

AUTHORS

Matthew T. Journy
Yosef Ziffer
Jeffrey S. Tenenbaum

DOWNLOADABLE FILES

- Tools for Bypassing IRS Delays in EO Applications

RELATED PRACTICES

Tax-Exempt Organizations

RELATED INDUSTRIES

Nonprofit Organizations and Associations

ARCHIVES

2014 2010 2006
2013 2009 2005
2012 2008 2004
2011 2007

Articles

November/December 2013

Tools for Bypassing IRS Delays in EO Applications

Organizations and their representatives missed opportunities to mitigate the consequences of the IRS' delays and requests for inappropriate information.

This article also appeared in the November/December 2013 edition Taxation of Exempts, Volume 25, Issue 3.

Recently, the IRS admitted that it employed inappropriate criteria to select certain applications for recognition of tax-exempt status for additional review. Just a few days after this admission, on May 14, 2013, the Treasury Inspector General for Tax Administration (TIGTA) issued a **report** (the "TIGTA Report"), concluding that, due to ineffective management, the Service: (1) developed inappropriate criteria to identify applications for additional review, (2) substantially delayed processing certain applications, and (3) issued unnecessary information requests as a result of such criteria and delays. Further, the TIGTA Report noted that the specialists charged with reviewing the selected applications "lacked knowledge" about the permissible activities of tax-exempt organizations described in **Sections 501(c)(3) and (c)(4)**. Predictably, in the aftermath of the TIGTA Report's publication, Congress and many sectors of the media have continued to rehash the particulars of this "scandal," looking to assign blame and find deeper connections between the Service's inappropriate criteria and other parts of the federal government, including the White House.

The purpose of this article is not to add to the noise surrounding the scandal. It will neither identify the parties at fault nor find the link between President Obama and the IRS selection of Tea Party organizations for additional scrutiny. It will not join the chorus of voices on either side of the aisle nor will it analyze who bears ultimate responsibility for the Service's internal structure and process. Rather, recognizing that the Service's inappropriate administration of tax-exemption qualification matters is not limited to the 296 completed applications reviewed under this program, and will not be entirely eliminated in the future, this article will discuss how organizations subject to extended IRS reviews can substantially mitigate the adverse effects of inappropriate enforcement efforts by the Service. Insofar as mismanagement, significant delays, and misinformed determinations specialists are potential issues in any IRS enforcement effort, practitioners must be equipped to combat the organizational ineffectiveness and bureaucratic inefficiency that can otherwise result in harm to clients applying for recognition of tax-exempt status.

Using the TIGTA Report as a point of departure, the discussion below identifies specific issues in the Service's review of requests for recognition of tax-exempt status and lists many of the common harms that can result from the Service's inappropriate actions. In that context, it then discusses proactive measures available to would-be tax-exempt organizations to help them mitigate the harms caused by inappropriate IRS delays or inquiries.

Click here to view the full text of this article.