suggested language is shown in track changes and in bold below for those using blackberries:

IRS Statement:

*b5/DP*

Added to key points:

*b5/DP*

**Victoria A. Judson**

Division Counsel/Associate Chief Counsel (TEGE)  
Phone: 202-622-6000  
Fax: 202-622-3865

---

**From:** Lemons Terry L [mailto:Terry.L.Lemons@irs.gov]  
**Sent:** Sunday, June 16, 2013 3:32 PM  
**To:** Wilkins William J; Judson Victoria A; Kane Thomas J; Fisher David; Cook Janine; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J  
**Subject:** Re: Updated letter / press material

Bill - so that was one of the follow-up questions I had.

*b5/DP*

*b5/DP*



b5/DP

Thanks.

Sent from my BlackBerry Wireless Handheld

**From:** Wilkins William J [<mailto:William.J.Wilkins@irsounsel.treas.gov>]

**Sent:** Sunday, June 16, 2013 03:12 PM Eastern Standard Time

**To:** Lemons Terry L; Judson Victoria A; Kane Thomas J; Fisher David; Cook Janine; Julianelle Michael D; Corbin Kenneth C; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille

**Subject:** RE: Updated letter / press material

Press team should be aware that, for close followers of the law in this area,

b5/DP

b5/DP

I think these are "key points" for follow-ups rather than text for the announcement.

**From:** Lemons Terry L [<mailto:Terry.L.Lemons@irs.gov>]

**Sent:** Sunday, June 16, 2013 2:04 PM

**To:** Judson Victoria A; Kane Thomas J; Fisher David; Wilkins William J; Cook Janine; Julianelle Michael D; Corbin Kenneth C; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille

**Subject:** Updated letter / press material

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b5/DP

b5/DP

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Sent from my BlackBerry Wireless Handheld

**From:** Terry and [b6] Lemons [b6]

**Sent:** Sunday, June 16, 2013 01:52 PM Eastern Standard Time

**To:** Lemons Terry L

**Subject:**

DRAFT

IRS statement

b5/DP



*b5/DP*

Key points:

*b5/DP*





**Wilkins William J**

---

**From:** Wilkins William J  
**Sent:** Sunday, June 16, 2013 4:01 PM  
**To:** Judson Victoria A  
**Subject:** Re: Updated letter / press material

*b5/DP*

---

**From:** Judson Victoria A  
**Sent:** Sunday, June 16, 2013 04:18 PM  
**To:** Lemons Terry L; Wilkins William J; Kane Thomas J; Fisher David; Cook Janine; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Quesenberry Preston; Khoury Mireille  
**Subject:** RE: Updated letter / press material

Terry,

I took a quick stab at drafting some language to reflect the issue that Bill and I think is a key component of the procedure. Our experts may want to tweak it, but this should give you an idea. New suggested language is shown in track changes and in bold below for those using blackberries:

IRS Statement:

*b5/DP*

Added to key points:

*b5/DP*

**Victoria A. Judson**

Division Counsel/Associate Chief Counsel (TEGE)  
Phone: 202-622-6000  
Fax: 202-622-3865

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**From:** Lemons Terry L [mailto:Terry.L.Lemons@irs.gov]  
**Sent:** Sunday, June 16, 2013 3:32 PM  
**To:** Wilkins William J; Judson Victoria A; Kane Thomas J; Fisher David; Cook Janine; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J

**Subject:** Re: Updated letter / press material

b5/DP

Thanks.

-----  
Sent from my BlackBerry Wireless Handheld

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**From:** Wilkins William J [<mailto:William.J.Wilkins@irsounsel.treas.gov>]

**Sent:** Sunday, June 16, 2013 03:12 PM Eastern Standard Time

**To:** Lemons Terry L; Judson Victoria A; Kane Thomas J; Fisher David; Cook Janine; Julianelle Michael D; Corbin Kenneth C; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille

**Subject:** RE: Updated letter / press material

Press team should be aware that, for close followers of the law in this area,

b5/DP

b5/DP

I think these are "key points" for follow-ups rather than text for the announcement.

---

**From:** Lemons Terry L [<mailto:Terry.L.Lemons@irs.gov>]

**Sent:** Sunday, June 16, 2013 2:04 PM

**To:** Judson Victoria A; Kane Thomas J; Fisher David; Wilkins William J; Cook Janine; Julianelle Michael D; Corbin Kenneth C; O'Connor Jennifer M; Eldridge Michelle L; Patterson Dean J; Zarin Roberta B; Partner Melaney J; Quesenberry Preston; Khoury Mireille

**Subject:** Updated letter / press material

Thanks for comments. Here's updated text adding 40 percent into the statement.

Victoria - think [REDACTED] will work and have updated text with that.

b5/DP

b5/DP

b5/DP

Please keep Dean Patterson copied on any comments and he will help keep on track; my schedule is a mess on Monday. Thanks.

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Sent from my BlackBerry Wireless Handheld

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**From:** Terry and [REDACTED] b6 Lemons [REDACTED] b6

**Sent:** Sunday, June 16, 2013 01:52 PM Eastern Standard Time

**To:** Lemons Terry L

**Subject:**

DRAFT

IRS statement

b5/DP

*b5/DP*

*b5/DP*

Key points:

*b5/DP*

###













TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224**

May 17, 2012

**MEMORANDUM FOR MANAGER, EO DETERMINATIONS**

**FROM:** Holly Paz *Is/ Holly Paz*  
Director, EO Rulings and Agreements

**SUBJECT:** Be On the Look Out (BOLO) Spreadsheet

The purpose of this memorandum is to set forth the procedures to be used with regard to the Be On the Look Out (BOLO) spreadsheet.

Abusive Transactions and Fraud Issues, Emerging Issues, and Coordinated Processing<sup>1</sup> cases will all be tracked on a single combined Be On the Look Out (BOLO) spreadsheet.

- (a) The spreadsheet is maintained to enable EO Determinations specialists to be informed about the current status of abusive transactions and fraud issues, emerging issues, coordination, and watch issues, and to process cases in a consistent manner.
- (b) Abusive Transactions and Fraud Issues, Emerging Issues, and Coordinated Processing will each occupy a separate tab of the spreadsheet.
- (c) A fourth tab, the "Watch List" will list recent developments such as changes in the law, current events, or specific issues that EO Determinations management believes has the potential to impact the filing of applications.

The Emerging Issues coordinator will maintain the combined spreadsheet including:

- (a) Creating original entries for new emerging issues and entering them on the appropriate tab of the spreadsheet.
- (b) Creating original entries for new coordinated processing cases and entering them on the appropriate tab of the spreadsheet.
- (c) Receiving issue updates from the abusive transaction and fraud group and entering them on the appropriate tab of the spreadsheet.

---

<sup>1</sup> Coordinated Processing cases are cases that present similar issues and thus are to be handled by a single team or group in order to facilitate consistency.

(d) Receiving "Watch List" updates from senior management and entering them on the appropriate tab of the spreadsheet.

(e) Updating the spreadsheet as necessary.

All original entries and updates to the BOLO must be approved by the group manager of the Emerging Issues Coordinator. The group manager of the Emerging Issues Coordinator must obtain the approval of the Manager, EO Determinations to all original entries and updates to the BOLO. The Manager, EO Determinations must obtain the approval of the Director, EO Rulings & Agreements to all original entries and updates to the BOLO.

Only after the approval of the group manager of the Emerging Issues Coordinator, the Manager, EO Determinations and Director, EO Rulings & Agreements have been obtained will EO Determinations groups be notified of new or updated Watch List items, Potential Abusive Transaction and Fraud Issues, Emerging Issues, and Coordinated Processing cases through single e-mail alerts. The Emerging Issues coordinator is responsible for issuing all e-mail alerts after all of the required approvals have been obtained.

The most recent updated copy of the spreadsheet will be posted on the EO Determinations shared drive folder.

The content of this memorandum will be incorporated in IRM 7.20.4.



**Department of the Treasury**  
**Internal Revenue Service**  
P.O. Box 2508, Room 4106  
Cincinnati, OH 45201

**Date:**

**Employer ID number:**

**Person to contact:**

**Contact telephone number:**

**Contact fax number:**

**Employee ID number:**

Dear [Applicant]:

The IRS is instituting an optional expedited process for organizations applying for recognition of exemption under Section 501(c)(4) whose applications have been pending with the IRS for more than 120 days as of May 28, 2013. Organizations can make representations to the IRS under penalties of perjury regarding their past, current, and future activities and receive a determination letter based on those representations. Your application is otherwise complete.

If you choose to apply for this expedited process, complete and return pages 5-7, *Representations and Specific Instructions*. We will send you a favorable determination letter within 2 weeks of receipt of the signed representations.

Determination letters issued under the optional process will be based on the representations of the organization and may not be relied upon if the organization's activities are different from what is represented to the IRS. The representations are subject to verification on audit. Organizations that don't make the representations will have their applications reviewed based on the legal standards applied to all the facts and circumstances.

If you can make the representations required for eligibility under this optional process and want to participate, please follow the instructions set forth at the end of this letter, *Optional Expedited Process for Certain Exemption Applications Under Section 501(c)(4)*. Send the signed representations within 45 days from the date of this letter to the address below:

Internal Revenue Service  
P.O. Box 2508, Room 4106  
Cincinnati, OH 45201

You can send the information by fax to [ ] your filing. Do not send an additional copy by mail.

]. Your fax signature becomes a permanent part of

If you have questions, you can contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely,

[Name ]  
[Title ]

## **Optional Expedited Process for Certain Exemption Applications Under Section 501(c)(4)**

In the interest of effective and efficient tax administration and to assist in the transparent and consistent review of applications for tax-exempt status under Section 501(c)(4), the IRS is offering an optional expedited process for organizations that have submitted 501(c)(4) applications. This optional expedited process is currently available only to applicants for 501(c)(4) status with applications pending for more than 120 days as of May 28, 2013, that indicate the organization may be involved in political campaign intervention.

In this optional process, an organization will represent that it satisfies, and will continue to satisfy, set percentages with respect to the level of its social welfare activities and political campaign intervention activities (as defined in the specific instructions on pages 5-7). These percentage representations are not an interpretation of law but are a safe harbor for those organizations that choose to participate in the optional process.

Under this optional expedited process, an applicant will be presumed to be primarily engaged in activities that promote social welfare based on certain additional representations (on pages 5-7) made by the organization regarding its past, present, and future activities. Like the Form 1024 exemption application itself, these representations are signed on behalf of the organization under penalties of perjury. Applicants that provide the representations will receive a favorable determination letter within two weeks of receipt of the representations.

Importantly, this is an optional process. The standards and thresholds reflected in the representations are criteria for eligibility for expedited processing rather than new legal requirements. No inference will be drawn from an organization's choice not to participate. An organization that declines to make the representations will have its application reviewed under the regular process in which the IRS looks to all facts and circumstances to determine whether an organization primarily engages in activities that promote social welfare.

Like all organizations receiving a favorable determination of exempt status, organizations participating in this optional expedited process may be subject to examination by the IRS and the organization's exempt status may be revoked if, and as of the tax year in which, the facts and circumstances indicate exempt status is no longer warranted. An organization that receives a determination letter under this expedited process may rely on its determination letter as long as its activities are consistent with its application for exemption and the representations, and the determination letter will expressly indicate that the letter was based on the representations. An organization may no longer rely on the determination letter issued under this optional



expedited process as of the tax year in which its activities (including the amount of expenditures incurred or time spent on particular activities) cease to be consistent with its application for exemption and any of the representations, if the applicable legal standards change, or if the determination letter is revoked. If the organization determines that it continues to be described in Section 501(c)(4) notwithstanding the fact that its activities are no longer consistent with the representations below, it may continue to take the position that it is described in Section 501(c)(4) and file Form 990, *Return of Organization Exempt From Income Tax*, but it must notify the IRS about such representations ceasing to be correct on Schedule O, *Supplemental Information*, of the Form 990.

## Representations and Specific Instructions

1. During each past tax year of the organization, during the current tax year, and during each future tax year in which the organization intends to rely on a determination letter issued under the optional expedited process, the organization has spent and anticipates that it will spend 60% or more of *both* the organization's total expenditures *and* its total time (measured by employee and volunteer hours) on activities that promote the social welfare (within the meaning of Section 501(c)(4) and the regulations thereunder).
2. During each past tax year of the organization, during the current tax year, and during each future tax year in which the organization intends to rely on a determination letter issued under the optional expedited process, the organization has spent and anticipates that it will spend less than 40% of *both* the organization's total expenditures *and* its total time (measured by employee and volunteer hours) on direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office (within the meaning of the regulations under Section 501(c)(4)).

### Specific instructions

For purposes of these representations, "total expenditures" include administrative, overhead, and other general expenditures. An organization may allocate those expenditures among its activities using any reasonable method.

For purposes of these representations, activities that promote the social welfare do not include any expenditure incurred or time spent by the organization on--

- Any activity that benefits select individuals or groups rather than the community as a whole;
- Direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office;
- Operating a social club for the benefit, pleasure, or recreation of the organization's members; and
- Carrying on a business with the general public in a manner similar to organizations operated for profit.

For purposes of these representations, direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office (“candidate”) includes any expenditure incurred or time spent by the organization on:

- Any written (printed or electronic) or oral statement supporting (or opposing) the election or nomination of a candidate;
- Financial or other support provided to (or the solicitation of such support on behalf of) any candidate, political party, political committee, or Section 527 organization;
- Conducting a voter registration drive that selects individuals to assist on the basis of their preference for a particular candidate or party;
- Conducting a “get-out-the-vote” drive that selects individuals to assist on the basis of their preference for a particular candidate or (in the case of general elections) a particular party;
- Distributing material prepared by a candidate, political party, political committee, or Section 527 organization; and
- Preparing and distributing a voter guide that rates favorably or unfavorably one or more candidates.

In addition, *solely* for purposes of determining an organization’s eligibility under this optional expedited process, direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate includes any expenditure incurred or time spent by the organization on:

- Any public communication within 60 days prior to a general election or 30 days prior to a primary election that identifies a candidate in the election. For this purpose, “public communication” means a communication by means of any broadcast, cable, or satellite communication; newspaper, magazine, or other periodical (excluding any periodical distributed only to the organization’s dues paying members); outdoor advertising facility, mass mailing, or telephone bank to the general public; and communications placed for a fee on another person’s Internet website;
- Conducting an event at which only one candidate is, or candidates of only one party are, invited to speak; and
- Any grant to an organization described in Section 501(c) if the recipient of the grant engages in political campaign intervention.<sup>1</sup>

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<sup>1</sup> An organization may rely on a representation from an authorized officer of the recipient if the organization does not know whether the recipient engages in any political campaign intervention and may assume that a Section 501(c)(3) organization does not engage in political campaign intervention.

Although other activities may constitute direct or indirect participation or intervention in a political campaign (see Revenue Ruling 2007-41 for examples of factors to consider), representations may be based on the specific activities described in these instructions.

*Under penalties of perjury, I declare that I am authorized to sign these representations on behalf of the above organization, and that to the best of my knowledge and belief, the facts stated in the representations are true, correct, and complete.*

---

Signature of officer, director, trustee or other authorized official

---

Date

---

Title and printed name

---

Organization name and Employer Identification Number





















































































































TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224**

May 17, 2012

**MEMORANDUM FOR MANAGER, EO DETERMINATIONS**

**FROM:** Holly Paz *Is/ Holly Paz*  
Director, EO Rulings and Agreements

**SUBJECT:** Be On the Look Out (BOLO) Spreadsheet

The purpose of this memorandum is to set forth the procedures to be used with regard to the Be On the Look Out (BOLO) spreadsheet.

Abusive Transactions and Fraud Issues, Emerging Issues, and Coordinated Processing<sup>1</sup> cases will all be tracked on a single combined Be On the Look Out (BOLO) spreadsheet.

- (a) The spreadsheet is maintained to enable EO Determinations specialists to be informed about the current status of abusive transactions and fraud issues, emerging issues, coordination, and watch issues, and to process cases in a consistent manner.
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The Emerging Issues coordinator will maintain the combined spreadsheet including:

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---

<sup>1</sup> Coordinated Processing cases are cases that present similar issues and thus are to be handled by a single team or group in order to facilitate consistency.



(d) Receiving "Watch List" updates from senior management and entering them on the appropriate tab of the spreadsheet.

(e) Updating the spreadsheet as necessary.

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Only after the approval of the group manager of the Emerging Issues Coordinator, the Manager, EO Determinations and Director, EO Rulings & Agreements have been obtained will EO Determinations groups be notified of new or updated Watch List items, Potential Abusive Transaction and Fraud Issues, Emerging Issues, and Coordinated Processing cases through single e-mail alerts. The Emerging Issues coordinator is responsible for issuing all e-mail alerts after all of the required approvals have been obtained.

The most recent updated copy of the spreadsheet will be posted on the EO Determinations shared drive folder.

The content of this memorandum will be incorporated in IRM 7.20.4.



**Department of the Treasury**  
**Internal Revenue Service**  
P.O. Box 2508, Room 4106  
Cincinnati, OH 45201

**Date:**

**Employer ID number:**

**Person to contact:**

**Contact telephone number:**

**Contact fax number:**

**Employee ID number:**

Dear [Applicant]:

The IRS is instituting an optional expedited process for organizations applying for recognition of exemption under Section 501(c)(4) whose applications have been pending with the IRS for more than 120 days as of May 28, 2013. Organizations can make representations to the IRS under penalties of perjury regarding their past, current, and future activities and receive a determination letter based on those representations. Your application is otherwise complete.

If you choose to apply for this expedited process, complete and return pages 5-7, *Representations and Specific Instructions*. We will send you a favorable determination letter within 2 weeks of receipt of the signed representations.

Determination letters issued under the optional process will be based on the representations of the organization and may not be relied upon if the organization's activities are different from what is represented to the IRS. The representations are subject to verification on audit. Organizations that don't make the representations will have their applications reviewed based on the legal standards applied to all the facts and circumstances.

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Cincinnati, OH 45201

You can send the information by fax to [ ] your filing. Do not send an additional copy by mail.

]. Your fax signature becomes a permanent part of

If you have questions, you can contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely,

[Name ]  
[Title ]

## **Optional Expedited Process for Certain Exemption Applications Under Section 501(c)(4)**

In the interest of effective and efficient tax administration and to assist in the transparent and consistent review of applications for tax-exempt status under Section 501(c)(4), the IRS is offering an optional expedited process for organizations that have submitted 501(c)(4) applications. This optional expedited process is currently available only to applicants for 501(c)(4) status with applications pending for more than 120 days as of May 28, 2013, that indicate the organization may be involved in political campaign intervention.

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Like all organizations receiving a favorable determination of exempt status, organizations participating in this optional expedited process may be subject to examination by the IRS and the organization's exempt status may be revoked if, and as of the tax year in which, the facts and circumstances indicate exempt status is no longer warranted. An organization that receives a determination letter under this expedited process may rely on its determination letter as long as its activities are consistent with its application for exemption and the representations, and the determination letter will expressly indicate that the letter was based on the representations. An organization may no longer rely on the determination letter issued under this optional

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2. During each past tax year of the organization, during the current tax year, and during each future tax year in which the organization intends to rely on a determination letter issued under the optional expedited process, the organization has spent and anticipates that it will spend less than 40% of *both* the organization's total expenditures *and* its total time (measured by employee and volunteer hours) on direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office (within the meaning of the regulations under Section 501(c)(4)).

### Specific instructions

For purposes of these representations, "total expenditures" include administrative, overhead, and other general expenditures. An organization may allocate those expenditures among its activities using any reasonable method.

For purposes of these representations, activities that promote the social welfare do not include any expenditure incurred or time spent by the organization on--

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- Direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office;
- Operating a social club for the benefit, pleasure, or recreation of the organization's members; and
- Carrying on a business with the general public in a manner similar to organizations operated for profit.

For purposes of these representations, direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office (“candidate”) includes any expenditure incurred or time spent by the organization on:

- Any written (printed or electronic) or oral statement supporting (or opposing) the election or nomination of a candidate;
- Financial or other support provided to (or the solicitation of such support on behalf of) any candidate, political party, political committee, or Section 527 organization;
- Conducting a voter registration drive that selects individuals to assist on the basis of their preference for a particular candidate or party;
- Conducting a “get-out-the-vote” drive that selects individuals to assist on the basis of their preference for a particular candidate or (in the case of general elections) a particular party;
- Distributing material prepared by a candidate, political party, political committee, or Section 527 organization; and
- Preparing and distributing a voter guide that rates favorably or unfavorably one or more candidates.

In addition, *solely* for purposes of determining an organization’s eligibility under this optional expedited process, direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate includes any expenditure incurred or time spent by the organization on:

- Any public communication within 60 days prior to a general election or 30 days prior to a primary election that identifies a candidate in the election. For this purpose, “public communication” means a communication by means of any broadcast, cable, or satellite communication; newspaper, magazine, or other periodical (excluding any periodical distributed only to the organization’s dues paying members); outdoor advertising facility, mass mailing, or telephone bank to the general public; and communications placed for a fee on another person’s Internet website;
- Conducting an event at which only one candidate is, or candidates of only one party are, invited to speak; and
- Any grant to an organization described in Section 501(c) if the recipient of the grant engages in political campaign intervention.<sup>1</sup>

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<sup>1</sup> An organization may rely on a representation from an authorized officer of the recipient if the organization does not know whether the recipient engages in any political campaign intervention and may assume that a Section 501(c)(3) organization does not engage in political campaign intervention.

Although other activities may constitute direct or indirect participation or intervention in a political campaign (see Revenue Ruling 2007-41 for examples of factors to consider), representations may be based on the specific activities described in these instructions.

*Under penalties of perjury, I declare that I am authorized to sign these representations on behalf of the above organization, and that to the best of my knowledge and belief, the facts stated in the representations are true, correct, and complete.*

---

Signature of officer, director, trustee or other authorized official

---

Date

---

Title and printed name

---

Organization name and Employer Identification Number

































































































































































































































































































































































































































































































































































































Obtained by Judicial Watch, Inc. via FOIA  
**DEPARTMENT OF THE TREASURY**  
**INTERNAL REVENUE SERVICE**  
**Washington, D.C. 20224**

July 18, 2013

Control No: TEGE-07-0713-12

Affected IRM: 7.20.2

Expiration Date: 7-18-2014

**MEMORANDUM FOR EXEMPT ORGANIZATION DETERMINATIONS UNIT AND  
EXEMPT ORGANIZATIONS TECHNICAL UNIT**

**FROM:** Kenneth Corbin */s/ Ken Corbin*  
Director, Exempt Organizations, TE/GE

**SUBJECT:** Amendment to Interim Guidance on Optional Expedited Process for Certain  
Exemption Applications Under Section 501(c)(4)

On June 25, 2013, I issued a memorandum (the "June 2013 memorandum") that provides interim administrative guidance to Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit regarding an optional expedited process for applicants for 501(c)(4) status with applications pending for more than 120 days as of May 28, 2013 that indicate the organization may be involved in political campaign intervention or issue advocacy ("identified pending applications"). Steps 1 and 2 of the process set forth in that June 2013 memorandum instruct Exempt Organizations Determinations to refer identified pending applications to Exempt Organizations Technical for technical assistance. The purpose of this Amendment is to instruct Exempt Organizations Determinations to formally transfer those identified pending applications to Exempt Organization Technical rather than referring them for technical assistance. This change renders unnecessary the formal transfer described in Step 3 of the June 2013 memorandum.

Those identified pending applications raising inurement concerns (described in Step 1) have already been formally transferred to Exempt Organizations Technical in the Exempt Organizations Determination System (EDS) and the TE/GE Rulings & Agreements Control System (TRAC). As for the remaining identified pending applications (those that have been mailed a letter offering the optional expedited process), the case files for these pending applications have been sent to Exempt Organizations Technical and their case status updated in the TRAC system to status 12 (assistance within EO/EP) but the applications are still formally assigned to Exempt Organizations Determinations. The EDS and TRAC codes are being changed to reflect a formal transfer to Exempt Organizations Technical and all of the codes for all identified pending applications should reflect a formal transfer as of July 18, 2013. The EDS status code should be updated to status 52 (open inventory) and the specialist code changed to show that the case has been assigned to a Tax Law Specialist in EO



Technical. Additionally, the TRAC codes should be changed from work code status 12 (assistance w/in EP/EO) to work code status 01e (initial applications).

Because all identified pending applications have been formally transferred to Exempt Organizations Technical, the favorable determination letters described in Step 2 will be issued by Exempt Organizations Technical rather than Exempt Organizations Determinations.

Exempt Organizations Determinations and Exempt Organizations Technical must follow this Amendment for the identified pending applications beginning July 18, 2013. Any questions are to be directed to Karen Schiller, Director, Rulings and Agreements, Exempt Organizations, TE/GE.

The content of this memorandum will be incorporated in IRM 7.20.2.

cc: [www.irs.gov](http://www.irs.gov)



Obtained by Judicial Watch, Inc. via FOIA  
**DEPARTMENT OF THE TREASURY**  
**INTERNAL REVENUE SERVICE**  
**Washington, D.C. 20224**

December 23, 2013

Control No: TEGE-07-1213-24  
Affected IRM: IRM 7.20.2  
Expiration Date: December 23, 2014

**MEMORANDUM FOR EXEMPT ORGANIZATIONS DETERMINATIONS UNIT AND  
EXEMPT ORGANIZATIONS TECHNICAL UNIT EMPLOYEES**

**FROM:** Kenneth C. Corbin /s/ *Kenneth C. Corbin*  
Acting Director, Exempt Organizations, TE/GE

**SUBJECT:** Expansion of Optional Expedited Process for Certain Exemption  
Applications Under Section 501(c)(4)

The purpose of this memorandum is to expand, update and amend the interim administrative guidance to the Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit regarding an optional expedited process for certain exemption applications under section 501(c)(4), which was first outlined in my memorandum dated June 25, 2013, Control No. TEGE-07-0613-08, and amended by a memorandum dated July 18, 2013, Control No. TEGE-07-0713-12.

In the interest of effective and efficient tax administration and to assist in the transparent and consistent review of applications for tax-exempt status under section 501(c)(4), the IRS has been offering an optional expedited process for organizations that have submitted 501(c)(4) applications. Until now, this optional expedited process has been available only to applicants for 501(c)(4) status with applications pending for more than 120 days as of May 28, 2013 that indicate the organization may be involved in political campaign intervention or issue advocacy and that do not present any private inurement issues. The optional expedited process will now be offered to include all applicants for 501(c)(4) status (as opposed to only those with applications pending for more than 120 days as of May 28, 2013) whose applications indicate the organization could potentially be engaged in political campaign intervention or in providing private benefit to a political party and that otherwise do not present any issues with regard to exempt status.

The Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit must follow the attached procedures for the identified pending applications effective the date of this memorandum. Any questions are to be directed to the Director, Rulings and Agreements, Exempt Organizations, TE/GE.

The content of this memorandum will be incorporated in IRM 7.20.2.

Attachment: Optional Expedited Process for Certain Exemption Applications  
Under Section 501(c)(4)

cc: [www.irs.gov](http://www.irs.gov)

## **Optional Expedited Process for Certain Exemption Applications Under Section 501(c)(4)**

Outlined below are the steps of a process for achieving expedited and fair processing of certain exemption applications under section 501(c)(4), specifically, those applications for section 501(c)(4) exemption that indicate the organization could potentially be engaged in political campaign intervention or providing private benefit to a political party (hereinafter, "pending applications") and that otherwise do not present any issues with regard to exempt status.

### **Step 1: IRS Reviews for Issues Other than Political Issues**

The IRS will promptly review all pending applications to ensure that the application (1) is complete, (2) does not indicate any private inurement, and (3) does not present any other potential issues other than possible political campaign intervention or private benefit to a political party (hereinafter, collectively, "political issues").

If there are no issues other than possible political issues, the pending application will proceed to step 2.

If there are issues other than possible political issues, Exempt Organizations Determinations will prepare and send out a development letter seeking additional information on those other issues and informing the applicant it is eligible for the optional expedited process if/when such other issues are resolved. If the applicant sends a response that resolves these other open issues (i.e., the open issues other than the political issues) such that these issues are no longer a bar to granting exemption under § 501(c)(4), the pending application will proceed to step 2.

If any pending applications are determined ready to be granted favorable status, Exempt Organizations Determinations will proceed to issuing the favorable determination letter and steps 2 through 5 will not apply to such applications.

### **Step 2: Offering Optional Expedited Process**

By letter to the applicant (Letter 5228), Exempt Organizations Determinations will provide an optional expedited process for all pending applications for which there are no issues other than political issues. The optional expedited process will permit these applicants to make representations under penalties of perjury regarding their past, current, and anticipated future political campaign intervention and social welfare activity. If the applicant makes the specified representations, Exempt Organizations Determinations will send the applicant a favorable determination letter without further review and within one month of receipt of the signed representations.

This process is optional; applicants can determine whether they want to provide the representations, assuming they are able to do so, or whether they want the IRS to continue to review their application with regard to the possible political issues.

Letter 5228 will request a response by the applicant within 45 days.

### Step 3: IRS Processing of Applications

**Optional Expedited Process**— Exempt Organizations Determinations will send any applicant that provides the representations under penalties of perjury a favorable determination within one month of receiving the signed representations. Like all organizations receiving a favorable determination of exempt status, the organization may be subject to examination by the IRS and the organization's exempt status may be revoked if, and as of the tax year in which, the facts and circumstances indicate exempt status is no longer warranted. Revocation may be retroactive to the date of formation if the facts and circumstances indicate the representations were not accurate. An organization may no longer rely on the determination letter issued as part of this optional expedited process for any tax year in which its activities are no longer consistent with the representations, if the applicable legal standards change, or if the determination letter is revoked. If the organization determines that it continues to be described in section 501(c)(4) notwithstanding the fact that its activities are no longer consistent with the representations, it may continue to take the position that it is described in section 501(c)(4) and file Form 990, *Return of Organization Exempt From Income Tax*, but it must notify the IRS about such representations ceasing to be correct on Schedule O, *Supplemental Information*, of the Form 990.

An organization receiving Letter 5228 that provides the representations may be referred to Exempt Organizations Classification (using Form 5666) for subsequent review.

**Regular Process**—If an applicant received Letter 5228 and does not provide the additional representations under the optional expedited process within 45 days from the date of the letter, Exempt Organizations Determinations will formally transfer the pending application to Exempt Organizations Technical, and Exempt Organizations Technical will review and process the pending application under Steps 4 and 5.

### Step 4: Reviewing the Pending Application Under the Regular Process – Documenting Review and Recommendations

Review of the pending applications under the regular process will include review by Exempt Organizations Technical and (in some cases, as explained below) Chief Counsel attorneys and a newly formed Advocacy Application Review Committee ("Review Committee") comprised of three career executives from the IRS and the Office of Chief Counsel.<sup>1</sup>

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<sup>1</sup> The Committee will be comprised of the Director, EO; Commissioner (TE/GE); and Division Counsel/Associate Chief Counsel (TEGE), or their delegates.

Exempt Organizations Technical will review the facts and circumstances in the pending application and any other materials to determine if the organization is operated primarily for social welfare purposes, including by evaluating the possible political issues. The issues will be analyzed as quickly as possible under current law, using available resources in applying the law to the facts.

Under the regular process, Exempt Organizations Technical will document<sup>2</sup> its review of the pending application and its recommendation regarding a favorable or adverse determination.

**Favorable Recommendation:** If Exempt Organizations Technical determines the applicant is ready to be recognized as described in section 501(c)(4), Exempt Organizations Technical will issue the applicant a favorable determination.

**Request for Additional Information:** If Exempt Organizations Technical determines that it needs to request additional information regarding the possible political issues, Exempt Organizations Technical will prepare and send a letter requesting additional information.

**Adverse Recommendation:** If Exempt Organizations Technical's recommendation (either initially or after receiving a response to a request for additional information) is for an adverse determination, Chief Counsel attorneys will review the application and documentation of the recommendation. If Chief Counsel attorneys disagree with the recommendation, they will provide a brief explanation of their views and send the application to the Review Committee. If Chief Counsel attorneys agree with the recommendation, they will assist Exempt Organizations Technical in preparing the proposed adverse determination letter and will follow normal processes in communicating with the applicant to offer an adverse conference (which would be provided on an expedited basis). If the adverse conference results in a changed recommendation to a favorable determination, Exempt Organizations Technical will issue the favorable determination, unless Exempt Organizations Technical or Chief Counsel attorneys recommend further review by the Review Committee.

If the adverse conference is held and does not result in a changed recommendation, the pending application will be sent to the Review Committee in Step 5.

## **Step 5: Committee Review of Adverse Recommendations**

If, after Step 4, Exempt Organizations Technical and Chief Counsel attorneys recommend an adverse determination or conclude that additional review is needed, the Review Committee will review the application, the documentation of the recommendations at all levels, the proposed adverse determination (if any), and any

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<sup>2</sup> Documentation will be done consistently through a template; reviewer will be noted by an identifying number rather than by name.

additional information from the adverse conference (if any). The Review Committee will apply the law to the facts presented and evaluate whether the applicant has satisfied the requirements for exemption under 501(c)(4).

With respect to an adverse recommendation, if the Review Committee concurs, Exempt Organizations Technical will issue an adverse determination. If the Review Committee does not agree, the Review Committee will instruct Exempt Organizations Technical to issue a favorable determination.

In any case, the Review Committee may recommend referral to the Exempt Organizations Classification (using Form 5666) for subsequent review.



**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Washington, D.C. 20224**

June 25, 2013

Control No: TEGE-07-0613-08  
Affected IRM: IRM 7.20.2  
Expiration Date: 06-25-2014

**MEMORANDUM FOR EXEMPT ORGANIZATION DETERMINATIONS UNIT AND  
EXEMPT ORGANIZATIONS TECHNICAL UNIT**

**FROM:** Kenneth Corbin /s/  
Director, Exempt Organizations, TE/GE

**SUBJECT:** Interim Guidance on Optional Expedited Process for Certain Exemption  
Applications Under Section 501(c)(4)

The purpose of this memorandum is to provide interim administrative guidance to Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit regarding an optional expedited process for certain exemption applications under section 501(c)(4).

In the interest of effective and efficient tax administration and to assist in the transparent and consistent review of applications for tax-exempt status under section 501(c)(4), the IRS is offering an optional expedited process for organizations that have submitted 501(c)(4) applications. This optional expedited process is currently available only to applicants for 501(c)(4) status with applications pending for more than 120 days as of May 28, 2013 that indicate the organization may be involved in political campaign intervention or issue advocacy ("identified pending applications").

Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit must follow the attached procedures for the identified pending applications beginning June 13, 2013. Any questions are to be directed to Karen Schiller, Director, Rulings and Agreements, Exempt Organizations, TE/GE.

The content of this memorandum will be incorporated in IRM 7.20.2.

cc: [www.irs.gov](http://www.irs.gov)

## **Optional Expedited Process for Certain Exemption Applications Under Section 501(c)(4)**

Outlined below are the steps of a new process for achieving expedited and fair processing of certain exemption applications under section 501(c)(4), specifically, those applications for section 501(c)(4) exemption that have been pending 120 or more days since filing as of May 28, 2013 and that indicate the organization may be involved in political campaign intervention or issue advocacy (hereinafter, "pending applications").

### **Step 1: IRS Ensures Reviews for Private Inurement**

The IRS will promptly review all signed pending applications to ensure the case does not indicate any private inurement.

If there are no private inurement concerns, the pending application will proceed to step 2. If there are concerns with private inurement, the pending application will be referred to Exempt Organizations Technical for technical assistance with regard to private inurement issues after completion of Step 1 for all other pending applications.

If any pending applications are determined ready to be granted favorable status, Exempt Organizations Determinations will proceed to issuing the favorable determination letter and steps 2 through 5 will not apply to such applications.

### **Step 2: Offering Expedited Option Process**

By letter to the applicant, Exempt Organizations Determinations will provide an optional expedited process for all pending applications for which there are no indications of private inurement. The expedited option process will permit these applicants to make representations under penalties of perjury regarding their past, current, and anticipated future political campaign intervention and social welfare activity and the IRS would then issue favorable determination letters regarding these applications without further review. The favorable determination letter will be issued within two weeks of receipt of the signed representations by Exempt Organizations Determinations.

This process would be optional; applicants could determine whether they want to provide the representations, assuming they are able to do so, or whether they want the IRS to continue to review their application with regard to political campaign intervention or advocacy issues and requirements for section 501(c)(4) status.

The expedited option letter will request a response by the applicant within 45 days. During the period in which the applicant is considering the expedited option process, Exempt Organizations Determinations will refer the pending applications to Exempt



Organizations Technical for technical assistance. During this period, Exempt Organizations Technical, with assistance from Chief Counsel attorneys, will review the pending applications for purposes of making a proposed recommendation should the applicant not provide the expedited option representations. If Exempt Organizations Technical and Chief Counsel attorneys determine a favorable determination is warranted, Exempt Organizations Technical will instruct Exempt Organizations Determinations to issue a favorable determination letter and steps 3 through 5 will not apply to such application.<sup>1</sup>

### **Step 3: IRS Processing of Applications**

**Expedited Option Process**—Any applicant that provides the representations under penalties of perjury will receive a favorable determination from Exempt Organizations Determinations within 2 weeks of receiving the signed representations. Like all organizations receiving a favorable determination of exempt status, the organization may be subject to examination by the IRS and the organization's exempt status may be revoked if, and as the tax year in which, the facts and circumstances indicate exempt status is no longer warranted. Revocation may be retroactive to the date of formation if the facts and circumstances indicate the representations were not accurate. An organization may no longer rely on the determination letter issued as part of this expedited option process for any tax year in which its activities are no longer consistent with the representations, if the applicable legal standards change, or if the determination letter is revoked. If the organization determines that it continues to be described in section 501(c)(4) notwithstanding the fact that its activities are no longer consistent with the representations, it may continue to take the position that it is described in section 501(c)(4) and file Form 990, Return of Organization Exempt From Income Tax, but it must notify the IRS about such representations ceasing to be correct on Schedule O, *Supplemental Information*, of the Form 990.

An organization receiving the expedited option letter that provides the representations may be referred to the Review of Operations Unit for subsequent review.

**Regular Process**—If an applicant received the expedited option letter and does not provide the additional representations under the expedited option process within 45 days from the date of the letter, Exempt Organizations Determinations

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<sup>1</sup> The favorable determination letter will include an addendum that will instruct the applicant to disregard the expedited option letter.

will formally transfer<sup>2</sup> the pending application to Exempt Organizations Technical and Exempt Organizations Technical will review and process the pending application under Steps 4 and 5.

#### **Step 4: Reviewing the Pending Application under the Regular Process-- Documenting Review and Recommendations**

Review of the pending applications under the regular process will include review by Exempt Organizations Technical, Chief Counsel attorneys, and (in some cases) a newly formed Advocacy Application Review Committee (Review Committee) comprised of 3 career executives from the IRS and the Office of Chief Counsel.<sup>3</sup>

Exempt Organizations Technical will review the facts and circumstances in the pending application and any other materials to determine if the organization is operated primarily for social welfare purposes, including by evaluating the amount of political campaign intervention activity. The issues will be analyzed as quickly as possible under current law, using available resources in applying the law to the facts.

Under the regular process, Exempt Organizations Technical will document<sup>4</sup> its review of the pending application and its recommendation regarding a favorable or adverse determination.

**Favorable Recommendation:** If the recommendation is for a favorable determination, Chief Counsel attorneys will review the application and documentation of the recommendation. If Chief Counsel attorneys concur with the recommendation, Exempt Organizations Technical will issue the favorable determination, except in close cases in which Exempt Organizations Technical or Chief Counsel attorneys determine further review is warranted and send the favorable determination recommendation to the Review Committee. Any level of review may note a recommendation, or review an earlier level's recommendation, regarding referral to the Review of Operations Unit. If Chief Counsel attorneys do not agree with the favorable determination recommendation, the application will be sent to the Review Committee for further review.

**Adverse Recommendation:** If the recommendation is for an adverse determination, Chief Counsel attorneys will review the application and

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<sup>2</sup> These pending applications have already been referred to Exempt Organizations Technical in Step 2.

<sup>3</sup> The Committee will be comprised of the Director, EO; Commissioner (TE/GE); and Division Counsel/Associate Chief Counsel (TEGE), or their delegates.

<sup>4</sup> Documentation will be done consistently through a template; reviewer will be noted by an identifying number rather than by name.

documentation of the recommendation. If Chief Counsel attorneys disagree with the recommendation, they will provide a brief explanation of their views and send the application to the Review Committee. If Chief Counsel attorneys agree with the recommendation, they will assist Exempt Organizations Technical in preparing the proposed adverse determination letter and will follow normal processes in communicating with the applicant to offer an adverse conference (which would be provided on an expedited basis). If the adverse conference results in a changed recommendation to a favorable determination, Exempt Organizations Technical will issue the favorable determination, unless Exempt Organizations Technical or Chief Counsel attorneys recommend further review by the Review Committee.

If the adverse conference is held and does not result in a changed recommendation, the pending application will be sent to the Review Committee in Step 5.

## **Step 5: Committee Review of Adverse Recommendations and Difficult Cases Regarding Favorable Determinations**

If, after Step 4, Exempt Organizations Technical and Chief Counsel attorneys recommend an adverse determination or conclude that additional review is needed regarding a potential favorable determination, the Review Committee will review the application, the documentation of the recommendations at all levels, the proposed adverse determination (if any), and any additional information from the adverse conference (if any). The Review Committee will apply the law to the facts presented and evaluate whether the applicant has satisfied the requirements for exemption under 501(c)(4).

With respect to an adverse recommendation, if the Review Committee concurs, Exempt Organizations Technical will issue an adverse determination. If the Review Committee does not agree, the Review Committee will instruct Exempt Organizations Technical to issue a favorable determination.

With respect to a favorable recommendation, if the Review Committee concurs, Exempt Organizations Technical will issue a favorable determination. If the Review Committee does not agree, the Review Committee will instruct Exempt Organizations Technical to issue a proposed adverse determination and follow the normal process with regard to an adverse conference. Any additional information presented in an adverse conference will be shared with the Review Committee for consideration prior to issuance of any final adverse determination.

In any case, the Review Committee may recommend referral to the Review of Operations Unit for subsequent review.



Obtained by Judicial Watch, Inc. via FOIA  
**DEPARTMENT OF THE TREASURY**  
**INTERNAL REVENUE SERVICE**  
**Washington, D.C. 20224**

July 18, 2013

Control No: TEGE-07-0713-12  
Affected IRM: 7.20.2  
Expiration Date: 7-18-2014

**MEMORANDUM FOR EXEMPT ORGANIZATION DETERMINATIONS UNIT AND  
EXEMPT ORGANIZATIONS TECHNICAL UNIT**

**FROM:** Kenneth Corbin */s/ Ken Corbin*  
Director, Exempt Organizations, TE/GE

**SUBJECT:** Amendment to Interim Guidance on Optional Expedited Process for Certain  
Exemption Applications Under Section 501(c)(4)

On June 25, 2013, I issued a memorandum (the "June 2013 memorandum") that provides interim administrative guidance to Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit regarding an optional expedited process for applicants for 501(c)(4) status with applications pending for more than 120 days as of May 28, 2013 that indicate the organization may be involved in political campaign intervention or issue advocacy ("identified pending applications"). Steps 1 and 2 of the process set forth in that June 2013 memorandum instruct Exempt Organizations Determinations to refer identified pending applications to Exempt Organizations Technical for technical assistance. The purpose of this Amendment is to instruct Exempt Organizations Determinations to formally transfer those identified pending applications to Exempt Organization Technical rather than referring them for technical assistance. This change renders unnecessary the formal transfer described in Step 3 of the June 2013 memorandum.

Those identified pending applications raising inurement concerns (described in Step 1) have already been formally transferred to Exempt Organizations Technical in the Exempt Organizations Determination System (EDS) and the TE/GE Rulings & Agreements Control System (TRAC). As for the remaining identified pending applications (those that have been mailed a letter offering the optional expedited process), the case files for these pending applications have been sent to Exempt Organizations Technical and their case status updated in the TRAC system to status 12 (assistance within EO/EP) but the applications are still formally assigned to Exempt Organizations Determinations. The EDS and TRAC codes are being changed to reflect a formal transfer to Exempt Organizations Technical and all of the codes for all identified pending applications should reflect a formal transfer as of July 18, 2013. The EDS status code should be updated to status 52 (open inventory) and the specialist code changed to show that the case has been assigned to a Tax Law Specialist in EO

Technical. Additionally, the TRAC codes should be changed from work code status 12 (assistance w/in EP/EO) to work code status 01e (initial applications).

Because all identified pending applications have been formally transferred to Exempt Organizations Technical, the favorable determination letters described in Step 2 will be issued by Exempt Organizations Technical rather than Exempt Organizations Determinations.

Exempt Organizations Determinations and Exempt Organizations Technical must follow this Amendment for the identified pending applications beginning July 18, 2013. Any questions are to be directed to Karen Schiller, Director, Rulings and Agreements, Exempt Organizations, TE/GE.

The content of this memorandum will be incorporated in IRM 7.20.2.

cc: [www.irs.gov](http://www.irs.gov)



Obtained by Judicial Watch, Inc. via FOIA  
**DEPARTMENT OF THE TREASURY**  
**INTERNAL REVENUE SERVICE**  
**Washington, D.C. 20224**

December 23, 2013

Control No: TEGE-07-1213-24  
Affected IRM: IRM 7.20.2  
Expiration Date: December 23, 2014

**MEMORANDUM FOR EXEMPT ORGANIZATIONS DETERMINATIONS UNIT AND  
EXEMPT ORGANIZATIONS TECHNICAL UNIT EMPLOYEES**

**FROM:** Kenneth C. Corbin /s/ *Kenneth C. Corbin*  
Acting Director, Exempt Organizations, TE/GE

**SUBJECT:** Expansion of Optional Expedited Process for Certain Exemption  
Applications Under Section 501(c)(4)

The purpose of this memorandum is to expand, update and amend the interim administrative guidance to the Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit regarding an optional expedited process for certain exemption applications under section 501(c)(4), which was first outlined in my memorandum dated June 25, 2013, Control No. TEGE-07-0613-08, and amended by a memorandum dated July 18, 2013, Control No. TEGE-07-0713-12.

In the interest of effective and efficient tax administration and to assist in the transparent and consistent review of applications for tax-exempt status under section 501(c)(4), the IRS has been offering an optional expedited process for organizations that have submitted 501(c)(4) applications. Until now, this optional expedited process has been available only to applicants for 501(c)(4) status with applications pending for more than 120 days as of May 28, 2013 that indicate the organization may be involved in political campaign intervention or issue advocacy and that do not present any private inurement issues. The optional expedited process will now be offered to include all applicants for 501(c)(4) status (as opposed to only those with applications pending for more than 120 days as of May 28, 2013) whose applications indicate the organization could potentially be engaged in political campaign intervention or in providing private benefit to a political party and that otherwise do not present any issues with regard to exempt status.

The Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit must follow the attached procedures for the identified pending applications effective the date of this memorandum. Any questions are to be directed to the Director, Rulings and Agreements, Exempt Organizations, TE/GE.

The content of this memorandum will be incorporated in IRM 7.20.2.

Attachment: Optional Expedited Process for Certain Exemption Applications  
Under Section 501(c)(4)

cc: [www.irs.gov](http://www.irs.gov)

## **Optional Expedited Process for Certain Exemption Applications Under Section 501(c)(4)**

Outlined below are the steps of a process for achieving expedited and fair processing of certain exemption applications under section 501(c)(4), specifically, those applications for section 501(c)(4) exemption that indicate the organization could potentially be engaged in political campaign intervention or providing private benefit to a political party (hereinafter, "pending applications") and that otherwise do not present any issues with regard to exempt status.

### **Step 1: IRS Reviews for Issues Other than Political Issues**

The IRS will promptly review all pending applications to ensure that the application (1) is complete, (2) does not indicate any private inurement, and (3) does not present any other potential issues other than possible political campaign intervention or private benefit to a political party (hereinafter, collectively, "political issues").

If there are no issues other than possible political issues, the pending application will proceed to step 2.

If there are issues other than possible political issues, Exempt Organizations Determinations will prepare and send out a development letter seeking additional information on those other issues and informing the applicant it is eligible for the optional expedited process if/when such other issues are resolved. If the applicant sends a response that resolves these other open issues (i.e., the open issues other than the political issues) such that these issues are no longer a bar to granting exemption under § 501(c)(4), the pending application will proceed to step 2.

If any pending applications are determined ready to be granted favorable status, Exempt Organizations Determinations will proceed to issuing the favorable determination letter and steps 2 through 5 will not apply to such applications.

### **Step 2: Offering Optional Expedited Process**

By letter to the applicant (Letter 5228), Exempt Organizations Determinations will provide an optional expedited process for all pending applications for which there are no issues other than political issues. The optional expedited process will permit these applicants to make representations under penalties of perjury regarding their past, current, and anticipated future political campaign intervention and social welfare activity. If the applicant makes the specified representations, Exempt Organizations Determinations will send the applicant a favorable determination letter without further review and within one month of receipt of the signed representations.

This process is optional; applicants can determine whether they want to provide the representations, assuming they are able to do so, or whether they want the IRS to continue to review their application with regard to the possible political issues.

Letter 5228 will request a response by the applicant within 45 days.



### Step 3: IRS Processing of Applications

**Optional Expedited Process**— Exempt Organizations Determinations will send any applicant that provides the representations under penalties of perjury a favorable determination within one month of receiving the signed representations. Like all organizations receiving a favorable determination of exempt status, the organization may be subject to examination by the IRS and the organization's exempt status may be revoked if, and as of the tax year in which, the facts and circumstances indicate exempt status is no longer warranted. Revocation may be retroactive to the date of formation if the facts and circumstances indicate the representations were not accurate. An organization may no longer rely on the determination letter issued as part of this optional expedited process for any tax year in which its activities are no longer consistent with the representations, if the applicable legal standards change, or if the determination letter is revoked. If the organization determines that it continues to be described in section 501(c)(4) notwithstanding the fact that its activities are no longer consistent with the representations, it may continue to take the position that it is described in section 501(c)(4) and file Form 990, *Return of Organization Exempt From Income Tax*, but it must notify the IRS about such representations ceasing to be correct on Schedule O, *Supplemental Information*, of the Form 990.

An organization receiving Letter 5228 that provides the representations may be referred to Exempt Organizations Classification (using Form 5666) for subsequent review.

**Regular Process**—If an applicant received Letter 5228 and does not provide the additional representations under the optional expedited process within 45 days from the date of the letter, Exempt Organizations Determinations will formally transfer the pending application to Exempt Organizations Technical, and Exempt Organizations Technical will review and process the pending application under Steps 4 and 5.

### Step 4: Reviewing the Pending Application Under the Regular Process – Documenting Review and Recommendations

Review of the pending applications under the regular process will include review by Exempt Organizations Technical and (in some cases, as explained below) Chief Counsel attorneys and a newly formed Advocacy Application Review Committee ("Review Committee") comprised of three career executives from the IRS and the Office of Chief Counsel.<sup>1</sup>

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<sup>1</sup> The Committee will be comprised of the Director, EO; Commissioner (TE/GE); and Division Counsel/Associate Chief Counsel (TEGE), or their delegates.

Exempt Organizations Technical will review the facts and circumstances in the pending application and any other materials to determine if the organization is operated primarily for social welfare purposes, including by evaluating the possible political issues. The issues will be analyzed as quickly as possible under current law, using available resources in applying the law to the facts.

Under the regular process, Exempt Organizations Technical will document<sup>2</sup> its review of the pending application and its recommendation regarding a favorable or adverse determination.

**Favorable Recommendation:** If Exempt Organizations Technical determines the applicant is ready to be recognized as described in section 501(c)(4), Exempt Organizations Technical will issue the applicant a favorable determination.

**Request for Additional Information:** If Exempt Organizations Technical determines that it needs to request additional information regarding the possible political issues, Exempt Organizations Technical will prepare and send a letter requesting additional information.

**Adverse Recommendation:** If Exempt Organizations Technical's recommendation (either initially or after receiving a response to a request for additional information) is for an adverse determination, Chief Counsel attorneys will review the application and documentation of the recommendation. If Chief Counsel attorneys disagree with the recommendation, they will provide a brief explanation of their views and send the application to the Review Committee. If Chief Counsel attorneys agree with the recommendation, they will assist Exempt Organizations Technical in preparing the proposed adverse determination letter and will follow normal processes in communicating with the applicant to offer an adverse conference (which would be provided on an expedited basis). If the adverse conference results in a changed recommendation to a favorable determination, Exempt Organizations Technical will issue the favorable determination, unless Exempt Organizations Technical or Chief Counsel attorneys recommend further review by the Review Committee.

If the adverse conference is held and does not result in a changed recommendation, the pending application will be sent to the Review Committee in Step 5.

## **Step 5: Committee Review of Adverse Recommendations**

If, after Step 4, Exempt Organizations Technical and Chief Counsel attorneys recommend an adverse determination or conclude that additional review is needed, the Review Committee will review the application, the documentation of the recommendations at all levels, the proposed adverse determination (if any), and any

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<sup>2</sup> Documentation will be done consistently through a template; reviewer will be noted by an identifying number rather than by name.

additional information from the adverse conference (if any). The Review Committee will apply the law to the facts presented and evaluate whether the applicant has satisfied the requirements for exemption under 501(c)(4).

With respect to an adverse recommendation, if the Review Committee concurs, Exempt Organizations Technical will issue an adverse determination. If the Review Committee does not agree, the Review Committee will instruct Exempt Organizations Technical to issue a favorable determination.

In any case, the Review Committee may recommend referral to the Exempt Organizations Classification (using Form 5666) for subsequent review.



**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Washington, D.C. 20224**

June 25, 2013

Control No: TEGE-07-0613-08  
Affected IRM: IRM 7.20.2  
Expiration Date: 06-25-2014

**MEMORANDUM FOR EXEMPT ORGANIZATION DETERMINATIONS UNIT AND  
EXEMPT ORGANIZATIONS TECHNICAL UNIT**

**FROM:** Kenneth Corbin /s/  
Director, Exempt Organizations, TE/GE

**SUBJECT:** Interim Guidance on Optional Expedited Process for Certain Exemption  
Applications Under Section 501(c)(4)

The purpose of this memorandum is to provide interim administrative guidance to Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit regarding an optional expedited process for certain exemption applications under section 501(c)(4).

In the interest of effective and efficient tax administration and to assist in the transparent and consistent review of applications for tax-exempt status under section 501(c)(4), the IRS is offering an optional expedited process for organizations that have submitted 501(c)(4) applications. This optional expedited process is currently available only to applicants for 501(c)(4) status with applications pending for more than 120 days as of May 28, 2013 that indicate the organization may be involved in political campaign intervention or issue advocacy ("identified pending applications").

Exempt Organizations Determinations Unit and Exempt Organizations Technical Unit must follow the attached procedures for the identified pending applications beginning June 13, 2013. Any questions are to be directed to Karen Schiller, Director, Rulings and Agreements, Exempt Organizations, TE/GE.

The content of this memorandum will be incorporated in IRM 7.20.2.

cc: [www.irs.gov](http://www.irs.gov)

## **Optional Expedited Process for Certain Exemption Applications Under Section 501(c)(4)**

Outlined below are the steps of a new process for achieving expedited and fair processing of certain exemption applications under section 501(c)(4), specifically, those applications for section 501(c)(4) exemption that have been pending 120 or more days since filing as of May 28, 2013 and that indicate the organization may be involved in political campaign intervention or issue advocacy (hereinafter, "pending applications").

### **Step 1: IRS Ensures Reviews for Private Inurement**

The IRS will promptly review all signed pending applications to ensure the case does not indicate any private inurement.

If there are no private inurement concerns, the pending application will proceed to step 2. If there are concerns with private inurement, the pending application will be referred to Exempt Organizations Technical for technical assistance with regard to private inurement issues after completion of Step 1 for all other pending applications.

If any pending applications are determined ready to be granted favorable status, Exempt Organizations Determinations will proceed to issuing the favorable determination letter and steps 2 through 5 will not apply to such applications.

### **Step 2: Offering Expedited Option Process**

By letter to the applicant, Exempt Organizations Determinations will provide an optional expedited process for all pending applications for which there are no indications of private inurement. The expedited option process will permit these applicants to make representations under penalties of perjury regarding their past, current, and anticipated future political campaign intervention and social welfare activity and the IRS would then issue favorable determination letters regarding these applications without further review. The favorable determination letter will be issued within two weeks of receipt of the signed representations by Exempt Organizations Determinations.

This process would be optional; applicants could determine whether they want to provide the representations, assuming they are able to do so, or whether they want the IRS to continue to review their application with regard to political campaign intervention or advocacy issues and requirements for section 501(c)(4) status.

The expedited option letter will request a response by the applicant within 45 days. During the period in which the applicant is considering the expedited option process, Exempt Organizations Determinations will refer the pending applications to Exempt

Organizations Technical for technical assistance. During this period, Exempt Organizations Technical, with assistance from Chief Counsel attorneys, will review the pending applications for purposes of making a proposed recommendation should the applicant not provide the expedited option representations. If Exempt Organizations Technical and Chief Counsel attorneys determine a favorable determination is warranted, Exempt Organizations Technical will instruct Exempt Organizations Determinations to issue a favorable determination letter and steps 3 through 5 will not apply to such application.<sup>1</sup>

### **Step 3: IRS Processing of Applications**

**Expedited Option Process**—Any applicant that provides the representations under penalties of perjury will receive a favorable determination from Exempt Organizations Determinations within 2 weeks of receiving the signed representations. Like all organizations receiving a favorable determination of exempt status, the organization may be subject to examination by the IRS and the organization's exempt status may be revoked if, and as the tax year in which, the facts and circumstances indicate exempt status is no longer warranted. Revocation may be retroactive to the date of formation if the facts and circumstances indicate the representations were not accurate. An organization may no longer rely on the determination letter issued as part of this expedited option process for any tax year in which its activities are no longer consistent with the representations, if the applicable legal standards change, or if the determination letter is revoked. If the organization determines that it continues to be described in section 501(c)(4) notwithstanding the fact that its activities are no longer consistent with the representations, it may continue to take the position that it is described in section 501(c)(4) and file Form 990, Return of Organization Exempt From Income Tax, but it must notify the IRS about such representations ceasing to be correct on Schedule O, *Supplemental Information*, of the Form 990.

An organization receiving the expedited option letter that provides the representations may be referred to the Review of Operations Unit for subsequent review.

**Regular Process**—If an applicant received the expedited option letter and does not provide the additional representations under the expedited option process within 45 days from the date of the letter, Exempt Organizations Determinations

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<sup>1</sup> The favorable determination letter will include an addendum that will instruct the applicant to disregard the expedited option letter.

will formally transfer<sup>2</sup> the pending application to Exempt Organizations Technical and Exempt Organizations Technical will review and process the pending application under Steps 4 and 5.

#### **Step 4: Reviewing the Pending Application under the Regular Process-- Documenting Review and Recommendations**

Review of the pending applications under the regular process will include review by Exempt Organizations Technical, Chief Counsel attorneys, and (in some cases) a newly formed Advocacy Application Review Committee (Review Committee) comprised of 3 career executives from the IRS and the Office of Chief Counsel.<sup>3</sup>

Exempt Organizations Technical will review the facts and circumstances in the pending application and any other materials to determine if the organization is operated primarily for social welfare purposes, including by evaluating the amount of political campaign intervention activity. The issues will be analyzed as quickly as possible under current law, using available resources in applying the law to the facts.

Under the regular process, Exempt Organizations Technical will document<sup>4</sup> its review of the pending application and its recommendation regarding a favorable or adverse determination.

**Favorable Recommendation:** If the recommendation is for a favorable determination, Chief Counsel attorneys will review the application and documentation of the recommendation. If Chief Counsel attorneys concur with the recommendation, Exempt Organizations Technical will issue the favorable determination, except in close cases in which Exempt Organizations Technical or Chief Counsel attorneys determine further review is warranted and send the favorable determination recommendation to the Review Committee. Any level of review may note a recommendation, or review an earlier level's recommendation, regarding referral to the Review of Operations Unit. If Chief Counsel attorneys do not agree with the favorable determination recommendation, the application will be sent to the Review Committee for further review.

**Adverse Recommendation:** If the recommendation is for an adverse determination, Chief Counsel attorneys will review the application and

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<sup>2</sup> These pending applications have already been referred to Exempt Organizations Technical in Step 2.

<sup>3</sup> The Committee will be comprised of the Director, EO; Commissioner (TE/GE); and Division Counsel/Associate Chief Counsel (TEGE), or their delegates.

<sup>4</sup> Documentation will be done consistently through a template; reviewer will be noted by an identifying number rather than by name.

documentation of the recommendation. If Chief Counsel attorneys disagree with the recommendation, they will provide a brief explanation of their views and send the application to the Review Committee. If Chief Counsel attorneys agree with the recommendation, they will assist Exempt Organizations Technical in preparing the proposed adverse determination letter and will follow normal processes in communicating with the applicant to offer an adverse conference (which would be provided on an expedited basis). If the adverse conference results in a changed recommendation to a favorable determination, Exempt Organizations Technical will issue the favorable determination, unless Exempt Organizations Technical or Chief Counsel attorneys recommend further review by the Review Committee.

If the adverse conference is held and does not result in a changed recommendation, the pending application will be sent to the Review Committee in Step 5.



## **Step 5: Committee Review of Adverse Recommendations and Difficult Cases Regarding Favorable Determinations**

If, after Step 4, Exempt Organizations Technical and Chief Counsel attorneys recommend an adverse determination or conclude that additional review is needed regarding a potential favorable determination, the Review Committee will review the application, the documentation of the recommendations at all levels, the proposed adverse determination (if any), and any additional information from the adverse conference (if any). The Review Committee will apply the law to the facts presented and evaluate whether the applicant has satisfied the requirements for exemption under 501(c)(4).

With respect to an adverse recommendation, if the Review Committee concurs, Exempt Organizations Technical will issue an adverse determination. If the Review Committee does not agree, the Review Committee will instruct Exempt Organizations Technical to issue a favorable determination.

With respect to a favorable recommendation, if the Review Committee concurs, Exempt Organizations Technical will issue a favorable determination. If the Review Committee does not agree, the Review Committee will instruct Exempt Organizations Technical to issue a proposed adverse determination and follow the normal process with regard to an adverse conference. Any additional information presented in an adverse conference will be shared with the Review Committee for consideration prior to issuance of any final adverse determination.

In any case, the Review Committee may recommend referral to the Review of Operations Unit for subsequent review.





























































































































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# Our Plan

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## TE/GE's Contribution to One IRS

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FY 2010 to FY 2014

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## A Message to the TE/GE Family

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Dear Colleagues:

I am delighted to share this Plan. It is the product of deep thinking about how the important work of TE/GE fits in with the wider IRS. We in TE/GE have very diverse and specialized programs and sometimes we can lose track of how we contribute to the IRS and how well our values and direction align with the core mission and goals of the Agency. By tracking from our local day-to-day issues through to the widest IRS goals, and by linking the IRS objectives and strategies to our own activities, we will collaborate across the IRS to:

- Leverage our and others' resources to achieve shared goals,
- Articulate specialized TE/GE issues within the IRS in ways that resonate with others,
- Adopt best practices from across the Agency, and
- Craft practical solutions to all kinds of challenges.

This is not a separate "TE/GE Strategic Plan". Rather, this is a "map" that we can use over time to make sure that we are focusing on the right themes and goals – both for TE/GE and for the IRS. During FY 2010, we held a series of meetings in which we challenged ourselves to (1) identify TE/GE in every part of the IRS Strategic Plan, and (2) make sure that key TE/GE programs and plans aligned with the IRS Plan.

Many who participated in the meetings found it to be an eye-opening experience and were pleased with the way in which TE/GE integrated with the IRS-wide plan without losing our own character and diversity. I invite you to look through the Plan and ask yourself:

- Can you see your work in multiple locations in the Plan?
- Do you see your needs referenced in one or more objectives or strategies?
- Does the Plan capture what you think is important for us to succeed?

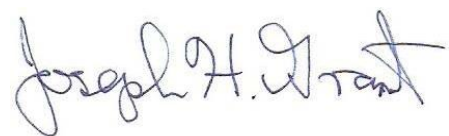
Just as some groups engaged in this exercise in FY 2010, I am inviting all of us, whether in group meetings or individually, to engage on these questions. It is through this ongoing discussion that we can realize the full benefits of our collective thinking and talents in delivering our mission.

Please send your thoughts or comments to the \*TE/GE Feedback mailbox. We look forward to hearing from you.

Thank you,



Sarah H Ingram  
Commissioner, TE/GE



Joseph H. Grant  
Deputy Commissioner, TE/GE

## TE/GE Vision

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We serve tax exempt and government entities by anticipating and timely meeting their need to understand and comply with their tax responsibilities. We preserve the public trust through a balance of service and enforcement. We maintain a challenging and exciting work environment that encourages collaboration and celebrates accomplishments.

## Trends in the tax-exempt and governmental sectors

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TE/GE confronts the same societal, demographic and economic changes that affect all of IRS. *Our Plan* outlines how TE/GE will address these challenges and opportunities, both as part of the IRS and with our unique customers and issues.

### **Increasing complexity of tax administration**

The tax-exempt and governmental sectors are governed by some of the most complex provisions in the tax code. Recent legislation, like the Pension Protection Act of 2006 and the American Recovery and Reinvestment Act of 2009, enacted myriad changes and imposed tight deadlines to implement new provisions of the law. TE/GE must continue to efficiently administer the code and frequent legislative changes, in the face of this increasing complexity.

### **Growing human capital changes**

As of the end of fiscal year 2009, over 15% of TE/GE employees were eligible to retire, and another 20% will become eligible over the next five years. These rates are even higher among managers, approaching 50% by 2015. A steady transition depends not only on recruiting new talent but transferring the accumulated skills and institutional knowledge of seasoned staff to new recruits while also leveraging the skills and experience of new employees. Improving our effectiveness in the face of new challenges will require us both to attract and develop talented new employees and to engage our existing workforce to the fullest.

### **Explosion in electronic data, online interactions and related security risks**

TE/GE's customers range from large, technologically savvy organizations to small operations with limited access to information technology tools. TE/GE must find ways to serve the demands of the full range of our customers while also protecting the security of their tax information. This will require developing new tools for interacting with customers and sharing disclosable information with the public, while also safeguarding systems to prevent data vulnerabilities that put our customers at risk.

## **Accelerating globalization**

Globalization touches the exempt sector just as it does the rest of tax administration. Exempt organizations and employee plans are investors in international markets. Charities confront challenges related to international grant-making, and pension plans of multinational corporations have participants scattered around the world. There are unique tax administration issues for US territories and possessions. TE/GE must remain attentive to the impact of increasing globalization and its impact on us and the rest of the Service.

## **Expanding role of tax practitioners and other third parties in the tax system**

Third-party preparers play a key role in the tax-exempt and governmental sectors. Practitioners are especially involved in the development of specialized products like employee pension plans and tax-exempt bonds. TE/GE has a longstanding and cooperative relationship with its practitioner community. TE/GE must continue to build on this relationship, ensuring that practitioners meet professional standards and have the information they need to comply with the changing tax code, while also leveraging them as partners in promoting voluntary compliance and improving our effectiveness.

## **Accelerating change in business models**

Changing business models will make tax administration more complicated. Economic and legislative changes will alter the way our existing customers operate, while other issues, like the introduction of new bond vehicles, will create entirely new models altogether. Joint ventures with the private sector by exempt organizations or state, local, and tribal governments will blur the lines between these entities, raising new regulatory questions and enforcement demands. TE/GE must clarify the issues surrounding these changing business models in order to help its customers understand their obligations and to prevent the development of schemes that attempt to take inappropriate advantage of these emerging arrangements.

# Improve service to make voluntary compliance easier

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## **Incorporate taxpayer perspectives to improve all service interactions**

***Ensure that we make operational decisions only after considering the views of affected taxpayers***

- *Tribal consultation process*
- *Use proposed Revenue Procedures to gain taxpayer input*
  - *Ensure Rev Procs are updated and published in a timely fashion*
  - *Support effective implementation of new legislation*
- *Seek community input on whether or how to improve the EP Determination cycle*
- *Conduct market segment studies to ensure we better understand the specific needs of each customer segment*
  - *Enhance use of NRP data that is collected*
  - *FSLG Market Segment checksheet*
  - *Enhance GECU ability to conduct outreach to a broad array of stakeholders*

***Use focus groups, surveys and other feedback methods before rolling out new services and processes***

- *Improve customer satisfaction survey analysis and develop recommendations to improve customer service*
  - *Enhance use of internal and external surveys to direct education and outreach*
  - *Enhance driver analysis to better understand what specifically drives satisfied customers and dissatisfied customers*
  - *Continue use of ITG Customer Satisfaction Survey for interaction with tribes*
  - *Make sure all employees are engaged in the review of survey results*
- *Look cross-functionally across IRS and other agencies to incorporate best practices*
- *Conduct special projects to obtain and address feedback collected via surveys and focus groups*
  - *Collect feedback from small exempt organizations to improve IRS understanding of their needs*
  - *IDR Improvement Project*
- *Use Advisory Committee on Tax Exempt and Government Entities (ACT) to test proposed business decisions before they become finalized*

### ***Implement phased rollouts wherever possible, including beta-testing periods***

- *Grow new programs in phases to ensure early taxpayer feedback*
- *Work and educate the community to transition from assisted correction program to self-correction program based on phased experience (e.g. Employee Plans Compliance Resolution System (EPCRS))*
- *Use smaller roll-outs to facilitate full implementation*
- *Analyze potential technology and compare with business needs*

### ***Facilitate participation in the tax system by all segments of the public***

- *Develop and disseminate information to all stakeholders in the tax-exempt sector*
  - *EP communications to practitioners, sponsors, and plan participants*
  - *EO volunteer organizations*
- *Develop multiple modes of delivering outreach to address the varying technological sophistication of particular taxpayer segments*
  - *Form 990-N roll-out*
  - *ITG Alaska and Navajo Outreach Initiatives and workshops (tax forums)*
  - *Form creative teams similar to KSG (knowledge sharing groups)*

## **Expedite and improve issue resolution across all interactions with taxpayers, making it easier to navigate the IRS**

### ***Streamline processing of taxpayer data and transactions***

- *Encourage third party preparation products to enhance e-tools*
  - *EO Determinations*
  - *990 series*
- *Expand online options for preparation and submission*
  - *990-N*
  - *527s*
  - *Work with DOL on timely 5500 improvements*
- *Reengineer the determination process to maximize efficiency while working towards a paperless environment*
- *Improve the processing of remaining paper returns and applications*
  - *Increase transcription of data from residual paper*
  - *Leverage scanning capabilities*
- *Facilitate other interactions that speed service*
  - *Specialized submission routes to ensure specialized needs correctly integrated into IRS processes (e.g. GE non-filers)*

***Ensure seamless taxpayer service by fostering employee ownership of taxpayer issues***

- *Empower employees to resolve issues by equipping them with information, training, and contacts they need to address taxpayer issues*
  - *Provide web-based, interactive questions and answers (e.g., FAQs) with drill down for more information*
  - *Use social media and other approaches for employees to share ideas and information*
- *Collaborate across TE/GE and other Divisions to provide a seamless and consistent response to taxpayer concerns*
  - *ITG / FSLG / SBSE joint Gaming project*
  - *International initiatives*
  - *IRS-wide Services Committee*
- *Support the specialized W&I call site that assists TE/GE customers and community*
  - *Assess their training needs and provide training as needed*
  - *Provide contact person by state or specialty*
  - *Redesign intranet/internet page so it is more user friendly for employees to assist taxpayers*
- *Develop and maintain intranet resources for technical and procedural material and contacts*

***Create explicit opportunities for taxpayers to proactively resolve issues at the earliest possible moment***

- *Expand availability of voluntary correction programs*
  - *Build America Bonds Voluntary Closing Agreement initiative*
  - *Continue to expand EPCRS*
- *Enhance and increase self-check tools, including web-based formats, to enable taxpayers to proactively resolve issues (5)*
  - *EP Fix-it Guides*
  - *Stayexempt.org*
  - *GE self-audit tools*

***Systematically review written taxpayer communications to ensure effectiveness***

- *Coordinate with the TACT (Taxpayer Communication Taskgroup) to improve taxpayer notices*
- *Work with external partners to improve taxpayer communications*
  - *Coordinate with ACT on improving communications and revising forms*
  - *EO Web Site Improvement interviews, focus groups, and requests for comment*
  - *EP Survey of Retirement Plans Newsletter Subscribers to improve the content for small employers that sponsor retirement plans*
- *Tailor new and revised documents consistent with IRS templates*
  - *EP Forms Initiative*
  - *Compliance questionnaires & other mailings*

***Continuously improve processes to reduce taxpayer burden and capture opportunities to eliminate waste***

- *Conduct analysis to identify opportunities to improve process, quality, timeliness and efficiency*
  - *EO Cycle Time/Case Management Initiative*
  - *Tax Exempt Quality Measurement System (TEQMS) Improvements*
  - *Data-driven process enhancements (e.g. Determination risk-based screening)*
  - *Simplify closing procedures*
  - *Streamline business processes for rulings (e.g. PLR, TAM)*
- *Develop tools to improve customer understanding of processes*
  - *Develop a secure tracking system for filers to track online status of applications and forms*
  - *Provide user friendly process maps and guides to customers interacting with IRS (e.g. Pub 4742)*
- *Identify and pursue additional tools that enable taxpayers to obtain status of filings*

**Provide Taxpayers with targeted, timely guidance and outreach**

***Utilize data and feedback from taxpayers and practitioners to issue clear, concise guidance on the most important tax questions***

- *Streamline the guidance process by clearly distinguishing among various guidance needs (formal, informal, case-specific)*
- *Develop a broader range of guidance tools from FAQs to guidelines to interim guidance*
- *Coordinate with Chief Counsel and Treasury to ensure top issues are addressed timely*
- *Ensure prompt availability of training materials internally and externally*
- *Coordinate and share best practices for taxpayer communication*
  - *Strengthen the CE&O activities across TE/GE*
  - *Collaborate across IRS (e.g. Service-wide Outreach Summits)*

***Develop a more sophisticated understanding of taxpayer segments to allow for targeted communication to taxpayers***

- *Conduct customer research to ensure we better understand the specific needs of each customer segment.*
- *Conduct regular meetings with customer base.*
- *Develop tools to better address outreach and guidance needs*
  - *Provide enhanced tools to prepare speakers*
  - *Design a tool for speakers that will enable them to easily capture questions and comments received at outreach events*
- *Utilize data collected from research, rulings and enforcement programs to identify and develop guidance and outreach tools*



- Create instructions similar to Pub 1 for all TE/GE customers
- Provide feedback mechanism for the international customers

***Actively communicate service options that bring value to taxpayers and the IRS, to increase awareness and use of them***

- Develop and market new educational tools and approaches
  - GE outreach initiatives (TEB, ITG non-filer and self-education, government retirement plans)
  - Tax Forums, newsletters, EP/EO educational products
  - Provide web-based tools to enable self help education for taxpayers (e.g. FAQs, Webinars, videos, etc.)

**Strengthen partnerships with tax practitioners, tax preparers, and other third parties in order to ensure effective tax administration**

***Enable partners to better serve their customers by providing faster issue resolution and tailored service***

- Gather information from current and new partners to understand the demographics of their constituents
  - Upgrade listservs to collect demographic information
- Create communications tailored for specific stakeholders
  - Targeted newsletters (e.g. practitioners, plan sponsors)
  - Listservs

***Treat partners as the “first line of compliance” by providing them with the tools and information to encourage taxpayer compliance and prevent mistakes***

- Engage partners in each sector to educate and develop future community leaders and practitioners
  - Program to train future managers of exempt organizations (Academic initiative)
  - Teach at professional classes on TE/GE topics
- Support and facilitate education of existing TE/GE practitioner community about evolving requirements
- Support IRS Return Preparer Strategy
  - Enrolled Retirement Plan Agent Program (ERPA)
- Leverage professional associations to broaden TE/GE reach and understanding
  - Newsletters
  - Practitioner conferences (e.g. ASPA, ABA, GFOA)
  - Classes or training (e.g. ITG PRIMER sessions, NCSSSA)
- Leverage the practitioner community as a source of information about emerging compliance trends and service challenges
  - Advisory Committee on TE/GE
  - Liaison groups and conferences

- *Partner with other agencies and IRS functions that share enforcement responsibilities*
  - *State government partners (TEB State Government Relationship Management Initiative, State Charity Officials, State Social Security Administrators)*
  - *Other federal agencies (DOL, SEC, FTC, PBGC, Department of Interior, Indian Gaming Working Group)*
  - *Across IRS (Office of Professional Responsibility, Government Liaison and Disclosure, other SB/SE and LB&I offices)*

# Enforce the law to ensure everyone meets their obligation to pay taxes

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## **Proactively enforce the law in a timely manner while respecting taxpayer rights and minimizing taxpayer burden**

### ***Proactively identify and promptly address areas of tax avoidance to minimize their corrosive effects and deter future activity***

- *Increase use of information available from outside sources for exam selection, case development, and issue identification prior to starting examinations*
  - *Google, practitioner community*
  - *Other government agencies*
  - *Information from other IRS sources (e.g. Lead development center and corporate returns)*
- *Use Determinations process for early identification of new issues and high-risk entities*
  - *EO Touch and Go (TAG) Unit*
  - *EO Review of Operations (ROO)*
- *Interact with taxpayer community to deter tax avoidance*
  - *Use of partnership councils, liaison groups, and conferences*
  - *Look at trends and issues identified in PLRs and other work products, and GECU information to direct enforcement and assess guidance needs (1)*
  - *Develop post issuance filing requirements (TEB) (1)*
  - *Prepare analysis on identified issues to influence compliance*
- *Integrate strategic use of all forms of interactions with taxpayers to maximize compliance and identify tax avoidance*

### ***Build and employ just-in-time enforcement capabilities***

- *Take steps to increase electronic filing and data transcription*
  - *IRS residual paper strategy*
- *Make return information available more quickly after filing return*
- *Use soft notices to alert taxpayers of self-correction opportunities*
- *Develop business rules to identify just in time compliance opportunities*
- *Identify highest priority data and work with W&I to support expanded transcription*

### ***Improve compliance by leveraging third-party reporting information***

- *Enhance the use of third-party data to improve compliance*
  - *Public information reported elsewhere (e.g. SEC filings for bond information)*
  - *Information reported to IRS (e.g. merchant card information reporting, 3402(t) information and withholding)*

### ***Strengthen partnerships across government to gather and share additional information***

- *Continue utilizing third parties as a referral source and implement formal working agreements to facilitate effective and efficient data exchange*
  - *Federal (e.g. DOL, PBGC, SEC)*
  - *States (e.g. State charity and SSA officials)*
  - *Territories (e.g. Puerto Rico, Guam, USVI)*
- *Create liaison groups to address market segment issues*
  - *EP/DOL/PBGC partnership*
  - *EO-FTC*
  - *TEB-SEC*
- *Work with government partners to deliver education and outreach*
  - *TEB State Government Relationship Management Initiative,*
  - *FSLG 218 Agreement Initiative*
  - *ITG Rural Alaska pilot project*

### ***Streamline processes to increase the timeliness of enforcement***

- *Improve delivery of case specific guidance*
  - *Technical Advice Memorandum (TAM), etc*
- *Increase the use of collaborative tools to stream line processes*
  - *Appeals fast track*
  - *Issue Management Teams (IMT)*
- *Reengineer the examination process to maximize efficiency while working towards a paperless environment*
  - *EOCA Centralized Case Processing*
  - *Electronic case management*
  - *Enhance data provided when cases are assigned to the field (e.g. providing CBRS data for EO cases)*
  - *Examination Customer Satisfaction Improvement Team*
- *Conduct process analysis to improve compliance and audit procedures to eliminate unnecessary burden and increase efficiency*
  - *TE/GE IRM Initiative, EO TEP Analysis*
- *Enhance ability to communicate securely with taxpayers using electronic tools*

## **Expand enforcement approaches and tools**

### ***Expand the use of alternative taxpayer treatments, including soft notices and other non-audit contacts***

- *Expand alternative dispute resolution programs (i.e. Fast-Track, EP audit-CAP, etc)*
- *Use soft notices to alert taxpayers to issues of specific relevance to them*
- *Use compliance checks and compliance questionnaires to address potential areas of concern*

- 401(k) Plans Questionnaire, BAB Questionnaire, Colleges and Universities.

### ***Review and enhance current notice regimen***

- *Continuously review and improve notices that are outdated or eliminate if no longer needed*
- *Revise closing letters to include links to functional FAQs, News, and Newsletters*

### ***Provide and expand incentives for taxpayers to conduct independent external audits***

- *Publish data and observations from compliance questionnaires*
- *Provide information about IRS compliance expectations*
  - *GE check sheets facilitate self-audit prior to examination*
  - *EP Fix-it Guides*
  - *EO questionnaire reports*
- *Enhance incentives for taxpayers*
  - *EPCRS*
  - *TEB VCAP*
- *Develop interactive web based tools to enable self-audit to ensure compliance with rules (e.g. EP Fix-It Guides)*
- *Provide more educational opportunities to inform taxpayers of self-help tools enabling them to remain compliant*
  - *Seminars, workshops and Tax Forums*
  - *TE/GE web and newsletters*

### ***Increase self-correction opportunities for taxpayers***

- *Expand programs in the Tax Exempt Bonds area*
- *Continue to expand EPCRS*

## **Meet the challenges of international tax administration**

### ***Expand employees' knowledge and awareness of international tax issues***

- *Communicate strategy to workforce*
- *Provide awareness training for all employees*
- *Assemble portfolio of learning modules corporate-to-customer-tailored modules geared toward various employees, topics and taxpayers*
- *Leverage IRS-wide products and knowledge while enabling appropriate tailoring to TE/GE issues*

### ***Develop deep expertise and capabilities in key international issue areas***

- *Conduct research and analysis to identify compliance gap*
- *Identify and develop international specialists*

### ***Enhance coordination with treaty partners and international organizations***

- *Work with/through LB&I as IRS lead*
- *Collaborate inside and outside the IRS to better understand issues and identify opportunities for education*
- *Expand MOUs with tax partners*
- *Collaborate and share information with other governments (e.g. international charity officials)*

### ***Aggressively target areas of significant risk***

- *Develop a corporate approach to coordinate international issues within TE/GE and across IRS*
  - *Coordinate through the TE/GE Compliance Issues Council*
  - *EO/Canada enforcement initiative*
  - *Initiatives with territories (Puerto Rico, Guam, USVI)*

## **Allocate compliance resources using a data-driven approach to target existing and emerging high-risk areas**

### ***Identify high-risk transactions and taxpayers by revising and enhancing case selection procedures***

- *Improve data collected and transcribed to provide richer information for case selection*
  - *Enhance forms and other filings to increase information*
  - *Increase data capture from residual paper returns*
  - *EP Forms Usability Initiative*
- *Enhance collection of data from examinations, determinations and other non-return sources*
- *Utilize research to improve ability to select high risk cases for examination*
  - *TEB Classification Redesign*
  - *FSLG 218 Agreement Initiative*
  - *Risk modeling projects*
  - *FSLG study on Redesign of Classification*
  - *Create a “red flag” document to identify problematic issues and improve quality referrals*

***Continue focus on corporations, high-income individuals, business income, and flow-through entities***

- *Collaborate with LB&I and SBSE on profit/nonprofit business structures, including pass-through entities and TE/GE entities in global high-wealth cases*
- *Continue compliance project approach to focus on key sectors and issues (e.g., executive compensation)*

***Identify and pursue promoters of tax schemes***

- *Partner with preparer community to identify promoter schemes that may be considered abusive*
- *Collaborate with SBSE, LB&I, CI, and Counsel to address promoters*
- *Enhance focus, coordination and training to identify and address promoter schemes or issues*

***Improve filing compliance by implementing a comprehensive non-filer program***

- *Increase communications to make organizations aware of filing requirements*
  - *EO Outreach on 990-N (e-postcard)*
  - *Communicate PPA automatic revocation requirements to EOs*
  - *403(b) filing requirement*
  - *Gaming Excise Tax Outreach (ITG/FSLG)*
- *Use historical and third party data to identify potential non-filers*

***Increase focus on criminal investigations of existing and emerging high-risk areas***

- *Increase focus and consistency of fraud program across TE/GE*
  - *Perform assessments to identify areas vulnerable to fraud*
  - *Maintain an up-to-date fraud handbook*
  - *Provide fraud awareness training to employees*
  - *Alert customers to potential fraud scenarios*
- *Improve coordination with CI and SB/SE fraud office regarding fraud and antiterrorism*

***Continue focused oversight of the tax-exempt sector***

***Provide outreach and guidance to ensure widespread adherence to the requirements for tax-exempt status***

- *Educate and share information about TE/GE taxpayers and issues across BODs*
- *Collaborate within TE/GE and throughout the IRS on cross-cutting issues*
- *Coordinate on implementing new legislation (e.g. Affordable Care Act)*

***Proactively address misuse of tax-exempt organizations and / or tax-exempt status***

- *Partner with W&I, SBSE, CI and LB&I to identify and address noncompliance across exempt and taxable parties*
- *Facilitate the public access and use of Pub 78 and publicly available returns to identify misuse of tax exempts*

***Maintain focus on universities, hospitals and other major segments of the tax-exempt community***

- *Collaborate across the IRS on the implementation of the Affordable Care Act*
- *Other projects include Government Plans, Federal / Large Government Entities*
- *Coordinate with LB&I on issues crossing taxable and nontaxable entities*

**Ensure that all tax practitioners, tax preparers, and other third parties in the tax system adhere to professional standards and follow the law**

***Develop and implement a coordinated preparer plan across the IRS and the preparer community***

- *Engage in the IRS preparer strategy*
  - *Explore expanding testing for TE/GE practitioners/return preparers*
  - *Determine effectiveness of ERPA designation*
- *Provide training to all TE/GE employees regarding Circular 230 and new return preparer standards*

***Administer a fair, diligent, and effective system of sanctions and penalties for those who fail to follow the law***

- *Work with the Office of Professional Responsibility to:*
  - *Enforce penalties as appropriate and publicize adverse actions and discipline taken on those that fail to follow the law*
  - *Continuously review sanction guidelines to ensure they are appropriate and effective*
  - *Improve penalty administration*

***Leverage research to identify fraudulent return preparers and other areas of abuse and noncompliance by return preparers***

- *Identify problem practitioners and promoters through our exam and determination letter programs*
- *Work with the Director of the Office of Professional Responsibility to address potential problem practitioners and promoters*
- *Enhance examination and determination systems to assist with identification of practitioners / promoters*



# Strategic Foundations: Invest for High Performance

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## **Make the IRS the best place to work in government**

### ***Attract and retain outstanding, diverse talent throughout the IRS***

- *Determine internal and external factors that would impact nature of TE/GE's work over the next five years*
- *Analyze current state of workforce (e.g., number of employees and grades, by occupation and location) and determine gaps*
- *Develop a flexible recruitment plan and an on-boarding process that welcomes new employees into TE/GE.*
  - *Ensure corporate hiring process supports TE/GE mission and IRS workforce needs*
  - *Ensure tools and materials are implemented to enable more specialized hiring*
  - *Explain employee benefits and make appropriate use of incentive programs to attract potential new employees and encourage current employees to increase their knowledge (e.g., tuition reimbursement, flexiplace, AWS)*
  - *Keep in touch with candidates throughout recruitment process*
  - *Build relationships with educational institutions to attract qualified candidates*
- *Engage employees in career planning, including identifying career paths and developing career learning plans*

### ***Increase employee engagement***

- *Promote one TE/GE*
  - *Explore rotational, cross-functional, and developmental assignments for employees*
  - *Build an internal communication strategy that complements Servicewide messaging and generates a sense of community across functional stovepipes*
  - *Increase employee engagement through new and/or enhanced communication tools (such as feedback mechanisms and an improved intranet site) to encourage participation and collaboration*
  - *Use industry best practices to develop standards and procedures to incorporate communication into every project and program*
  - *Promote timely, useful and accessible content through all communications products*
  - *Facilitate more group meetings to increase rapport and employee development*
- *Develop a more proactive organization*
  - *Continually look at internal and external factors that will impact the organization*

- *Develop and implement proactive plans and calculated risk taking to meet anticipated issues*
- *Encourage innovation and calculated risk-taking*
  - *Celebrate and reward innovative ideas*
  - *Improve entrepreneurial competency at all levels*
- *Empower, recognize, and reward employees*
  - *Use survey results to enhance programs and engage employees*
  - *Leverage Servicewide efforts to enhance managers' skills around key drivers of employee engagement and retention*
  - *Explore and develop recognition tools, building upon IRS-wide systems*
  - *Maintain and enhance a productive work-life balance*
- *Build a Continuous Learning environment that increases content and delivery options for employees to access or receive timely, current training*
  - *Establish a Continuous Learning Oversight Council to address training-related issues in TE/GE*
  - *Conduct a skills assessment for major occupations/functions to identify training gaps*
  - *Utilize modern alternative training delivery methods (e-learning, self-study) in partnership with classroom training*
  - *Develop resources to store and provide on-demand access to training materials (such as an online learning library)*
  - *Explore ways to enhance existing coaching and mentoring programs*

### ***Identify, develop, invest in, and reward top-quality managers***

- *Develop leadership plan to leverage strengths and address gaps (e.g. shifting leadership resources, continuous learning for competencies, retention of leaders)*
  - *Analyze and determine challenges that impact current and future leadership needs*
  - *Identify bench strengths and gaps of current leadership team*
- *Attract employees to all levels of leadership*
  - *Identify incentives and disincentives for becoming leaders*
  - *Seek out and listen to managers' feedback*
  - *Support programs to develop future leaders (e.g., FLRP)*
- *Support managers at all levels of leadership*
  - *Actively engage in Servicewide efforts to address managerial burden*
  - *Support managers with varying spans of control and geographic challenges*
  - *Support managers through the development and design of career paths*

### ***Reinforce a culture of diversity, teamwork, equal opportunity, and collaborative leadership***

- *Facilitate a leadership team that models collaboration, communication, and teamwork*
- *Ensure that teams include employees with diverse ideas, skills, backgrounds and experience*
- *Recognize accomplishments attained through collaboration*

- *Align and incorporate the strategic objectives of the IRS' Office of Equity, Diversity, and Inclusion*
- *Evaluate how changes in work (flexiplace, remote management or more complex work) impact management methods and team techniques*

## **Build and deploy advanced information technology systems, processes, and tools to improve IRS efficiency and productivity**

### ***Deliver modernized systems designed to store and manage taxpayer data, strengthen enforcement efforts, and meet service expectations of taxpayers and practitioners***

- *Support and enable end-user tools to facilitate core business*
  - *Microsoft productivity tools (Office, Share Point, and Communicator)*
  - *Expand use of air cards and single sign-on*
  - *Continue to promote the maximum use of examination (RCCMS) and determination (TEDS/MEDS) systems and Microsoft Office Communicator*
- *Support technology to modernize communications with taxpayers*
  - *Enable secure enterprise messaging system with taxpayers*
- *Analyze and modify business processes to make best use of information technology investments*
  - *Develop reporting functionality and other needed functionality as resources permit*
  - *Provide ongoing operational analysis and support*
- *Review business processes and make improvements before committing to technological solutions*
- *Ensure modernized systems are flexible enough to accommodate day to day changes and spikes in usage*

### ***Continually monitor the technology portfolio to ensure it supports core operating needs, upgrading physical infrastructure when appropriate***

- *Ensure investments are operating at the optimal levels, especially the primary examination and determination systems*
  - *Analyze current processes and systems to optimize and make necessary changes/upgrades TE/GE-wide*
- *Prioritize technology needs and ensure that available resources are applied accordingly based on TE/GE investment principles and supporting data*
- *Transform Business Systems Planning (BSP) program*
  - *Embed liaisons between BSP and all functions and create cross-functional teams involved in design*
  - *Support strong collaboration with MITS*

### ***Capture efficiencies through new technologies***

- *Make data more accessible (e.g., Form 5500)*
- *Leverage Operations & Management investments as part of a re-use and renovation strategy (from IT Plan Strategy 2.2)*
- *Ensure end-users are trained and motivated to achieve gains through maximum use of available IT application functionalities and end-user equipment*
- *Provide online user guides and tips*
- *Enhance and keep current all TE/GE websites*

### ***Expand online tools and services***

- *Leverage IRS electronic filing initiatives for TE/GE forms and notices*
- *Make publicly disclosable information available on the internet (e.g., Pub 78, Form 990 Filings)*
- *Work towards fully online application process*

## **Use data and research across the organization to make informed decisions and allocate resources**

### ***Develop improved research-driven methods and tools to detect and combat noncompliance and improve resource allocation***

- *Use systematic data-driven decision making to determine resource placement*
- *Continue use of National Research Program and other statistical-based analyses*
  - *Employment Tax*
  - *401(k) plans*
  - *Colleges & universities*
- *Use risk-based analysis to identify potential noncompliance and improve efficiency*
  - *EP Risk Assessment*
  - *Determinations risk-based screening tools*
- *Share ideas and best practices across TE/GE and IRS*

### ***Maintain an ongoing research program to determine evolving taxpayer and partner service needs, preferences and behaviors***

- *Conduct customer research to ensure we better understand the specific needs of each customer segment*
  - *EO small charities*
  - *EP small business plan sponsors*
  - *FSLG Section 218 assessment*
- *Enhance quality of data capture to address challenge of data interpretation*

## **Ensure the privacy and security of data and safety and security of employees**

### ***Promote public confidence and trust through the prevention and detection of security threats and the protection of personally identifiable information***

- *Develop a secure environment for electronic data sharing with taxpayers*
- *Increase and improve employee awareness of privacy and security issues*
- *Continuously manage the distinction between data that must be disclosed (e.g. 6104) and data that must be safeguarded (e.g. 6103)*

### ***Implement measures to maintain a safe and secure workplace***

- *Ensure all employees adhere to policy regarding occupational safety*
- *Support procedures and practices such as fire-drills, business-resumption planning, etc.*



















**Corwin Erik H**

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**From:** Corwin Erik H  
**Sent:** Friday, June 21, 2013 11:46 AM  
**To:** Preston Arlene  
**Subject:** FW: DRAFT 30-DAY REPORT  
**Attachments:** Initial Assessment and Plan of Action\_SET DRAFT.docx; Appendix A\_ non-responsive non-responsive docx; Appendix B\_bolo memo.doc; Appendix C\_Suspension memo - final.pdf; Appendix D1\_ non-responsive pdf; Appendix D2\_ non-responsive non-responsive pdf; Appendix E\_5228 EO Commissioner Expedited LTR OTC V4 6-17.doc; Appendix F\_p1[1].pdf

Please print

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**From:** Fisher David [mailto:David.Fisher@irs.gov]  
**Sent:** Friday, June 21, 2013 12:45 PM  
**To:** &Senior Exec Team  
**Cc:** O Brien Erin; Vorhaus David; Onorato Corina R  
**Subject:** DRAFT 30-DAY REPORT

SET Members – Attached is the current version of the 30-Day Report, including appendices. It is for your situational awareness, and hopefully, based on the discussions we've have to date, you will already be familiar with the major concepts and themes.

**It is extremely important that this document not be forwarded to anyone, including your direct reports.** It remains a draft report and is subject to change before release.

In terms of feedback, please let me know of any factual errors that you find and/or any major red flags in terms of the manner in which the information is presented.

The report will be issued sometime next week, although the exact date and time have yet to be finalized.

**David M. Fisher**  
Chief Risk Officer and  
Senior Advisor to the Commissioner  
Internal Revenue Service  
Email: David.Fisher@irs.gov  
Office: 202-622-3126  
Mobile: 703-835-0158



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224**

May 17, 2012

**MEMORANDUM FOR MANAGER, EO DETERMINATIONS**

**FROM:** Holly Paz *Is/ Holly Paz*  
Director, EO Rulings and Agreements

**SUBJECT:** Be On the Look Out (BOLO) Spreadsheet

The purpose of this memorandum is to set forth the procedures to be used with regard to the Be On the Look Out (BOLO) spreadsheet.

Abusive Transactions and Fraud Issues, Emerging Issues, and Coordinated Processing<sup>1</sup> cases will all be tracked on a single combined Be On the Look Out (BOLO) spreadsheet.

- (a) The spreadsheet is maintained to enable EO Determinations specialists to be informed about the current status of abusive transactions and fraud issues, emerging issues, coordination, and watch issues, and to process cases in a consistent manner.
- (b) Abusive Transactions and Fraud Issues, Emerging Issues, and Coordinated Processing will each occupy a separate tab of the spreadsheet.
- (c) A fourth tab, the "Watch List" will list recent developments such as changes in the law, current events, or specific issues that EO Determinations management believes has the potential to impact the filing of applications.

The Emerging Issues coordinator will maintain the combined spreadsheet including:

- (a) Creating original entries for new emerging issues and entering them on the appropriate tab of the spreadsheet.
- (b) Creating original entries for new coordinated processing cases and entering them on the appropriate tab of the spreadsheet.
- (c) Receiving issue updates from the abusive transaction and fraud group and entering them on the appropriate tab of the spreadsheet.

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<sup>1</sup> Coordinated Processing cases are cases that present similar issues and thus are to be handled by a single team or group in order to facilitate consistency.

(d) Receiving "Watch List" updates from senior management and entering them on the appropriate tab of the spreadsheet.

(e) Updating the spreadsheet as necessary.

All original entries and updates to the BOLO must be approved by the group manager of the Emerging Issues Coordinator. The group manager of the Emerging Issues Coordinator must obtain the approval of the Manager, EO Determinations to all original entries and updates to the BOLO. The Manager, EO Determinations must obtain the approval of the Director, EO Rulings & Agreements to all original entries and updates to the BOLO.

Only after the approval of the group manager of the Emerging Issues Coordinator, the Manager, EO Determinations and Director, EO Rulings & Agreements have been obtained will EO Determinations groups be notified of new or updated Watch List items, Potential Abusive Transaction and Fraud Issues, Emerging Issues, and Coordinated Processing cases through single e-mail alerts. The Emerging Issues coordinator is responsible for issuing all e-mail alerts after all of the required approvals have been obtained.

The most recent updated copy of the spreadsheet will be posted on the EO Determinations shared drive folder.

The content of this memorandum will be incorporated in IRM 7.20.4.





TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

June 20, 2013

Control No: TEGE-07-0613-06

**MEMORANDUM FOR MANAGER, EO DETERMINATIONS**

**FROM:** Karen Schiller *KSC*  
Acting Director, EO Rulings and Agreements

N8XFB  
cn=N8XFB,  
email=Karen.M.Schiller@irs.gov  
2013.06.20 11:53:39 -04'00'

**SUBJECT:** Interim Guidance on the Suspension of BOLO List Usage

Effective immediately, the use of watch lists to identify cases or issues requiring heightened awareness is suspended until further notice, with the exception of categories or cases required to be identified by Criminal Investigations, Appeals, or other functional divisions for the purposes of preventing waste, fraud and abuse. This includes the Be on the Lookout (BOLO) list and the TAG (Touch and Go) monthly alerts as defined in IRM 7.20.6.3.

These lists were used to identify potential issues or cases that required heightened or coordinated efforts. They involved cases with potential terrorist connections, abusive transactions, fraud issues, emerging issues, coordinated processing<sup>1</sup> and watch-out cases to allow for more consistent treatment of similarly situated taxpayers.

EO Rulings and Agreements is undertaking a comprehensive review of screening and identification of critical issues. We intend to develop proper procedures and uses for these types of documents. Until a more formal process for identification, approval and distribution of this type of data is established, Rulings and Agreements will not use this technique to elevate issues. All efforts will be made to provide a balance between ensuring taxpayer privacy and safeguards and ensuring consistent treatment in cases involving complex or sensitive issues.

Specialists should follow the instructions in IRM 7.20.1.4 regarding cases requiring transfer to EO Technical, as well as IRM 7.20.5.4 regarding cases requiring mandatory review prior to closing. All EO Determinations Specialists and Screeners will continue to check the names of organizations and individuals referenced in the case against the Office of Foreign Asset Control (OFAC) list. If the specialist identifies an emerging issue or one that might require special handling, he or she should discuss the case with his or her manager, who in turn will elevate the issue.

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<sup>1</sup> Coordinated processing cases are ones that present similar issues and thus are to be handled by a single team or group in order to facilitate consistency.



**Department of the Treasury**  
**Internal Revenue Service**  
P.O. Box 2508, Room 4106  
Cincinnati, OH 45201

**Date:**

**Employer ID number:**

**Person to contact:**

**Contact telephone number:**

**Contact fax number:**

**Employee ID number:**

Dear [Applicant]:

The IRS is instituting an optional expedited process for certain organizations applying for recognition of exemption under Section 501(c)(4) whose applications have been pending with the IRS for more than 120 days as of May 28, 2013. Organizations can make representations to the IRS under penalties of perjury regarding their past, current, and future activities and receive a determination letter based on those representations.

If you choose to apply for this expedited process, complete and return pages 5-7, *Representations and Specific Instructions*. We will send you a favorable determination letter within 2 weeks of receipt of the signed representations.

Determination letters issued under the optional process will be based on the representations of the organization and may not be relied upon if the organization's activities are different from what is represented to the IRS. The representations are subject to verification on audit. Organizations that don't make the representations will have their applications reviewed based on the legal standards applied to all the facts and circumstances.

If you can make the representations required for eligibility under this optional process and want to participate, please follow the instructions set forth at the end of this letter, *Optional Expedited Process for Certain Exemption Applications Under Section 501(c)(4)*. Send the signed representations within 45 days from the date of this letter to the address below:

Internal Revenue Service  
P.O. Box 2508, Room 4106  
Cincinnati, OH 45201

You can send the information by fax to [ ]. Your fax signature becomes a permanent part of your filing. Do not send an additional copy by mail.

If you have questions, you can contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely,

[Name	]
[Title	]

## **Optional Expedited Process for Certain Exemption Applications Under Section 501(c)(4)**

In the interest of effective and efficient tax administration and to assist in the transparent and consistent review of applications for tax-exempt status under Section 501(c)(4), the IRS is offering an optional expedited process for certain organizations that have submitted 501(c)(4) applications. This optional expedited process is currently available only to applicants for 501(c)(4) status with applications pending for more than 120 days as of May 28, 2013, that indicate the organization may be involved in political campaign intervention or issue advocacy.

In this optional process, an organization will represent that it satisfies, and will continue to satisfy, set percentages with respect to the level of its social welfare activities and political campaign intervention activities (as defined in the specific instructions on pages 5-7). These percentage representations are not an interpretation of law but are a safe harbor for those organizations that choose to participate in the optional process.

Under this optional expedited process, an applicant will be presumed to be primarily engaged in activities that promote social welfare based on certain additional representations (on pages 5-7) made by the organization regarding its past, present, and future activities. Like the Form 1024 exemption application itself, these representations are signed on behalf of the organization under penalties of perjury. Applicants that provide the representations will receive a favorable determination letter within two weeks of receipt of the representations.

Importantly, this is an optional process. The standards and thresholds reflected in the representations are criteria for eligibility for expedited processing rather than new legal requirements. No inference will be drawn from an organization's choice not to participate. An organization that declines to make the representations will have its application reviewed under the regular process in which the IRS looks to all facts and circumstances to determine whether an organization primarily engages in activities that promote social welfare.

Like all organizations receiving a favorable determination of exempt status, organizations participating in this optional expedited process may be subject to examination by the IRS and the organization's exempt status may be revoked if, and as of the tax year in which, the facts and circumstances indicate exempt status is no longer warranted. An organization that receives a determination letter under this expedited process may rely on its determination letter as long as its activities are consistent with its application for exemption and the representations, and the determination letter will expressly indicate that the letter was based on the representations. An organization may no longer rely on the determination letter issued under this optional

expedited process as of the tax year in which its activities (including the amount of expenditures incurred or time spent on particular activities) cease to be consistent with its application for exemption and any of the representations, if the applicable legal standards change, or if the determination letter is revoked. If the organization determines that it continues to be described in Section 501(c)(4) notwithstanding the fact that its activities are no longer consistent with the representations below, it may continue to take the position that it is described in Section 501(c)(4) and file Form 990, *Return of Organization Exempt From Income Tax*, but it must notify the IRS about such representations ceasing to be correct on Schedule O, *Supplemental Information*, of the Form 990.

## Representations and Specific Instructions

1. During each past tax year of the organization, during the current tax year, and during each future tax year in which the organization intends to rely on a determination letter issued under the optional expedited process, the organization has spent and anticipates that it will spend 60% or more of *both* the organization's total expenditures *and* its total time (measured by employee and volunteer hours) on activities that promote the social welfare (within the meaning of Section 501(c)(4) and the regulations thereunder).
2. During each past tax year of the organization, during the current tax year, and during each future tax year in which the organization intends to rely on a determination letter issued under the optional expedited process, the organization has spent and anticipates that it will spend less than 40% of *both* the organization's total expenditures *and* its total time (measured by employee and volunteer hours) on direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office (within the meaning of the regulations under Section 501(c)(4)).

### Specific instructions

For purposes of these representations, "total expenditures" include administrative, overhead, and other general expenditures. An organization may allocate those expenditures among its activities using any reasonable method.

For purposes of these representations, activities that promote the social welfare do not include any expenditure incurred or time spent by the organization on--

- Any activity that benefits select individuals or organizations rather than the community as a whole;
- Direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office;
- Operating a social club for the benefit, pleasure, or recreation of the organization's members; and
- Carrying on a business with the general public in a manner similar to organizations operated for profit.

For purposes of these representations, direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for public office (“candidate”) includes any expenditure incurred or time spent by the organization on:

- Any written (printed or electronic) or oral statement supporting (or opposing) the election or nomination of a candidate;
- Financial or other support provided to (or the solicitation of such support on behalf of) any candidate, political party, political committee, or Section 527 organization;
- Conducting a voter registration drive that selects potential voters to assist on the basis of their preference for a particular candidate or party;
- Conducting a “get-out-the-vote” drive that selects potential voters to assist on the basis of their preference for a particular candidate or (in the case of general elections) a particular party;
- Distributing material prepared by a candidate, political party, political committee, or Section 527 organization; and
- Preparing and distributing a voter guide that rates favorably or unfavorably one or more candidates.

In addition, *solely* for purposes of determining an organization’s eligibility under this optional expedited process, direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate includes any expenditure incurred or time spent by the organization on:

- Any public communication within 60 days prior to a general election or 30 days prior to a primary election that identifies a candidate in the election. For this purpose, “public communication” means a communication by means of any broadcast, cable, or satellite communication; newspaper, magazine, or other periodical (excluding any periodical distributed only to the organization’s dues paying members); outdoor advertising facility, mass mailing, or telephone bank to the general public; and communications placed for a fee on another person’s Internet website;
- Conducting an event at which only one candidate is, or candidates of only one party are, invited to speak; and
- Any grant to an organization described in Section 501(c) if the recipient of the grant engages in political campaign intervention.<sup>1</sup>

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<sup>1</sup> An organization may rely on a representation from an authorized officer of the recipient if the organization does not know whether the recipient engages in any political campaign intervention and may assume that a Section 501(c)(3) organization does not engage in political campaign intervention.

Although other activities may constitute direct or indirect participation or intervention in a political campaign (see Revenue Ruling 2007-41 for examples of factors to consider), representations may be based on the specific activities described in these instructions.

*Under penalties of perjury, I declare that I am authorized to sign these representations on behalf of the above organization, and that to the best of my knowledge and belief, the facts stated in the representations are true, correct, and complete.*

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Signature of officer, director, trustee or other authorized official

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Date

---

Title and printed name

---

Organization name and Employer Identification Number



























































































































