

JANUARY 3, 2014

IRS Removes Expedited Handling for Determination Letters

*** THIS POST HAS BEEN SUPERSEDED BY NEW INFORMATION FROM THE IRS ***

Please refer to <https://www.adlercolvin.com/blog/2014/01/29/update-expedited-handling-for-determination-letters-still-available>

In Section 9.03(3) of the new Revenue Procedure 2014-4, the IRS has clarified that the option to request expedited handling is no longer available for determination letters. The Revenue Procedure defines a “determination letter” as “a written statement issued to a taxpayer by the Service’s [Exempt Organization] Determinations or [Employee Plan] Determinations office that applies the principles and precedents previously announced to a specific set of facts.” In the EO context, determination letters are issued on a variety of matters, including:

- › to determine an organization’s initial qualification for tax-exempt status under Section 501;
- › to update an exempt status letter or replace a lost one;
- › to make a determination about the classification, reclassification, or termination of private-foundation status;
- › to classify a supporting organization under Section 509(a)(3) of the Internal Revenue Code.

The Revenue Procedure has a full list of the matters covered by EO determination letters in Section 7.04. Expedited handling is apparently still available for letter ruling requests.

The option to request expedited handling was especially useful for organizations initially applying for recognition of exemption under Section 501(c)(3) on Form 1023 or more generally under Section 501(a) on Form 1024. The applicant organization would need to show a compelling need for expedited treatment, typically a situation outside its control: for example, where an independent grantor offered to provide substantial funding to a new charity but needed the prospective recipient’s determination letter in hand before a specific date, or else the grant would be forfeited. If the IRS approved expedited handling, the charity’s Form 1023 application would typically be assigned to review within a matter of weeks, instead of the several months to over a year it may take for an application to move through the IRS intake pool and be assigned for review.

Now that the expedited handling process for EO determination letters is apparently gone, charities (for which an IRS determination of tax-exempt status under Section 501(c)(3) is required) may need to seek alternative means, such as an incubator relation

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AUTHOR



Steven R. Chiodini
Of Counsel

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Nonprofit Law Matters looks at legal issues in the nonprofit and tax-exempt organizations world. Written by the attorneys and paralegals of Adler & Colvin, it provides updates and analysis regarding philanthropy, charity, and other exempt organization issues.

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Eric K. Gorovitz
Principal

with a [fiscal sponsor](#), to offer donors and grantors the assurance during the gap between formation and an exemption determination that their funding has been provided to an organization recognized as exempt by the IRS.