

MAY 04 2012



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

May 4, 2012

The Honorable Darrell E. Issa
Chairman
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am responding to your letter dated March 27, 2012, requesting information about the tax-exempt sector. This response supplements my April 26, 2012 letter, and addresses the remaining question # 7.

Question 7. Each of the requests for information, listed below that has appeared on an IRS questionnaire is beyond the scope of IRS Form 1024. For each of these requests, listed below, please state: a) the IRS's authority for asking for the information; b) the IRS's rationale for needing this piece of information; c) whether any precedent exists for the IRS asking for this type of information; d) the objective standards the IRS will use when reviewing the response; and e) how the IRS will use the information to determine tax-exempt status.

As discussed in my prior response and per our discussion with your staff, we understand that references in your letter to "questionnaires" relate to development letters the IRS sends to organizations in the ordinary course of the application process. These letters are sent to obtain the information necessary to make a determination about whether the organization meets the legal requirements for tax-exempt status. As noted in my earlier letter, the law allows section 501(c)(4) organizations to self-declare and hold themselves out as tax-exempt without IRS approval of status or to apply to the IRS for recognition as tax-exempt. Development letters relate to those organizations that apply to the IRS for recognition of tax-exempt status.

Preliminarily, we wish to clarify that under the appropriate facts and circumstances, the requests for information set forth below are not beyond the scope of the Form 1024. To establish tax exemption, the organization must meet the statutory requirements of the particular section of the Internal Revenue Code under which exemption is sought. As set forth in Revenue Procedure 2012-9, the applicant has the burden of establishing that it meets the particular requirements of the statute and regulations under which it seeks exemption through information in its application and supporting materials. A copy of the Revenue Procedure as well as all cited documents is included for your convenience in the enclosed CD-ROM.

As discussed in my prior response and in more detail below, the particular facts and circumstances of an application will determine the specific information requested. Section 6103 of the Internal Revenue Code prohibits the IRS from disclosing the particular facts and circumstances of an application that may lead to a particular question being asked of the organization.¹ The revenue agent working a case uses sound reasoning based on tax law training and his or her experience to review the application and identify the additional information needed to make a proper determination of the organization's exempt status. Follow-up information requested would be based on the facts and circumstances set forth in the particular application. Because of the facts and circumstances nature and the need for professional judgment on the part of the revenue agent doing the review, there will naturally be some variances in how cases are developed and how questions back to the applicant are articulated. To minimize possible variances, the IRS utilizes training and tools to promote quality and consistency in similar cases.

To qualify for exemption as a social welfare organization described in section 501(c)(4), the organization must be primarily engaged in the promotion of social welfare, not organized or operated for profit, and the net earnings of which do not inure to the benefit of any private shareholder or individual.² An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. 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. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.³

Whether an organization meets the statutory requirements of section 501(c)(4) depends upon all of the facts and circumstances, and no one factor is determinative. A section 501(c)(4) social welfare organization can engage in some non-exempt activity so long as its primary activity is exempt social welfare activity. Because the facts and circumstances of the particular applicant are considered, determinations letters are not precedential and cannot be relied on by anyone except the organization who received the letter. Consequently, a revenue agent must first determine whether particular activities undertaken by the organization further an exempt or non-exempt purpose. If the organization is engaged in some non-exempt activities, then the agent must review the scope of the activities to determine whether, based on all the facts and circumstances, the organization's exempt activities are the primary activities when compared to the aggregate of its non-exempt activities.

¹ Section 6103(f) sets forth the means by which congressional committees may obtain access to returns and return information. We are available to discuss these rules in more detail with your staff.

² IRC § 501(c)(4); Treas. Reg. § 501(c)(4)-1.

³ Reg. § 1.501(c)(4)-1(a)(2)(i) - (ii).

Whether the IRS needs additional information depends on the completeness of the information provided in the application, as well as the specific activities in which the organization is engaged. Some organizations include in their application all the information necessary to determine whether they meet the statutory requirements for tax exemption. Others may not provide complete information, such as how the organization's activities further their exempt purpose. As explained in our initial response dated April 26, 2012, when a Form 1024 application needs further development, the IRS contacts the organization and solicits additional information in order to have a complete administrative record on which the IRS can make a determination as to whether the requirements of the Code and regulations are met. That record could include answers to questions, copies of documents, copies of web pages and any other relevant information exchanged between the parties as exemption is discussed.

Because we are legally prohibited from responding with respect to any particular application, the responses below explain why each of the questions you specified might be asked to an applicant (but without reference to case-specific information). We have responded in the format you requested. It would be necessary to know the contents of an application file to know why particular information may have been requested from any specific organization. Because our responses cannot address how the information is relevant to any specific application, we have provided a selection of precedents that could apply to the question depending upon the facts. Consequently, there is some necessary repetition in our responses. We have advised applicant organizations that if they believe that the information requested to demonstrate eligibility for section 501(c)(4) status can be provided through alternative information, they should contact the revenue agent assigned to their application. We remain open to considering whether compliance with the legal requirements can be satisfied in an alternative manner. We have also provided additional time to respond.

A) For all the events you have conducted or will conduct for 2012 and 2013, provide the date of each event, issues presented at the event, copies of materials provided, speakers invited, details of speeches made at the event and actions promoted by the speakers, and expenses incurred.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1⁴

⁴ Treas. Reg. § 1.501(a)-1(a)(3). In general; proof of exemption. An organization claiming exemption under § 501(a) and described in any paragraph of § 501(c) (other than § 501(c)(1)) shall file the form of application prescribed by the IRS and shall include thereon such information as required by such form and the instructions issued with respect thereto. For rules relating to the obtaining of a determination of exempt status by an employees' trust described in § 401(a), see the regulations under § 401. Treas. Reg. § 1.501(a)-1(b)(2). In addition to the

- Treas. Reg. § 1.501(c)(3)-1(c)(3) (“action” organization)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)-(ii)⁵

b) the IRS’s rationale for needing this piece of information;

Form 1024, Part II, Question 1 requests that the organization provide a detailed narrative description of all of the activities of the organization – past, present and planned. Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization’s application, this additional information may be requested to help the agent determine if potential inurement or private benefit exists, and whether the organization’s activities primarily further exempt purposes or non-exempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

information specifically called for by this section, the IRS may require any additional information deemed necessary for a proper determination of whether a particular organization is exempt under § 501(a), and when deemed advisable in the interest of an efficient administration of the internal revenue laws, the IRS may in the cases of particular types of organizations prescribe the form in which the proof of exemption shall be furnished.

⁵ An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. A social welfare organization will qualify for exemption as a charitable organization if it falls within the definition of charitable set forth in paragraph (d)(2) of Reg. § 1.501(c)(3)-1 and is not an action organization as set forth in paragraph (c)(3) of Reg. § 1.501(c)(3)-1. 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. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1⁶
- Form 1024, Part II, Question 16⁷
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)-(ii)
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73⁸
- Rev. Rul. 81-95, 1981-1 C.B. 332⁹
- Rev. Rul. 80-282, 1980-2 C.B. 178¹⁰
- Rev. Rul. 80-107, 1980-1 C.B. 117¹¹

⁶ Form 1024, Part II, Question 1: "Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted. As noted on Form 1024, this question must be completed by all applicants.

⁷ Form 1024, Part II, Question 16: "Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? If "Yes," attach a recent copy of each." As noted on Form 1024, this question must be completed by all applicants.

⁸ Rev. Rul. 86-95 determines that, in the context of a § 501(c)(3) organization, a forum held for the purpose of educating and informing the voters, which provides fair and impartial treatment of candidates, and which does not promote or advance one candidate over another, would not constitute participation or intervention in any political campaign on behalf of or in opposition to any candidate for public office. The facts and circumstances of this case established that both the format and content of the proposed forums would be presented in a neutral manner.

⁹ Rev. Rul. 81-95 provides that "an organization may carry on lawful political activities and remain exempt under § 501(c)(4) as long as it is primarily engaged in activities that promote social welfare."

¹⁰ Rev. Rul. 80-282 provides that a § 501(c)(3) organization that published partisan voter guides was participating in prohibited political campaign intervention.

¹¹ Rev. Rul. 80-107 denied exemption to an "advocacy" organization due to private benefit. The ruling held that because the primary beneficiaries of the organization's activities were its members, "together with other individuals who own shares in the public utility companies," it was primarily operated to serve private interests rather than the community as a whole. Thus, it did not qualify for § 501(c)(4) exemption.

- Rev. Rul. 78-248, 1978-1 C.B. 154¹²
- Rev. Rul. 78-131, 1978-1 C.B. 156¹³
- Rev. Rul. 75-286, 1975-2 C.B. 210¹⁴
- Rev. Rul. 74-574, 1974-2 C.B. 160¹⁵
- Rev. Rul. 74-361, 1974-2 C.B. 159¹⁶
- Rev. Rul. 74-298, 1974-1 C.B. 133¹⁷
- Rev. Rul. 68-656, 1968-2 C.B. 216¹⁸
- Rev. Rul. 68-224, 1968-1 C.B. 262¹⁹

¹² Rev. Rul. 78-248 provides that whether a § 501(c)(3) organization is participating or intervening, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office depends upon all of the facts and circumstances of each case.

¹³ In Rev. Rul. 78-131, an organization whose purpose is to develop and encourage interest in painting, sculpture, and other art forms by conducting, in a noncommercial manner, a community art show qualifies for exemption as an organization operated exclusively for the promotion of social welfare under § 501(c)(4).

¹⁴ Rev. Rul. 75-286 provides that an organization exempt under § 501(c)(4) must be operated exclusively for the promotion of social welfare. It may not benefit select individuals or groups, but must instead benefit the community as a whole.

¹⁵ Rev. Rul. 74-575 concludes that a § 501(c)(3) organization operating a broadcasting station presenting religious, educational, and public interest programs, is not participating in political campaigns on behalf of public candidates in violation of the provisions of that section by providing reasonable air time equally available to all legally qualified candidates for election to public office.

¹⁶ Rev. Rul. 74-369 provides that whether an organization is "primarily engaged" in promoting social welfare is a facts and circumstances determination. Relevant factors include the manner in which the organization's activities are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to activities (by volunteers as well as employees); the purposes furthered by various activities; and the amount of funds received from and devoted to particular activities.

¹⁷ Rev. Rul. 74-298 held that a nonprofit organization, whose membership was limited to local residents, and whose sole activity was sponsoring an annual professional golf tournament for which it leased a golf course and charged admission, was not operated primarily for the promotion of social welfare and did not qualify for exemption under § 501(c)(4).

¹⁸ Rev. Rul. 68-656 concludes that an organization that was organized and operated for the purpose of educating the public on controversial subjects and attempts to influence legislation germane to its program may qualify for exemption under § 501(c)(4). The organization sought changes in the law and informed the public about a currently illegal activity, by circulating printed material and legislative proposals.

¹⁹ Rev. Rul. 68-224 concludes that an organization that conducted an annual festival centered around regional customs and traditions engaged in activities that promoted the common good and social welfare of the people of the community and may qualify for exemption under § 501(c)(4). The organization provided the community with recreation and provided a means for citizens to express their interest in the community's history, customs, and traditions.

- Rev. Rul. 67-368, 1967-2 C.B. 194²⁰
- Rev. Rul. 66-256, 1966-2 C.B. 210²¹
- Rev. Rul. 60-193, 1960-1 C.B. 195²²

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

²⁰ In Rev. Rul. 67-368, an organization formed for the purpose of promoting an enlightened electorate, whose primary activity was rating candidates for public office, was not exempt under § 501(c)(4) because such activity does not "the promotion of social welfare." The ruling stated that comparative rating of candidates, even though on a non-partisan basis, constitutes participation or intervention in a political campaign on behalf of candidates favorably rated and in opposition to those less favorably rated.

²¹ Rev. Rul. 66-256 provides that an organization whose primary purpose was to bring about a fair and open-minded consideration and debate of social, political, and international questions by the promoting and sponsoring public forums at which debates and lectures are conducted qualifies for exemption under § 501(c)(3). The presentation of public lectures, forums, or debates is a recognized method of educating the public, even though some of its programs include controversial speakers or subjects. Therefore, the organization was organized and operated for charitable and educational purposes.

²² Rev. Rul. 60-193 concludes that an organization whose purpose was to encourage greater participation in governmental and political affairs promoted social welfare and therefore qualified for recognition of exemption under § 501(c)(4). Activities of the organization included conducting nonpartisan seminars and workshops relating to the American political system. All lecturers were required to maintain certain technical standards and were not allowed to advocate for any particular political group. Seminars and workshops were moderated by permanent staff personnel of the organization in order to prevent the program from becoming partisan in character.

B) Provide the time, location, and content of each of your meetings, copies of any material provided at the meeting, lists of speakers who have attended the meetings, topics discussed, contents of speeches, and expenses incurred on these meetings.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9²³
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)-(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

²³ Rev. Proc. 2012-9, section 3.08(3).

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Q1 (and instructions)
- Form 1024, Part II, Question 15
- Form 1024, Part II, Question 16²⁴
- Form 1024, Part III (Financial Data)²⁵
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 76-81, 1976-1 C.B. 156
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 160
- Rev. Rul. 74-361, 1974-2 C.B. 159
- Rev. Rul. 68-45, 1968-1 C.B. 259²⁶
- Rev. Rul. 66-256, 1966-2 C.B. 210

²⁴ Form 1024, Part II, Question 16: Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? If "Yes," attach a recent copy of each. The instructions to Form 1024, Question 16, provide that, "This includes any printed material that may be used to publicize the organization's activities, or as an informational item to members or potential members."

²⁵ As provided in Form 1024, Part III, this information must be completed by all organizations.

²⁶ Rev. Rul. 68-45 provides that whether an organization is "primarily" engaged in promoting social welfare is a facts and circumstances determination. Relevant factors include the manner in which the organization's activities are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to activities (by volunteers as well as employees); the purposes furthered by various activities; and the amount of funds received from and devoted to particular activities.

- Rev. Rul. 60-193, 1960-1 C.B. 195

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

The Form 1024 asks organizations whether they publish pamphlets, brochures, newsletters, journals, or similar printed material. If the response is "yes," to the organization must attach copies of such materials. If the organization completes the application fully, no additional information for this type of material is requested. If the organization does not provide this material with the application, it will be requested in further development. Whether an organization is requested to provide additional information depends on all the facts and circumstances of the organization's application.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

C) Provide copies of any lease or rental agreements.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)²⁷

²⁷ Reg. §1.501(c)(4)-1(a)(2) provides that an organization is not operated primarily for the

b) the IRS's rationale for needing this piece of information;

Form 1024, Part II, Question 14 asks whether the applicant leases or plans to lease any property. If the organization responded in the affirmative, the second part of the same question clearly states to explain in detail, including descriptions property and amount of rent, as well as "attach a copy of any rental or lease agreement." To minimize burden, the question offers the organization to "attach a single representative copy of the leases" if it is a party to multiple leases of property under similar agreements.

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists; whether the organization is engaging in potential unrelated business activities; whether section 4958 taxes on excess benefit transactions apply²⁸; and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1

promotion of social welfare if its *primary* activity is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

²⁸ Section 4958 taxes on excess benefit transactions applies to any transaction in which an economic benefit is provided by [a] tax-exempt organization directly or indirectly to or for the use of any disqualified person if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing such benefit.

- Form 1024, Part II, Question 14²⁹
- Form 1024, Schedule A, Question 5
- Form 1024, Schedule B, Question 2³⁰
- Form 1024, Schedule C, Question 1³¹ (section 501(c)(5)s and 501(c)(6)s)
- Form 1024, Schedule D, Question 1³² (section 501(c)(7)s)
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 70-535, 1970-2 C.B. 117³³
- Rev. Rul. 68-455, 1968-2 C.B. 215³⁴

²⁹ “Does the organization now lease or does it plan to lease any property? If “Yes,” explain in detail. Include the amount of rent, a description of the property, and any relationship between the applicant organization and the other party. Also, attach a copy of any rental or lease agreement. (If the organization is a party, as a lessor, to multiple leases of rental real property under similar lease agreements, please attach a single representative copy of the leases.”

³⁰ “Does the organization perform or plan to perform (for members, shareholders, or others) services, such as maintaining the common areas of a condominium; buying food or other items on a cooperative basis; or providing recreational facilities or transportation services, job placement, or other similar undertakings? If “Yes,” explain the activities in detail, including income realized and expenses incurred. Also, explain in detail the nature of the benefits to the general public from these activities. (If the answer to this question is explained in Part II of the application (pages 2, 3, and 4), enter the page and item number here.)”

³¹ Form 1024, Schedule C, Question 1, regarding §§ 501(c)(5) and (6) organizations: “Describe any services the organization performs for members or others. (If the description of the services is contained in Part II of the application, enter the page and item number here.)”

³² Form 1024, Schedule D, Question 1, with regards to § 501(c)(7) organizations, “Has the organization entered or does it plan to enter into any contract or agreement for the management or operation of its property and/or activities, such as restaurants, pro shops, lodges, etc.? If “Yes,” attach a copy of the contract or agreement. If one has not yet been drawn up, please explain the organization’s plans.”

³³ Rev. Rul. 70-535 provides that a nonprofit organization formed to manage low and moderate income housing projects for a fee does not qualify for exemption under § 501(c)(4). The organization entered into agreements with a number of nonprofit corporations exempt from Federal income tax under § 501(a) to manage low and moderate income housing projects for a fee. The organization operates in a manner similar to those providing such management services for profit. All of its income is from management fees. Its funds are used to meet expenses incurred in providing the management services. Managing these housing projects is the organization’s primary activity. Its other activities are negligible. Since the organization’s primary activity is carrying on a business by managing low and moderate income housing projects in a manner similar to organizations operated for profit, the organization is not operated primarily for the promotion of social welfare. The fact that these services are being performed for tax exempt corporations does not change the business nature of the activity.

³⁴ Rev. Rul. 68-455 states that an organization qualifies for exemption under § 501(c)(4) if its

- Rev. Rul. 68-46, 1968-1 C.B. 260³⁵

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

D) Provide copies of any materials or other communications prepared by another person or individual that you have or will distribute, when the distribution was or will be conducted, and who has distributed or will distribute the materials.

a) the IRS's authority for asking for the information;

- Treas. Reg. § 1.501(a)-1

primary activity is the promotion of social welfare, notwithstanding the business activities from which it derived the major part of its income was the carrying on of a business with the general public in a manner similar to organizations which are operated for profit. The organization had the exclusive right to operate a bathhouse and bathing beach, from which the major portion of its income derived. The organization's activities, other than those incident to the concession, included participation in various civic and charitable drives, organizational welfare activities. The IRS concluded that if the promotion of social welfare remained the primary activity of the organization it would qualify for exemption under § 501(c)(4).

³⁵ Rev. Rul. 68-46 concludes that an organization does not qualify for exemption from Federal income tax under § 501(c)(4) where it is primarily engaged in renting a commercial building and operating a public banquet and meeting hall having bar and dining facilities. Although the organization carries on veterans' programs and other benevolent, welfare, patriotic, and civic activities, the organization's business activities relating to the rental of the office building and meeting room space and the food and bar catering services exceeded all its other activities.

- Rev. Proc. 2012-9
- Form 1024

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Rev. Proc. 2012-9
- Form 1024, Part II, Question 1³⁶
- Form 1024, Part II, Question 5³⁷

³⁶ "Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted."

- Form 1024, Part II, Question 16³⁸
- Form 1024, Schedule B, Question 1³⁹
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 160
- Rev. Rul. 66-256, 1966-2 C.B. 210

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

³⁷ "If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees)."

³⁸ "Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? If "Yes," attach a recent copy of each." The Form 1024 Instructions, Question 16 also provide that, "This includes any printed material that may be used to publicize the organization's activities, or as an information item to members or potential members."

³⁹ Has the Internal Revenue Service previously issued a ruling or determination letter recognizing the applicant organization (or any predecessor organization listed in Question 4, Part II of the application) to be exempt under § 501(c)(3) and later revoked that recognition of exemption on the basis that the applicant organization (or its predecessor) was carrying on propaganda or otherwise attempting to influence legislation or on the basis that it engaged in political activity.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

E) Provide copies of all solicitations your organization has made regarding fundraising, including pamphlets, flyers, brochures, and webpage solicitations. Provide all sources of fundraising expenses.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 2⁴⁰
- Form 1024, Part II, Question 5⁴¹
- Form 1024, Part II, Question 15⁴²
- Form 1024, Part II, Question 16
- Form 1024, Part III, Financial Data
- Form 1024, Schedule B, Question 2⁴³
- Form 1024, Schedule C, Question 1⁴⁴
- Form 1024, Schedule D, Question 2⁴⁵
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)
- Rev. Rul. 2007-41, 2007-1 C.B. 1421

⁴⁰ "List the organization's present and future sources of financial support, beginning with the largest source first."

⁴¹ "If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees)."

⁴² Has the organization spent or does it plan to spend any 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? If "Yes," explain in detail and list the amounts spent or to be spent in each case.

⁴³ "Does the organization perform or plan to perform (for members, shareholders, or others) services, such as maintaining the common areas of a condominium; buying food or other items on a cooperative basis; or providing recreational facilities or transportation services, job placement, or other similar undertakings? If "Yes," explain the activities in detail, including income realized and expenses incurred. Also, explain in detail the nature of the benefits to the general public from these activities. (If the answer to this question is explained in Part II of the application (pages 2, 3, and 4), enter the page and item number here.)"

⁴⁴ "Describe any services the organization performs for members or others. (If the description of the services is contained in Part II of the application, enter the page and item number here.)"

⁴⁵ "Does the organization seek or plan to seek public patronage of its facilities or activities by advertisement or otherwise? If "Yes," attach sample copies of the advertisements or other requests. If the organization plans to seek public patronage, please explain the plans."

- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 81-95, 1981-1 C.B. 332
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 161
- Rev. Rul. 66-256, 1966-2 C.B. 210

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

F) Provide all newsletters, emails and other items distributed to your members or other interested individuals.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Rev. Proc. 2012-9
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii)
- Form 1024, Part II, Question 7⁴⁶
- Form 1024, Part II, Question 16 (and instructions)⁴⁷

⁴⁶ "State the qualifications necessary for membership in the organization; the classes of membership (with the number of members in each class); and the voting rights and privileges received. If any group or class of persons is required to join, describe the requirement and explain the relationship between those members and members who join voluntarily. Submit copies of any membership solicitation material. Attach sample copies of all types of membership certificates issued."

⁴⁷ "Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? If "Yes," attach a recent copy of each. The instructions to Form 1024, Question 16,

- Form 1024, Part III, Financial Data, Part A, Line 1 (Gross dues and assessments of members)
- Form 1024, Part III, Financial Data, Part B, Line 12 (Disbursements to or for the benefit of members)
- Form 1024, Schedule B, Question 2⁴⁸
- Form 1024, Schedule C, Question 1⁴⁹
- Form 1024, Schedule D, Question 2⁵⁰
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 80-107, 1980-1 C.B. 117⁵¹
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 78-132, 1978-1 C.B. 157⁵²
- Rev. Rul. 75-286, 1975-2 C.B. 210

also states: "This includes any printed material that may be used to publicize the organization's activities, or as an informational item to members or potential members."

⁴⁸ "Does the organization perform or plan to perform (for members, shareholders, or others) services, such as maintaining the common areas of a condominium; buying food or other items on a cooperative basis; or providing recreational facilities or transportation services, job placement, or other similar undertakings? If "Yes," explain the activities in detail, including income realized and expenses incurred. Also, explain in detail the nature of the benefits to the general public from these activities. (If the answer to this question is explained in Part II of the application (pages 2, 3, and 4), enter the page and item number here."

⁴⁹ "Describe any services the organization performs for members or others. (If the description of the services is contained in Part II of the application, enter the page and item number here.)"

⁵⁰ "Does the organization seek or plan to seek public patronage of its facilities or activities by advertisement or otherwise? If "Yes," attach sample copies of the advertisements or other requests. If the organization plans to seek public patronage, please explain the plans."

⁵¹ Rev. Rul. 80-107 concludes that an organization does not qualify for recognition of exemption under § 501(c)(4) where it is operated for the private benefit of its members. The organization represented the interests of its members before administrative agencies and legislative bodies. Because the primary beneficiaries of the organization's activities were its members, it was primarily operated to serve private interests rather than the community as a whole. Thus, it did not qualify for § 501(c)(4) exemption.

⁵² Rev. Rul. 78-132 concludes that an organization did not qualify for exemption under § 501(c)(4) because the organization was operated primarily for the benefit of private interests, and not the community as a whole.

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

G) Provide all copies of your corporate and meeting minutes from your organization's inception to present.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)⁵³
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)⁵⁴

⁵³ An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. A social welfare organization will qualify for exemption as a charitable organization if it falls within the definition of charitable set forth in paragraph (d)(2) of § 1.501(c)(3)-1 and is not an action organization as set forth in paragraph (c)(3) of § 1.501(c)(3)-1.

⁵⁴ 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. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii)
- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 75-286, 1975-2 C.B. 210

operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

H) Provide the names of all donors, contributors, and grantors and the amounts of each donation, contribution, and grant.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention. Nevertheless, the IRS takes privacy very seriously when developing applications, and makes the effort to work with the organization to obtain the needed information so that the confidentiality of any potentially sensitive or privileged information is taken into account. As discussed, we have advised applicant organizations that if they believe that the requested information requested to demonstrate eligibility for section 501(c)(4) status can be provided through alternative information, they should contact the revenue agent assigned to their application. We remain open to considering whether compliance with the legal requirements can be satisfied in an alternative manner.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Rev. Proc. 2012-09
- Form 1024, Part II, Question 2⁵⁵
- Form 1024, Part II, Question 5⁵⁶
- American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989)⁵⁷
- Rev. Rul. 80-302; 1980-2 C.B. 182⁵⁸

⁵⁵ "List the organization's present and future sources of financial support, beginning with the largest source first."

⁵⁶ "If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees)."

⁵⁷ In *American Campaign Academy*, the court denied exemption under § 501(c)(3) to an organization that conducted activities for the primary benefit of a political party and the candidates it served. The court found that the private benefit to the group of individuals was more than incidental and, therefore, the organization was not organized and operated exclusively for exempt purposes.

⁵⁸ In Rev. Rul. 80-302, an organization did not qualify for exemption under § 501(c)(3) because

- Rev. Rul. 80-107
- Rev. Rul. 78-132, 1978-1 C.B. 157
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 70-186; 1970-1 C.B. 128
- Rev. Rul. 69-631; 1969-2 C.B. 119⁵⁹
- Rev. Rul. 68-266; 1968-1 C.B. 270⁶⁰

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

the organization primarily benefited a family, instead of the community as a whole.

⁵⁹ Rev. Rul. 69-631 concludes that an organization qualified for exemption under § 501(c)(3) because no part of the organization's funds were used for the private benefit of any individual.

⁶⁰ Rev. Rul. 68-266 concludes that an organization was exempt under § 501(c)(7) because none of its income inured to the private benefit of any individual.

I) Provide the details of how your organization will use the donations, contributions, and grants.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part, II, Question 1

- Form 1024, Part II, Question 5⁶¹
- Form 1024, Part II, Question 9⁶²
- Form 1024, Part II, Question 11⁶³
- Form 1024, Part II, Question 15
- Form 1024, Part III, Financial Data
- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 75-286, 1975-2 C.B. 210

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

⁶¹ "If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees)."

⁶² Has the organization made or does it plan to make any distribution of its property or surplus funds to shareholders or members? If "Yes," state the full details, including: (1) amounts or value; (2) source of funds or property distributed or to be distributed; and (3) basis of, and authority for, distribution or planned distribution

⁶³ Has the organization made, or does it plan to make, any payments to members or shareholders for services performed or to be performed? If "Yes," state in detail the amount paid, the character of the services, and to whom the payments have been, or will be, made."

J) Provide a resume, total compensation package, and rationale for how each compensation package was determined for your past and present directors, officers, and key employees.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Internal Revenue Code § 4958 (taxes on excess benefit transactions)
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)
- Treas. Reg. §§ 53.4958-1 through 53.4958-8

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 3(a) and (b)⁶⁴
- Form 1024, Part III, Financial Data, Part A⁶⁵
- Internal Revenue Code § 4958 (taxes on excess benefit transactions)
- Treas. Reg. §§ 53.4958-1 through 53.4958-8
- Rev. Rul. 75-286, 1975-2 C.B. 210

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

⁶⁴ "Give the following information about the organization's governing body: (a) Names, addresses, and titles of officers, directors, trustees, etc., and; (b) Annual compensation." The instructions to Part III, Question 3, also state: "Furnish the mailing addresses of the organization's principal officers, directors, or trustees. Do not give the address of the organization." Further, the Instruction for Line 3(b) state: "The annual compensation includes salary, bonus, and any other form of payment to the individual for services performed for the organization."

⁶⁵ Form 1024, Part III, Financial Data (Part A) Statement of Revenue and Expenses, requires the applicant to report the compensation of officers, directors, and trustees, and to attach a schedule. The Instructions further state: "Attach a schedule that show the name of the person compensated; the office or position; the average amount of time devoted to business per week, month, etc.; and the amount of annual compensation."

K) Provide a list of all issues that are important to your organization, indicating your position regarding each issue.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)(iv)⁶⁶ ("action" organizations)
- Treas. Reg. § 1.501(c)(4)-1(a)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)⁶⁷
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii)⁶⁸

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

⁶⁶ Treas. Reg. § 1.501(c)(3)-1(c)(3)(iv) provides that an organization is an "action" organization if it has the following two characteristics: (a) 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; and (b) 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 there of available to the public.

⁶⁷ An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. A social welfare organization will qualify for exemption as a charitable organization if it falls within the definition of charitable set forth in paragraph (d)(2) of § 1.501(c)(3)-1 and is not an "action" organization as set forth in paragraph (c)(3) of § 1.501(c)(3)-1.

⁶⁸ 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. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 15
- Form 1024, Part II, Question 16
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Proc. 86-43, 1986-2 C.B. 729⁶⁹
- Rev. Rul. 81-95, 1981-1 C.B. 332

⁶⁹ Rev. Proc. 86-43 discusses the criteria that the IRS uses to determine the circumstances under which advocacy of a particular viewpoint or position by an organization is considered educational within the meaning of § 501(c)(3) and within the meaning of Reg. §1.501(c)(3)-1(d)(3). The Rev. Proc. provides that the presence of any of the following factors in the presentations made by an organization is indicative that the method used by the organization to advocate its viewpoints or positions is not educational: (1) the presentation of viewpoints or positions unsupported by facts is a significant portion of the organization's communications; (2) the facts purport to support the viewpoints or positions are distorted; (3) 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; and 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. This methodology test is set forth in Section 3 of the revenue procedure, and is used in all situations where the educational purposes of an organization that advocates a particular viewpoint or position are in question.

- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 76-81, 1976-1 C.B. 156
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 160
- Rev. Rul. 74-361, 1974-2 C.B. 159
- Rev. Rul. 68-656, 1968-2 C.B. 216
- Rev. Rul. 68-45, 1968-1 C.B. 259
- Rev. Rul. 67-368, 1967-2 C.B. 194
- Rev. Rul. 66-256, 1966-2 C.B. 210
- Rev. Rul. 60-193, 1960-1 C.B. 195

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

L) Provide details regarding all training your organization has provided or will provide, indicating who has received or will receive the training and providing all copies of the training material.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)(iv) ("action" organization)
- Treas. Reg. § 1.501(c)(4)-1(a)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1⁷⁰
- Form 1024, Part II, Question 5
- Form 1024, Part II, Question 10
- Form 1024, Part II, Question 15
- Form 1024, Part II, Question 16
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 81-95, 1981-1 C.B. 332
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 75-286, 1975-2 C.B. 21
- Rev. Rul. 74-574, 1974-2 C.B. 160
- Rev. Rul. 68-656, 1968-2 C.B. 216
- Rev. Rul. 67-368, 1967-2 C.B. 194
- Rev. Rul. 66-256, 1966-2 C.B. 210
- Rev. Rul. 60-193, 1960-1 C.B. 195

⁷⁰ Form 1024 Instructions, Part II, Question 1, provides that: "It is important that you report all activities carried on by the organization to enable the IRS to make a proper determination of the organization's exempt status. It is also important that you provide detailed information about the nature and purpose of each of the activities. The organization will be contacted for such information if it is not furnished."

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

M) Provide the member application and registration form, the membership agreement and rules that govern members, and copies of your website that only members can access.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 7⁷¹
- Form 1024, Part II, Question 9
- Form 1024, Part II, Question 11
- Form 1024, Part II, Question 16
- Form 1024, Part III, Financial Data, Part A, Line 1
- Form 1024, Part III, Financial Data, Part A, Line 12
- Form 1024, Schedule B, Question 2
- Form 1024, Schedule C, Question 1
- Rev. Rul. 2007-41, 2007-1 C.B. 1421

⁷¹ "State the qualifications necessary for membership in the organization; the classes of membership (with the number of members in each class); and the voting rights and privileges received. If any group or class of persons is required to join, describe the requirement and explain the relationship between those members and members who join voluntarily. Submit copies of any membership solicitation material. Attach sample copies of all types of membership certificates issued."

- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-361, 1974-2 C.B. 159
- Rev. Rul. 68-45, 1968-1 C.B. 259

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

N) Provide a vendor list, a list of all merchandise items sold, your cost for each item, and the selling price for each item.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 990-T (unrelated business income tax)
- Form 1024
- Internal Revenue Code section 512 (unrelated business taxable income)
- Internal Revenue Code section 513 ("unrelated trade or business")

- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(4)-1(a)(1)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)
- Treas. Reg. § 1.512(a)-1
- Treas. Reg. § 1.513-1

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists; whether the organization is engaging in potential unrelated business activities; and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 990-T
- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 10

- Form 1024, Part II, Question 11
- Form 1024, Part II, Financial Data, Part A, Line 3
- Form 1024, Part II, Financial Data, Part A, Line 4
- Form 1024, Part II, Financial Data, Part B, Line 9
- Form 1024, Part II, Financial Data, Part B, Line 10
- Form 1024, Schedule D, Question 1
- Form 1024, Schedule D, Question 2
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-112, 2004-2 C.B. 985 (unrelated trade or business in §501(c)(6) context)

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

O) Provide all activities your organization has engaged in with the news media, including copies of articles printed or transcripts of items aired because of that activity.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)
- Treas. Reg. § 1.501(c)(4)-1(a)
- Treas. Reg. § 56.4911-2 (certain public charities)
- Treas. Reg. § 53.4945-2 (private foundations only)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 5
- Form 1024, Part II, Question 15
- Form 1024, Part II, Question 16
- Treas. Reg. § 1.501(c)(3)-1(c)(3)
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 160⁷²
- Rev. Rul. 70-79, 1970-1 C.B. 127⁷³
- Rev. Rul. 68-656, 1968-2 C.B. 216

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

⁷² Rev. Rul. 74-574 concludes that a § 501(c)(3) organization that operates a broadcasting station presenting religious, educational, and public interest programs, is not participating in political campaigns on behalf of public candidates in violation of the provisions of that section by providing reasonable air time equally available to all legally qualified candidates for election to public office.

⁷³ Rev. Rul. 70-79 concludes that an organization created to assist local governments of a metropolitan region by studying and recommending regional policies directed at the solution of mutual problems qualifies for recognition of exemption under § 501(c)(3). The organization researches and analyzes problems discussed at meetings and distributes reports to the local governments and news media.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

P) Provide copies of all direct or indirect communication with members of legislative bodies.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Internal Revenue Code section 4911
- Internal Revenue Code section 4945 (exceptions to definition of lobbying)
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)(ii)
- Treas. Reg. § 1.501(c)(3)-1(c)(3)(iv)
- Treas. Reg. § 1.501(c)(4)-1
- Treas. Reg. § 53.4945-2 (private foundations only)
- Treas. Reg. § 56.4911-2(b)(1)(i) (certain public charities)
- Treas. Reg. § 56.4911-2(b)(1)(ii) (certain public charities)
- Treas. Reg. § 56.4911-2(b)(2)(i) (certain public charities)
- Treas. Reg. § 56.4911-2(b)(2)(ii) (certain public charities)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 1
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 70-449, 1970-2 C.B. 111 (§ 501(c)(3) context)
- Rev. Rul. 70-79, 1970-1 C.B. 127 (§ 501(c)(3) context)
- Rev. Rul. 76-81, 1976-1 C.B. 156
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 68-656, 1968-2 C.B. 216

- Rev. Rul. 67-293, 1967-2 C.B. 185
- Rev. Rul. 67-163, 1967-1 C.B. 43
- Rev. Rul. 67-6, 1967-1 C.B. 135⁷⁴
- Rev. Rul. 64-195, 1964-2 C. B. 138 (§ 501(c)(3) context)
- Rev. Rul. 62-71, 1962-1 C.B. 85

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

⁷⁴ Rev. Rul. 67-6 concludes that an association whose activities are primarily devoted to preserving the traditions, architecture, and appearance of a community by means of individual and group action before the local legislature and administrative agencies with respect to zoning, traffic, and parking regulations may be exempt from Federal income under § 501(c)(4).

I hope this information is helpful. If you have questions, please contact me or have your staff contact Cathy Barre at (202) 622-3720.

Sincerely,

A handwritten signature in black ink, appearing to read "Lois G. Lerner", with a long horizontal flourish extending to the right.

Lois G. Lerner
Director, Exempt Organizations

Enclosures

MAY 04 2012



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

May 4, 2012

The Honorable Jim Jordan
Chairman
Subcommittee on Regulatory Affairs,
Stimulus Oversight and Government Spending
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am responding to your letter dated March 27, 2012, requesting information about the tax-exempt sector. This response supplements my April 26, 2012 letter, and addresses the remaining question # 7.

Question 7. Each of the requests for information, listed below that has appeared on an IRS questionnaire is beyond the scope of IRS Form 1024. For each of these requests, listed below, please state: a) the IRS's authority for asking for the information; b) the IRS's rationale for needing this piece of information; c) whether any precedent exists for the IRS asking for this type of information; d) the objective standards the IRS will use when reviewing the response; and e) how the IRS will use the information to determine tax-exempt status.

As discussed in my prior response and per our discussion with your staff, we understand that references in your letter to "questionnaires" relate to development letters the IRS sends to organizations in the ordinary course of the application process. These letters are sent to obtain the information necessary to make a determination about whether the organization meets the legal requirements for tax-exempt status. As noted in my earlier letter, the law allows section 501(c)(4) organizations to self-declare and hold themselves out as tax-exempt without IRS approval of status or to apply to the IRS for recognition as tax-exempt. Development letters relate to those organizations that apply to the IRS for recognition of tax-exempt status.

Preliminarily, we wish to clarify that under the appropriate facts and circumstances, the requests for information set forth below are not beyond the scope of the Form 1024. To establish tax exemption, the organization must meet the statutory requirements of the particular section of the Internal Revenue Code under which exemption is sought. As set forth in Revenue Procedure 2012-9, the applicant has the burden of establishing that it meets the particular requirements of the statute and regulations under which it seeks exemption through information in its application and supporting materials. A copy of the Revenue Procedure as well as all cited documents is included for your convenience in the enclosed CD-ROM.

As discussed in my prior response and in more detail below, the particular facts and circumstances of an application will determine the specific information requested. Section 6103 of the Internal Revenue Code prohibits the IRS from disclosing the particular facts and circumstances of an application that may lead to a particular question being asked of the organization.¹ The revenue agent working a case uses sound reasoning based on tax law training and his or her experience to review the application and identify the additional information needed to make a proper determination of the organization's exempt status. Follow-up information requested would be based on the facts and circumstances set forth in the particular application. Because of the facts and circumstances nature and the need for professional judgment on the part of the revenue agent doing the review, there will naturally be some variances in how cases are developed and how questions back to the applicant are articulated. To minimize possible variances, the IRS utilizes training and tools to promote quality and consistency in similar cases.

To qualify for exemption as a social welfare organization described in section 501(c)(4), the organization must be primarily engaged in the promotion of social welfare, not organized or operated for profit, and the net earnings of which do not inure to the benefit of any private shareholder or individual.² An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. 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. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.³

Whether an organization meets the statutory requirements of section 501(c)(4) depends upon all of the facts and circumstances, and no one factor is determinative. A section 501(c)(4) social welfare organization can engage in some non-exempt activity so long as its primary activity is exempt social welfare activity. Because the facts and circumstances of the particular applicant are considered, determinations letters are not precedential and cannot be relied on by anyone except the organization who received the letter. Consequently, a revenue agent must first determine whether particular activities undertaken by the organization further an exempt or non-exempt purpose. If the organization is engaged in some non-exempt activities, then the agent must review the scope of the activities to determine whether, based on all the facts and circumstances, the organization's exempt activities are the primary activities when compared to the aggregate of its non-exempt activities.

¹ Section 6103(f) sets forth the means by which congressional committees may obtain access to returns and return information. We are available to discuss these rules in more detail with your staff.

² IRC § 501(c)(4); Treas. Reg. § 501(c)(4)-1.

³ Reg. § 1.501(c)(4)-1(a)(2)(i) - (ii).

Whether the IRS needs additional information depends on the completeness of the information provided in the application, as well as the specific activities in which the organization is engaged. Some organizations include in their application all the information necessary to determine whether they meet the statutory requirements for tax exemption. Others may not provide complete information, such as how the organization's activities further their exempt purpose. As explained in our initial response dated April 26, 2012, when a Form 1024 application needs further development, the IRS contacts the organization and solicits additional information in order to have a complete administrative record on which the IRS can make a determination as to whether the requirements of the Code and regulations are met. That record could include answers to questions, copies of documents, copies of web pages and any other relevant information exchanged between the parties as exemption is discussed.

Because we are legally prohibited from responding with respect to any particular application, the responses below explain why each of the questions you specified might be asked to an applicant (but without reference to case-specific information). We have responded in the format you requested. It would be necessary to know the contents of an application file to know why particular information may have been requested from any specific organization. Because our responses cannot address how the information is relevant to any specific application, we have provided a selection of precedents that could apply to the question depending upon the facts. Consequently, there is some necessary repetition in our responses. We have advised applicant organizations that if they believe that the information requested to demonstrate eligibility for section 501(c)(4) status can be provided through alternative information, they should contact the revenue agent assigned to their application. We remain open to considering whether compliance with the legal requirements can be satisfied in an alternative manner. We have also provided additional time to respond.

A) For all the events you have conducted or will conduct for 2012 and 2013, provide the date of each event, issues presented at the event, copies of materials provided, speakers invited, details of speeches made at the event and actions promoted by the speakers, and expenses incurred.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1⁴

⁴ Treas. Reg. § 1.501(a)-1(a)(3). In general; proof of exemption. An organization claiming exemption under § 501(a) and described in any paragraph of § 501(c) (other than § 501(c)(1)) shall file the form of application prescribed by the IRS and shall include thereon such information as required by such form and the instructions issued with respect thereto. For rules relating to the obtaining of a determination of exempt status by an employees' trust described in § 401(a), see the regulations under § 401. Treas. Reg. § 1.501(a)-1(b)(2). In addition to the

- Treas. Reg. § 1.501(c)(3)-1(c)(3) (“action” organization)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)-(ii)⁵

b) the IRS’s rationale for needing this piece of information;

Form 1024, Part II, Question 1 requests that the organization provide a detailed narrative description of all of the activities of the organization – past, present and planned. Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization’s application, this additional information may be requested to help the agent determine if potential inurement or private benefit exists, and whether the organization’s activities primarily further exempt purposes or non-exempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

information specifically called for by this section, the IRS may require any additional information deemed necessary for a proper determination of whether a particular organization is exempt under § 501(a), and when deemed advisable in the interest of an efficient administration of the internal revenue laws, the IRS may in the cases of particular types of organizations prescribe the form in which the proof of exemption shall be furnished.

⁵ An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. A social welfare organization will qualify for exemption as a charitable organization if it falls within the definition of charitable set forth in paragraph (d)(2) of Reg. § 1.501(c)(3)-1 and is not an action organization as set forth in paragraph (c)(3) of Reg. § 1.501(c)(3)-1. 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. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1⁶
- Form 1024, Part II, Question 16⁷
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)-(ii)
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73⁸
- Rev. Rul. 81-95, 1981-1 C.B. 332⁹
- Rev. Rul. 80-282, 1980-2 C.B. 178¹⁰
- Rev. Rul. 80-107, 1980-1 C.B. 117¹¹

⁶ Form 1024, Part II, Question 1: "Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted. As noted on Form 1024, this question must be completed by all applicants.

⁷ Form 1024, Part II, Question 16: "Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? If "Yes," attach a recent copy of each." As noted on Form 1024, this question must be completed by all applicants.

⁸ Rev. Rul. 86-95 determines that, in the context of a § 501(c)(3) organization, a forum held for the purpose of educating and informing the voters, which provides fair and impartial treatment of candidates, and which does not promote or advance one candidate over another, would not constitute participation or intervention in any political campaign on behalf of or in opposition to any candidate for public office. The facts and circumstances of this case established that both the format and content of the proposed forums would be presented in a neutral manner.

⁹ Rev. Rul. 81-95 provides that "an organization may carry on lawful political activities and remain exempt under § 501(c)(4) as long as it is primarily engaged in activities that promote social welfare."

¹⁰ Rev. Rul. 80-282 provides that a § 501(c)(3) organization that published partisan voter guides was participating in prohibited political campaign intervention.

¹¹ Rev. Rul. 80-107 denied exemption to an "advocacy" organization due to private benefit. The ruling held that because the primary beneficiaries of the organization's activities were its members, "together with other individuals who own shares in the public utility companies," it was primarily operated to serve private interests rather than the community as a whole. Thus, it did not qualify for § 501(c)(4) exemption.

- Rev. Rul. 78-248, 1978-1 C.B. 154¹²
- Rev. Rul. 78-131, 1978-1 C.B. 156¹³
- Rev. Rul. 75-286, 1975-2 C.B. 210¹⁴
- Rev. Rul. 74-574, 1974-2 C.B. 160¹⁵
- Rev. Rul. 74-361, 1974-2 C.B. 159¹⁶
- Rev. Rul. 74-298, 1974-1 C.B. 133¹⁷
- Rev. Rul. 68-656, 1968-2 C.B. 216¹⁸
- Rev. Rul. 68-224, 1968-1 C.B. 262¹⁹

¹² Rev. Rul. 78-248 provides that whether a § 501(c)(3) organization is participating or intervening, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office depends upon all of the facts and circumstances of each case.

¹³ In Rev. Rul. 78-131, an organization whose purpose is to develop and encourage interest in painting, sculpture, and other art forms by conducting, in a noncommercial manner, a community art show qualifies for exemption as an organization operated exclusively for the promotion of social welfare under § 501(c)(4).

¹⁴ Rev. Rul. 75-286 provides that an organization exempt under § 501(c)(4) must be operated exclusively for the promotion of social welfare. It may not benefit select individuals or groups, but must instead benefit the community as a whole.

¹⁵ Rev. Rul. 74-575 concludes that a § 501(c)(3) organization operating a broadcasting station presenting religious, educational, and public interest programs, is not participating in political campaigns on behalf of public candidates in violation of the provisions of that section by providing reasonable air time equally available to all legally qualified candidates for election to public office.

¹⁶ Rev. Rul. 74-369 provides that whether an organization is "primarily engaged" in promoting social welfare is a facts and circumstances determination. Relevant factors include the manner in which the organization's activities are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to activities (by volunteers as well as employees); the purposes furthered by various activities; and the amount of funds received from and devoted to particular activities.

¹⁷ Rev. Rul. 74-298 held that a nonprofit organization, whose membership was limited to local residents, and whose sole activity was sponsoring an annual professional golf tournament for which it leased a golf course and charged admission, was not operated primarily for the promotion of social welfare and did not qualify for exemption under § 501(c)(4).

¹⁸ Rev. Rul. 68-656 concludes that an organization that was organized and operated for the purpose of educating the public on controversial subjects and attempts to influence legislation germane to its program may qualify for exemption under § 501(c)(4). The organization sought changes in the law and informed the public about a currently illegal activity, by circulating printed material and legislative proposals.

¹⁹ Rev. Rul. 68-224 concludes that an organization that conducted an annual festival centered around regional customs and traditions engaged in activities that promoted the common good and social welfare of the people of the community and may qualify for exemption under § 501(c)(4). The organization provided the community with recreation and provided a means for citizens to express their interest in the community's history, customs, and traditions.

- Rev. Rul. 67-368, 1967-2 C.B. 194²⁰
- Rev. Rul. 66-256, 1966-2 C.B. 210²¹
- Rev. Rul. 60-193, 1960-1 C.B. 195²²

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

²⁰ In Rev. Rul. 67-368, an organization formed for the purpose of promoting an enlightened electorate, whose primary activity was rating candidates for public office, was not exempt under § 501(c)(4) because such activity does not "the promotion of social welfare." The ruling stated that comparative rating of candidates, even though on a non-partisan basis, constitutes participation or intervention in a political campaign on behalf of candidates favorably rated and in opposition to those less favorably rated.

²¹ Rev. Rul. 66-256 provides that an organization whose primary purpose was to bring about a fair and open-minded consideration and debate of social, political, and international questions by the promoting and sponsoring public forums at which debates and lectures are conducted qualifies for exemption under § 501(c)(3). The presentation of public lectures, forums, or debates is a recognized method of educating the public, even though some of its programs include controversial speakers or subjects. Therefore, the organization was organized and operated for charitable and educational purposes.

²² Rev. Rul. 60-193 concludes that an organization whose purpose was to encourage greater participation in governmental and political affairs promoted social welfare and therefore qualified for recognition of exemption under § 501(c)(4). Activities of the organization included conducting nonpartisan seminars and workshops relating to the American political system. All lecturers were required to maintain certain technical standards and were not allowed to advocate for any particular political group. Seminars and workshops were moderated by permanent staff personnel of the organization in order to prevent the program from becoming partisan in character.

B) Provide the time, location, and content of each of your meetings, copies of any material provided at the meeting, lists of speakers who have attended the meetings, topics discussed, contents of speeches, and expenses incurred on these meetings.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9²³
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)-(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

²³ Rev. Proc. 2012-9, section 3.08(3).

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Q1 (and instructions)
- Form 1024, Part II, Question 15
- Form 1024, Part II, Question 16²⁴
- Form 1024, Part III (Financial Data)²⁵
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 76-81, 1976-1 C.B. 156
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 160
- Rev. Rul. 74-361, 1974-2 C.B. 159
- Rev. Rul. 68-45, 1968-1 C.B. 259²⁶
- Rev. Rul. 66-256, 1966-2 C.B. 210

²⁴ Form 1024, Part II, Question 16: Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? If "Yes," attach a recent copy of each. The instructions to Form 1024, Question 16, provide that, "This includes any printed material that may be used to publicize the organization's activities, or as an informational item to members or potential members."

²⁵ As provided in Form 1024, Part III, this information must be completed by all organizations.

²⁶ Rev. Rul. 68-45 provides that whether an organization is "primarily" engaged in promoting social welfare is a facts and circumstances determination. Relevant factors include the manner in which the organization's activities are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to activities (by volunteers as well as employees); the purposes furthered by various activities; and the amount of funds received from and devoted to particular activities.

- Rev. Rul. 60-193, 1960-1 C.B. 195

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

The Form 1024 asks organizations whether they publish pamphlets, brochures, newsletters, journals, or similar printed material. If the response is “yes,” to the organization must attach copies of such materials. If the organization completes the application fully, no additional information for this type of material is requested. If the organization does not provide this material with the application, it will be requested in further development. Whether an organization is requested to provide additional information depends on all the facts and circumstances of the organization’s application.

This information is used to establish whether, based on the facts and circumstances, the organization’s activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization’s entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

C) Provide copies of any lease or rental agreements.

a) the IRS’s authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)²⁷

²⁷ Reg. §1.501(c)(4)-1(a)(2) provides that an organization is not operated primarily for the

b) the IRS's rationale for needing this piece of information;

Form 1024, Part II, Question 14 asks whether the applicant leases or plans to lease any property. If the organization responded in the affirmative, the second part of the same question clearly states to explain in detail, including descriptions property and amount of rent, as well as "attach a copy of any rental or lease agreement." To minimize burden, the question offers the organization to "attach a single representative copy of the leases" if it is a party to multiple leases of property under similar agreements.

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists; whether the organization is engaging in potential unrelated business activities; whether section 4958 taxes on excess benefit transactions apply²⁸; and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1

promotion of social welfare if its *primary* activity is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

²⁸ Section 4958 taxes on excess benefit transactions applies to any transaction in which an economic benefit is provided by [a] tax-exempt organization directly or indirectly to or for the use of any disqualified person if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing such benefit.

- Form 1024, Part II, Question 14²⁹
- Form 1024, Schedule A, Question 5
- Form 1024, Schedule B, Question 2³⁰
- Form 1024, Schedule C, Question 1³¹ (section 501(c)(5)s and 501(c)(6)s)
- Form 1024, Schedule D, Question 1³² (section 501(c)(7)s)
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 70-535, 1970-2 C.B. 117³³
- Rev. Rul. 68-455, 1968-2 C.B. 215³⁴

²⁹ “Does the organization now lease or does it plan to lease any property? If “Yes,” explain in detail. Include the amount of rent, a description of the property, and any relationship between the applicant organization and the other party. Also, attach a copy of any rental or lease agreement. (If the organization is a party, as a lessor, to multiple leases of rental real property under similar lease agreements, please attach a single representative copy of the leases.”

³⁰ “Does the organization perform or plan to perform (for members, shareholders, or others) services, such as maintaining the common areas of a condominium; buying food or other items on a cooperative basis; or providing recreational facilities or transportation services, job placement, or other similar undertakings? If “Yes,” explain the activities in detail, including income realized and expenses incurred. Also, explain in detail the nature of the benefits to the general public from these activities. (If the answer to this question is explained in Part II of the application (pages 2, 3, and 4), enter the page and item number here.)”

³¹ Form 1024, Schedule C, Question 1, regarding §§ 501(c)(5) and (6) organizations: “Describe any services the organization performs for members or others. (If the description of the services is contained in Part II of the application, enter the page and item number here.)”

³² Form 1024, Schedule D, Question 1, with regards to § 501(c)(7) organizations, “Has the organization entered or does it plan to enter into any contract or agreement for the management or operation of its property and/or activities, such as restaurants, pro shops, lodges, etc.? If “Yes,” attach a copy of the contract or agreement. If one has not yet been drawn up, please explain the organization’s plans.”

³³ Rev. Rul. 70-535 provides that a nonprofit organization formed to manage low and moderate income housing projects for a fee does not qualify for exemption under § 501(c)(4). The organization entered into agreements with a number of nonprofit corporations exempt from Federal income tax under § 501(a) to manage low and moderate income housing projects for a fee. The organization operates in a manner similar to those providing such management services for profit. All of its income is from management fees. Its funds are used to meet expenses incurred in providing the management services. Managing these housing projects is the organization’s primary activity. Its other activities are negligible. Since the organization’s primary activity is carrying on a business by managing low and moderate income housing projects in a manner similar to organizations operated for profit, the organization is not operated primarily for the promotion of social welfare. The fact that these services are being performed for tax exempt corporations does not change the business nature of the activity.

³⁴ Rev. Rul. 68-455 states that an organization qualifies for exemption under § 501(c)(4) if its

- Rev. Rul. 68-46, 1968-1 C.B. 260³⁵

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

D) Provide copies of any materials or other communications prepared by another person or individual that you have or will distribute, when the distribution was or will be conducted, and who has distributed or will distribute the materials.

a) the IRS's authority for asking for the information;

- Treas. Reg. § 1.501(a)-1

primary activity is the promotion of social welfare, notwithstanding the business activities from which it derived the major part of its income was the carrying on of a business with the general public in a manner similar to organizations which are operated for profit. The organization had the exclusive right to operate a bathhouse and bathing beach, from which the major portion of its income derived. The organization's activities, other than those incident to the concession, included participation in various civic and charitable drives, organizational welfare activities. The IRS concluded that if the promotion of social welfare remained the primary activity of the organization it would qualify for exemption under § 501(c)(4).

³⁵ Rev. Rul. 68-46 concludes that an organization does not qualify for exemption from Federal income tax under § 501(c)(4) where it is primarily engaged in renting a commercial building and operating a public banquet and meeting hall having bar and dining facilities. Although the organization carries on veterans' programs and other benevolent, welfare, patriotic, and civic activities, the organization's business activities relating to the rental of the office building and meeting room space and the food and bar catering services exceeded all its other activities.

- Rev. Proc. 2012-9
- Form 1024

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Rev. Proc. 2012-9
- Form 1024, Part II, Question 1³⁶
- Form 1024, Part II, Question 5³⁷

³⁶ "Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted."

- Form 1024, Part II, Question 16³⁸
- Form 1024, Schedule B, Question 1³⁹
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 160
- Rev. Rul. 66-256, 1966-2 C.B. 210

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

³⁷ "If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees)."

³⁸ "Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? If "Yes," attach a recent copy of each." The Form 1024 Instructions, Question 16 also provide that, "This includes any printed material that may be used to publicize the organization's activities, or as an information item to members or potential members."

³⁹ Has the Internal Revenue Service previously issued a ruling or determination letter recognizing the applicant organization (or any predecessor organization listed in Question 4, Part II of the application) to be exempt under § 501(c)(3) and later revoked that recognition of exemption on the basis that the applicant organization (or its predecessor) was carrying on propaganda or otherwise attempting to influence legislation or on the basis that it engaged in political activity.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

E) Provide copies of all solicitations your organization has made regarding fundraising, including pamphlets, flyers, brochures, and webpage solicitations. Provide all sources of fundraising expenses.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 2⁴⁰
- Form 1024, Part II, Question 5⁴¹
- Form 1024, Part II, Question 15⁴²
- Form 1024, Part II, Question 16
- Form 1024, Part III, Financial Data
- Form 1024, Schedule B, Question 2⁴³
- Form 1024, Schedule C, Question 1⁴⁴
- Form 1024, Schedule D, Question 2⁴⁵
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)
- Rev. Rul. 2007-41, 2007-1 C.B. 1421

⁴⁰ "List the organization's present and future sources of financial support, beginning with the largest source first."

⁴¹ "If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees)."

⁴² Has the organization spent or does it plan to spend any 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? If "Yes," explain in detail and list the amounts spent or to be spent in each case.

⁴³ "Does the organization perform or plan to perform (for members, shareholders, or others) services, such as maintaining the common areas of a condominium; buying food or other items on a cooperative basis; or providing recreational facilities or transportation services, job placement, or other similar undertakings? If "Yes," explain the activities in detail, including income realized and expenses incurred. Also, explain in detail the nature of the benefits to the general public from these activities. (If the answer to this question is explained in Part II of the application (pages 2, 3, and 4), enter the page and item number here.)"

⁴⁴ "Describe any services the organization performs for members or others. (If the description of the services is contained in Part II of the application, enter the page and item number here.)"

⁴⁵ "Does the organization seek or plan to seek public patronage of its facilities or activities by advertisement or otherwise? If "Yes," attach sample copies of the advertisements or other requests. If the organization plans to seek public patronage, please explain the plans."

- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 81-95, 1981-1 C.B. 332
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 161
- Rev. Rul. 66-256, 1966-2 C.B. 210

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

F) Provide all newsletters, emails and other items distributed to your members or other interested individuals.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Rev. Proc. 2012-9
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii)
- Form 1024, Part II, Question 7⁴⁶
- Form 1024, Part II, Question 16 (and instructions)⁴⁷

⁴⁶ "State the qualifications necessary for membership in the organization; the classes of membership (with the number of members in each class); and the voting rights and privileges received. If any group or class of persons is required to join, describe the requirement and explain the relationship between those members and members who join voluntarily. Submit copies of any membership solicitation material. Attach sample copies of all types of membership certificates issued."

⁴⁷ "Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? If "Yes," attach a recent copy of each. The instructions to Form 1024, Question 16,

- Form 1024, Part III, Financial Data, Part A, Line 1 (Gross dues and assessments of members)
- Form 1024, Part III, Financial Data, Part B, Line 12 (Disbursements to or for the benefit of members)
- Form 1024, Schedule B, Question 2⁴⁸
- Form 1024, Schedule C, Question 1⁴⁹
- Form 1024, Schedule D, Question 2⁵⁰
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 80-107, 1980-1 C.B. 117⁵¹
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 78-132, 1978-1 C.B. 157⁵²
- Rev. Rul. 75-286, 1975-2 C.B. 210

also states: "This includes any printed material that may be used to publicize the organization's activities, or as an informational item to members or potential members."

⁴⁸ "Does the organization perform or plan to perform (for members, shareholders, or others) services, such as maintaining the common areas of a condominium; buying food or other items on a cooperative basis; or providing recreational facilities or transportation services, job placement, or other similar undertakings? If "Yes," explain the activities in detail, including income realized and expenses incurred. Also, explain in detail the nature of the benefits to the general public from these activities. (If the answer to this question is explained in Part II of the application (pages 2, 3, and 4), enter the page and item number here.)"

⁴⁹ "Describe any services the organization performs for members or others. (If the description of the services is contained in Part II of the application, enter the page and item number here.)"

⁵⁰ "Does the organization seek or plan to seek public patronage of its facilities or activities by advertisement or otherwise? If "Yes," attach sample copies of the advertisements or other requests. If the organization plans to seek public patronage, please explain the plans."

⁵¹ Rev. Rul. 80-107 concludes that an organization does not qualify for recognition of exemption under § 501(c)(4) where it is operated for the private benefit of its members. The organization represented the interests of its members before administrative agencies and legislative bodies. Because the primary beneficiaries of the organization's activities were its members, it was primarily operated to serve private interests rather than the community as a whole. Thus, it did not qualify for § 501(c)(4) exemption.

⁵² Rev. Rul. 78-132 concludes that an organization did not qualify for exemption under § 501(c)(4) because the organization was operated primarily for the benefit of private interests, and not the community as a whole.

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

G) Provide all copies of your corporate and meeting minutes from your organization's inception to present.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)⁵³
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)⁵⁴

⁵³ An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. A social welfare organization will qualify for exemption as a charitable organization if it falls within the definition of charitable set forth in paragraph (d)(2) of § 1.501(c)(3)-1 and is not an action organization as set forth in paragraph (c)(3) of § 1.501(c)(3)-1.

⁵⁴ 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. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii)
- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 75-286, 1975-2 C.B. 210

operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

H) Provide the names of all donors, contributors, and grantors and the amounts of each donation, contribution, and grant.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention. Nevertheless, the IRS takes privacy very seriously when developing applications, and makes the effort to work with the organization to obtain the needed information so that the confidentiality of any potentially sensitive or privileged information is taken into account. As discussed, we have advised applicant organizations that if they believe that the requested information requested to demonstrate eligibility for section 501(c)(4) status can be provided through alternative information, they should contact the revenue agent assigned to their application. We remain open to considering whether compliance with the legal requirements can be satisfied in an alternative manner.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Rev. Proc. 2012-09
- Form 1024, Part II, Question 2⁵⁵
- Form 1024, Part II, Question 5⁵⁶
- American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989)⁵⁷
- Rev. Rul. 80-302; 1980-2 C.B. 182⁵⁸

⁵⁵ "List the organization's present and future sources of financial support, beginning with the largest source first."

⁵⁶ "If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees)."

⁵⁷ In American Campaign Academy, the court denied exemption under § 501(c)(3) to an organization that conducted activities for the primary benefit of a political party and the candidates it served. The court found that the private benefit to the group of individuals was more than incidental and, therefore, the organization was not organized and operated exclusively for exempt purposes.

⁵⁸ In Rev. Rul. 80-302, an organization did not qualify for exemption under § 501(c)(3) because

- Rev. Rul. 80-107
- Rev. Rul. 78-132, 1978-1 C.B. 157
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 70-186; 1970-1 C.B. 128
- Rev. Rul. 69-631; 1969-2 C.B. 119⁵⁹
- Rev. Rul. 68-266; 1968-1 C.B. 270⁶⁰

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

the organization primarily benefited a family, instead of the community as a whole.

⁵⁹ Rev. Rul. 69-631 concludes that an organization qualified for exemption under § 501(c)(3) because no part of the organization's funds were used for the private benefit of any individual.

⁶⁰ Rev. Rul. 68-266 concludes that an organization was exempt under § 501(c)(7) because none of its income inured to the private benefit of any individual.

I) Provide the details of how your organization will use the donations, contributions, and grants.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part, II, Question 1

- Form 1024, Part II, Question 5⁶¹
- Form 1024, Part II, Question 9⁶²
- Form 1024, Part II, Question 11⁶³
- Form 1024, Part II, Question 15
- Form 1024, Part III, Financial Data
- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 75-286, 1975-2 C.B. 210

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

⁶¹ "If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees)."

⁶² Has the organization made or does it plan to make any distribution of its property or surplus funds to shareholders or members? If "Yes," state the full details, including: (1) amounts or value; (2) source of funds or property distributed or to be distributed; and (3) basis of, and authority for, distribution or planned distribution

⁶³ Has the organization made, or does it plan to make, any payments to members or shareholders for services performed or to be performed? If "Yes," state in detail the amount paid, the character of the services, and to whom the payments have been, or will be, made."

J) Provide a resume, total compensation package, and rationale for how each compensation package was determined for your past and present directors, officers, and key employees.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Internal Revenue Code § 4958 (taxes on excess benefit transactions)
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. §1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. §1.501(c)(4)-1(a)(2)(ii)
- Treas. Reg. §§ 53.4958-1 through 53.4958-8

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 3(a) and (b)⁶⁴
- Form 1024, Part III, Financial Data, Part A⁶⁵
- Internal Revenue Code § 4958 (taxes on excess benefit transactions)
- Treas. Reg. §§ 53.4958-1 through 53.4958-8
- Rev. Rul. 75-286, 1975-2 C.B. 210

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

⁶⁴ "Give the following information about the organization's governing body: (a) Names, addresses, and titles of officers, directors, trustees, etc., and; (b) Annual compensation." The instructions to Part III, Question 3, also state: "Furnish the mailing addresses of the organization's principal officers, directors, or trustees. Do not give the address of the organization." Further, the Instruction for Line 3(b) state: "The annual compensation includes salary, bonus, and any other form of payment to the individual for services performed for the organization."

⁶⁵ Form 1024, Part III, Financial Data (Part A) Statement of Revenue and Expenses, requires the applicant to report the compensation of officers, directors, and trustees, and to attach a schedule. The Instructions further state: "Attach a schedule that show the name of the person compensated; the office or position; the average amount of time devoted to business per week, month, etc.; and the amount of annual compensation."

K) Provide a list of all issues that are important to your organization, indicating your position regarding each issue.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)(iv)⁶⁶ ("action" organizations)
- Treas. Reg. § 1.501(c)(4)-1(a)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)⁶⁷
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii)⁶⁸

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

⁶⁶ Treas. Reg. § 1.501(c)(3)-1(c)(3)(iv) provides that an organization is an "action" organization if it has the following two characteristics: (a) 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; and (b) 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 there of available to the public.

⁶⁷ An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. A social welfare organization will qualify for exemption as a charitable organization if it falls within the definition of charitable set forth in paragraph (d)(2) of § 1.501(c)(3)-1 and is not an "action" organization as set forth in paragraph (c)(3) of § 1.501(c)(3)-1.

⁶⁸ 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. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 15
- Form 1024, Part II, Question 16
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Proc. 86-43, 1986-2 C.B. 729⁶⁹
- Rev. Rul. 81-95, 1981-1 C.B. 332

⁶⁹ Rev. Proc. 86-43 discusses the criteria that the IRS uses to determine the circumstances under which advocacy of a particular viewpoint or position by an organization is considered educational within the meaning of § 501(c)(3) and within the meaning of Reg. §1.501(c)(3)-1(d)(3). The Rev. Proc. provides that the presence of any of the following factors in the presentations made by an organization is indicative that the method used by the organization to advocate its viewpoints or positions is not educational: (1) the presentation of viewpoints or positions unsupported by facts is a significant portion of the organization's communications; (2) the facts purport to support the viewpoints or positions are distorted; (3) 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; and 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. This methodology test is set forth in Section 3 of the revenue procedure, and is used in all situations where the educational purposes of an organization that advocates a particular viewpoint or position are in question.

- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 76-81, 1976-1 C.B. 156
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 160
- Rev. Rul. 74-361, 1974-2 C.B. 159
- Rev. Rul. 68-656, 1968-2 C.B. 216
- Rev. Rul. 68-45, 1968-1 C.B. 259
- Rev. Rul. 67-368, 1967-2 C.B. 194
- Rev. Rul. 66-256, 1966-2 C.B. 210
- Rev. Rul. 60-193, 1960-1 C.B. 195

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

L) Provide details regarding all training your organization has provided or will provide, indicating who has received or will receive the training and providing all copies of the training material.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)(iv) ("action" organization)
- Treas. Reg. § 1.501(c)(4)-1(a)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1⁷⁰
- Form 1024, Part II, Question 5
- Form 1024, Part II, Question 10
- Form 1024, Part II, Question 15
- Form 1024, Part II, Question 16
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 86-95, 1986-2 C.B. 73
- Rev. Rul. 81-95, 1981-1 C.B. 332
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 78-248, 1978-1 C.B. 154
- Rev. Rul. 75-286, 1975-2 C.B. 21
- Rev. Rul. 74-574, 1974-2 C.B. 160
- Rev. Rul. 68-656, 1968-2 C.B. 216
- Rev. Rul. 67-368, 1967-2 C.B. 194
- Rev. Rul. 66-256, 1966-2 C.B. 210
- Rev. Rul. 60-193, 1960-1 C.B. 195

⁷⁰ Form 1024 Instructions, Part II, Question 1, provides that: "It is important that you report all activities carried on by the organization to enable the IRS to make a proper determination of the organization's exempt status. It is also important that you provide detailed information about the nature and purpose of each of the activities. The organization will be contacted for such information if it is not furnished."

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

M) Provide the member application and registration form, the membership agreement and rules that govern members, and copies of your website that only members can access.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)(ii)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 7⁷¹
- Form 1024, Part II, Question 9
- Form 1024, Part II, Question 11
- Form 1024, Part II, Question 16
- Form 1024, Part III, Financial Data, Part A, Line 1
- Form 1024, Part III, Financial Data, Part A, Line 12
- Form 1024, Schedule B, Question 2
- Form 1024, Schedule C, Question 1
- Rev. Rul. 2007-41, 2007-1 C.B. 1421

⁷¹ "State the qualifications necessary for membership in the organization; the classes of membership (with the number of members in each class); and the voting rights and privileges received. If any group or class of persons is required to join, describe the requirement and explain the relationship between those members and members who join voluntarily. Submit copies of any membership solicitation material. Attach sample copies of all types of membership certificates issued."

- Rev. Rul. 80-107, 1980-1 C.B. 117
- Rev. Rul. 80-282, 1980-2 C.B. 178
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-361, 1974-2 C.B. 159
- Rev. Rul. 68-45, 1968-1 C.B. 259

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

N) Provide a vendor list, a list of all merchandise items sold, your cost for each item, and the selling price for each item.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 990-T (unrelated business income tax)
- Form 1024
- Internal Revenue Code section 512 (unrelated business taxable income)
- Internal Revenue Code section 513 ("unrelated trade or business")

- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(4)-1(a)(1)
- Treas. Reg. § 1.501(c)(4)-1(a)(2)
- Treas. Reg. § 1.512(a)-1
- Treas. Reg. § 1.513-1

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists; whether the organization is engaging in potential unrelated business activities; and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 990-T
- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 10

- Form 1024, Part II, Question 11
- Form 1024, Part II, Financial Data, Part A, Line 3
- Form 1024, Part II, Financial Data, Part A, Line 4
- Form 1024, Part II, Financial Data, Part B, Line 9
- Form 1024, Part II, Financial Data, Part B, Line 10
- Form 1024, Schedule D, Question 1
- Form 1024, Schedule D, Question 2
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-112, 2004-2 C.B. 985 (unrelated trade or business in §501(c)(6) context)

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

O) Provide all activities your organization has engaged in with the news media, including copies of articles printed or transcripts of items aired because of that activity.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)
- Treas. Reg. § 1.501(c)(4)-1(a)
- Treas. Reg. § 56.4911-2 (certain public charities)
- Treas. Reg. § 53.4945-2 (private foundations only)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 5
- Form 1024, Part II, Question 15
- Form 1024, Part II, Question 16
- Treas. Reg. § 1.501(c)(3)-1(c)(3)
- Rev. Rul. 2007-41, 2007-1 C.B. 1421
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 74-574, 1974-2 C.B. 160⁷²
- Rev. Rul. 70-79, 1970-1 C.B. 127⁷³
- Rev. Rul. 68-656, 1968-2 C.B. 216

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

⁷² Rev. Rul. 74-574 concludes that a § 501(c)(3) organization that operates a broadcasting station presenting religious, educational, and public interest programs, is not participating in political campaigns on behalf of public candidates in violation of the provisions of that section by providing reasonable air time equally available to all legally qualified candidates for election to public office.

⁷³ Rev. Rul. 70-79 concludes that an organization created to assist local governments of a metropolitan region by studying and recommending regional policies directed at the solution of mutual problems qualifies for recognition of exemption under § 501(c)(3). The organization researches and analyzes problems discussed at meetings and distributes reports to the local governments and news media.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

P) Provide copies of all direct or indirect communication with members of legislative bodies.

a) the IRS's authority for asking for the information;

- Rev. Proc. 2012-9
- Form 1024
- Internal Revenue Code section 4911
- Internal Revenue Code section 4945 (exceptions to definition of lobbying)
- Treas. Reg. § 1.501(a)-1
- Treas. Reg. § 1.501(c)(3)-1(c)(3)(ii)
- Treas. Reg. § 1.501(c)(3)-1(c)(3)(iv)
- Treas. Reg. § 1.501(c)(4)-1
- Treas. Reg. § 53.4945-2 (private foundations only)
- Treas. Reg. § 56.4911-2(b)(1)(i) (certain public charities)
- Treas. Reg. § 56.4911-2(b)(1)(ii) (certain public charities)
- Treas. Reg. § 56.4911-2(b)(2)(i) (certain public charities)
- Treas. Reg. § 56.4911-2(b)(2)(ii) (certain public charities)

b) the IRS's rationale for needing this piece of information;

Additional information is requested when the organization does not provide a sufficient response to questions in Form 1024 to meet its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

Depending on the facts and circumstances set forth in an organization's application, this additional information may be requested in order to help the agent determine if potential inurement or private benefit exists, and whether the organization's activities primarily further exempt purposes or nonexempt purposes, such as direct or indirect political campaign intervention.

Because the organization is permitted to engage in some non-exempt activities, the information provided must be analyzed not only to determine whether the activities further an exempt purpose, but also to review the scope of the activities to determine whether the primary activities are exempt or non-exempt.

It is important to develop a complete administrative record for the application. The administrative record must be complete so that it either supports exemption or denial. Further, if the application is approved, not only is the administrative record made publicly available (with certain limited exceptions), but organizations that act as described in the administrative record have reliance on the IRS determination.

c) whether any precedent exists for the IRS asking for this type of information;

Listed below is a selection of the applicable precedents that may apply in a given application. In specific cases, there may be additional precedents applicable to the particular facts of the circumstances of the organization.

- Form 1024, Part II, Question 1
- Form 1024, Part II, Question 1
- Rev. Rul. 2004-6, 2004-1 C.B. 328
- Rev. Rul. 70-449, 1970-2 C.B. 111 (§ 501(c)(3) context)
- Rev. Rul. 70-79, 1970-1 C.B. 127 (§ 501(c)(3) context)
- Rev. Rul. 76-81, 1976-1 C.B. 156
- Rev. Rul. 75-286, 1975-2 C.B. 210
- Rev. Rul. 68-656, 1968-2 C.B. 216

- Rev. Rul. 67-293, 1967-2 C.B. 185
- Rev. Rul. 67-163, 1967-1 C.B. 43
- Rev. Rul. 67-6, 1967-1 C.B. 135⁷⁴
- Rev. Rul. 64-195, 1964-2 C. B. 138 (§ 501(c)(3) context)
- Rev. Rul. 62-71, 1962-1 C.B. 85

d) the objective standards the IRS will use when reviewing the response; and

Responses received from the applicant are evaluated based upon the requirements of the particular section in the Code and regulations under which the organization is claiming its exemption.

The IRS has experienced revenue agents, who use sound reasoning based on tax law training, to review applications and supporting materials and to prepare individualized questions and document requests based on the facts and circumstances set forth in the application. The general procedures for reviewing applications for tax-exempt status, which includes requesting further development information, are included in Internal Revenue Manual (IRM) section 7.20.2, as already mentioned. Also, see Revenue Procedure 2012-9, section 4 on the standards for issuing a determination letter or ruling on exempt status.

e) how the IRS will use the information to determine tax-exempt status.

This information is used to establish whether, based on the facts and circumstances, the organization's activities primarily further exempt or non-exempt purposes. The IRS will use the information gathered to determine, within the context of the organization's entire application, whether the organization has met its burden of establishing that it meets the requirements of the statute and regulations under which it seeks exemption.

⁷⁴ Rev. Rul. 67-6 concludes that an association whose activities are primarily devoted to preserving the traditions, architecture, and appearance of a community by means of individual and group action before the local legislature and administrative agencies with respect to zoning, traffic, and parking regulations may be exempt from Federal income under § 501(c)(4).

I hope this information is helpful. If you have questions, please contact me or have your staff contact Cathy Barre at (202) 622-3720.

Sincerely,

A handwritten signature in black ink, appearing to read "Lois G. Lerner". The signature is fluid and cursive, with a large initial "L" and a long horizontal stroke at the end.

Lois G. Lerner
Director, Exempt Organizations

Enclosures