

New rules for reinstatement of revoked exempt status

Exempt organizations that were eligible to file either Forms 990-EZ or 990-N but have had their tax-exempt status automatically revoked for not filing required returns for at least three years have been provided with a new streamlined process for re-establishing their exempt status. These procedures also provide retroactive reinstatement provisions for organizations not qualifying for the streamlined procedures.

Special procedures are not needed unless the organization desires retroactive reinstatement. Reinstatement from the postmark date of the application forward is always available to any qualified organization.

While not issued in 2013 — Revenue Procedure 2014-11 (2014-3 IRB 411) was issued January 2, 2014 — it is important to review because it modifies and supersedes the processes described in Notice 2011-44 (2011-25 IRB 883) that had been issued on June 8, 2011. The temporary reduced fees for reinstatement have expired.

This new Revenue Procedure provides four options for applying for reinstatement of tax-exempt status depending on how much time has passed since the organization's tax-exempt status was revoked.

Within 15 months of revocation, an organization must submit a new application for exemption along with the appropriate current user fees (\$400, \$850 or \$3,000; see left), annotated "Revenue Procedure 2014-11, Streamlined Retroactive Reinstatement" at the top of the application. Delinquent Forms 990-EZ for the missing years may be filed without a late filing penalty as well, writing "Retroactive Reinstatement" at the top of each Form 990-EZ.

A reasonable cause statement is required if the organization is applying for retroactive reinstatement after 15 months have elapsed and for all organizations large enough to be beyond the limits of using Form 990-EZ or 990-N. The contents of this reasonable cause statement are outlined in Section 8 of the Revenue Procedure.

Conclusion

In retrospect, 2013 was quite an active year for changes and regulation of the tax-exempt community, and many of the changes were not predictable at the end of 2012. This coming year I expect massive public comment on the proposed political activities regulations and, in all likelihood, IRS changes to them. It may come to pass that in 2014, we may see as many or more changes than we did in 2013. ■