

Procedure For Reinstatement Of Tax-Exempt Status Under Rev. Proc. 2014-11

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In 2014 the IRS issued Revenue Procedure 2014-11 telling organizations how they can apply for reinstatement of tax-exempt status if their exemption was automatically revoked for failure to file required annual returns or notices for three consecutive years. The published guidance provides three different procedures for organizations to apply for retroactive reinstatement of tax-exempt status.

1. Streamlined Retroactive Reinstatement for Small Organizations Within 15 Months of Revocation.

First, organizations may seek reinstatement under the Streamlined Retroactive Reinstatement Process if the organization (1) was eligible to file either Form 990-EZ or Form 990-N, for each of the three consecutive years that it failed to file, (2) has previously not had its exemption automatically revoked, and (3) files Form 1023 or Form 1024 for retroactive reinstatement not later than 15 months after the date of revocation.

2. Retroactive Reinstatement Within 15 Months of Revocation. Second, organizations not eligible to use the Streamlined Process under # 1 above may apply for retroactive reinstatement if (1) it files Form 1023 or Form 1024 no later than 15 months after the date of revocation, (2) includes a statement that it had reasonable cause for failure to file an annual return or notice for at least one of the three consecutive years that it failed to file, (3) files properly completed and executed paper annual returns for all taxable years in the consecutive three-year period for which the organization was required, and failed, to file annual returns, and (4) includes a statement with Form 1023 or Form 1024 confirming that it has filed the annual returns required in step (3).

3. Retroactive Reinstatement More Than 15 Months After Revocation. Third, an organization that applies for reinstatement more than 15 months after its revocation date may have its exempt status retroactively reinstated only if it satisfies all the requirements for the procedure in # 2 immediately above and provides a statement of reasonable cause for all three consecutive years it failed to file the

annual returns.

Penalty Relief

The IRS will not impose penalties for failure to file the required annual returns for the three consecutive taxable years if (1) the organization's application is approved, (2) it satisfies all the requirements of reinstatement, and (3) the organization is retroactively reinstated.

If your organization has had its tax-exempt status revoked, you should consult a professional for guidance.