



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

MEMORANDUM FOR EO PROCESSING AND EO DETERMINATIONS

TO: Kathie D. Averett, Manager, Exempt Organizations, Compliance Area
Cindy M. Thomas, Manager, Exempt Organizations, Determinations

CC: Pam Walker, Director, Wage and Investment, Submission Processing
Patty Storey, Program Manager, Wage and Investment, Planning and
Analysis Operations
Sherry Whitaker, Manager, Exempt Organizations, Submission
Processing Programs

FROM: Robert S. Choi, Director, Exempt Organizations, Rulings &
Agreements
Nanette M. Downing, Director, Exempt Organizations, Examinations

SUBJECT: Limited Filing Relief Programs:
Extension of Time to File for 990-N Filers
Voluntary Compliance Program for 990-EZ Filers

This Internal Directive relates to the provision of limited relief for certain tax-exempt organizations required to file an annual information return or submit a notice under § 6033(a)(1) or § 6033(i) of the Internal Revenue Code and that failed to do so for three consecutive years.

The Pension Protection Act of 2006 added a requirement that tax-exempt organizations that normally have gross receipts of \$25,000 or less submit an electronic return or "notice." The new law also required that any tax-exempt organization that fails to file a return or notice for three consecutive years automatically loses its federal tax-exempt status. These provisions became effective for returns and notices for tax years beginning in 2007.

Exempt Organizations conducted an unprecedented outreach effort to the tax-exempt sector, but we realize there is a great deal of confusion concerning the changes to the annual reporting requirements made by the PPA, and many small organizations were unaware they

could lose their exempt status if they fail to for three consecutive years. To address this, the Internal Revenue Service today announced two Limited Filing Relief Programs: (1) an Extension of Time to File for Organizations Eligible to Submit Form 990-N and (2) a Voluntary Compliance Program for Organizations Eligible to File Form 990-EZ. Exempt organizations not eligible to submit Form 990-N or file Form 990-EZ (i.e., those required to file Form 990 and Form 990-PF filers) are not eligible for these Limited Filing Relief Programs.

EXTENSION OF TIME TO FILE FOR ORGANIZATIONS ELIGIBLE TO SUBMIT FORM 990-N

Prerequisites

- Eligible to submit Form 990-N for its 2009 tax year;
- Failed to file an annual information return or submit a notice for tax years 2007, 2008 and 2009; and
- 2009 Form 990-N due on or before May 17, 2010, June 15, 2010, July 15, 2010, August 16, 2010, September 15, 2010 or October 15, 2010.

Terms of Filing Relief

An Exempt Organization that meets the prerequisites will not be automatically revoked under § 6033(j) if the organization:

- Submits the 2009 Form 990-N online by October 15, 2010; or
- Files paper 2009 Form 990-EZ or Form 990 in lieu of submitting Form 990-N by October 15, 2010.

Organizations filing paper returns have been instructed to write “**Filed in lieu of Form 990-N**” on top of the return and envelope (postmarked no later than October 15, 2010) and mail it to:

Internal Revenue Service
M/S 1114
PO Box 12610
Ogden, UT 84412

Processing Guidelines for Filing Relief

- Input required data in the FAST tracker.
- If a paper Form 990-EZ or Form 990 is received, confirm:
 - The organization meets the prerequisites;
 - The return is complete.
- If the return is complete, send the return to Receipt and Control.
- If the paper return is not complete, follow the procedures for incomplete returns provided under Processing Guidelines for VCP, below.

VOLUNTARY COMPLIANCE PROGRAM (VCP) FOR ORGANIZATIONS ELIGIBLE TO FILE FORM 990-EZ

Prerequisites:

- Eligible to file a Form 990-EZ or submit a Form 990-N for each of tax years 2007, 2008 and 2009;
- Failed to file an annual information return or notice for tax years 2007, 2008 and 2009; and
- 2009 Form 990-EZ due on or before May 17, 2010, June 15, 2010, July 15, 2010, August 16, 2010, September 15, 2010 or October 15, 2010.

Terms of VCP

An Exempt Organization that meets the prerequisites will not be automatically revoked under § 6033(j) if the organization submits:

- Complete Forms 990-EZ or (at its option) Forms 990 for each of tax years 2007, 2008 and 2009 by October 15, 2010;
- Complete Voluntary Compliance Program Checklist, agreeing to the terms of the VCP, signed by an officer or representative;
- Check for the correct compliance fee (described below) payable to “U.S. Treasury.”

Organizations have been instructed to write “**Filing Relief VCP**” on top of each return and the

envelope (postmarked no later than October 15, 2010) and mail all of the above to:

EOCA
M/S 1114
PO Box 12610
Ogden, UT 84412

Compliance Fee Schedule

The amount of the compliance fee, which is in lieu of certain penalties, taxes and interest for failing to file an annual return, for organizations participating in the VCP, is based on the following fee schedule:

If the organization's gross receipts, as reported on its 2009 information return, are...	The compliance fee is...
\$100,000 or less	\$100
\$100,001 to \$200,000	\$200
\$200,001 to \$499,999	\$500

Processing Guidelines for VCP

- Deposit checks within 24 hours.
- Input required data in the FAST tracker.
- Review package to ensure:
 - The organization meets the VCP prerequisites;
 - The returns are complete; and
 - The compliance fee check is for the correct amount.
- If package is in order:
 - Send the returns to Receipt and Control (write "**Filing Relief VCP**" on top of each return if the organization did not already do so); and
 - Send Acceptance letter to organization.
- If package is not in order:
 - Copy the returns (stamp "Copy – Do Not Process" on top of each) and checklist;
 - Send Rejection letter along with original package to organization; and

- Request a refund of the compliance fee be sent to the organization.

AUTOMATIC REVOCATION AND REINSTATEMENT PROCEDURE

Organizations that are not eligible for, or do not participate in, the Limited Filing Relief Programs are automatically revoked as of the original due date of their 2009 annual return or notice. However, donors may rely on an organization's determination letter or its listing in Publication 78 until the IRS publishes on its website the name of the revoked organization. Organizations will not be removed from Publication 78 until the IRS publishes the revocation list in early 2011.

Regaining Tax Exempt Status

An organization that is automatically revoked, must:

- Complete an application (e.g., Form 1023 or Form 1024) for reinstatement, regardless of whether the organization was originally required to make such an application;
- Pay the applicable user fee;
- Send the completed application and the user fee to:

Internal Revenue Service
P.O. Box 12192
Covington, KY 41012-0192

Organizations have been instructed to write "**Automatically Revoked**" on top of the application.

Effective Date of Reinstated Tax Exempt Status

If the IRS approves the application for reinstatement:

- The effective date of an organization's reinstated tax-exempt status is the date the organization filed its application.
- If the organization wishes to request its tax-exempt status be effective retroactive to the date of revocation:
 - It must submit a letter setting forth a detailed explanation of the organization's reasonable cause for failing to file for three consecutive years.
 - The IRS must review the explanation and determine whether it meets the

reasonable cause standard for the three year period.