

Practitioners Welcome IRS Plan to Post EO Applications

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By Fred Stokeld

Practitioners are welcoming the IRS's plan to post approved applications for tax-exempt status to its website, saying that doing so will lead to more transparency in the determinations process and in organizations' operations.

The IRS plans to post approved copies of Form 1023, "Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code," and Form 1024, "Application for Recognition of Exemption Under Section 501(a)," according to Margaret Von Lienen, exempt organizations director, IRS Tax-Exempt and Government Entities Division. The agency already posts approved Forms 1023-EZ, "Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code."

Von Lienen, who [spoke December 6](#) at a Gulf Coast Area TE/GE Council program in Washington, said the IRS also hopes to include information from paper-filed copies of Form 990, "Return of Organization Exempt From Income Tax." Information from electronically filed forms already is available on Amazon Web Services.

"We're just in the early stages of this project, so you'll have to stay tuned as we develop that," Von Lienen said.

Alexander L. Reid of Morgan, Lewis and Bockius LLP told Tax Analysts December 13 that putting the applications online would enable the press, whistleblowers, and public to perform "citizen audits" to see if the organizations merit exempt status and whether the IRS determinations unit is being an effective gatekeeper.

"I suspect lifting this particular rock will reveal a large number of creepy crawlies," Reid said, adding that citizen audits tend to be unfair. "This will be awkward in the short run, and may result in some revocations [of exemption], but may not be such a bad thing in the long run."

Posting the applications also might "usher in a race to the top where organizations will look for precedents on the IRS website for similar organizations to start with a successful application, then improve on it," Reid said. But he added, "It could also do the opposite, because we will soon have a much better sense of what the lowest common denominator for a successful exemption application looks like, for better or worse."

Posting approved applications is "most appropriate," Eve Rose Borenstein of BAM Law Office LLC told Tax Analysts. Because exempt organizations must report on their annual information returns changes in operations and activities, including changes to what they put on their applications, "having publicly available Forms 1023 and 1024 will . . . vastly augment awareness of the undertakings those with determination rulings have said they are or will be conducting," she said.

Both Reid and Borenstein appeared on the panel with Von Lienen.

TE/GE Exams

The IRS also is working to make TE/GE examinations more efficient by reducing administrative procedures. A team of managers and front-line employees will work with the agency's "Lean Six Sigma black belts" to map out a process, Von Lienen said.

"We're going to really take a deep dive into the exam process and look at what we're asking [exam agents] to do, and then make a determination as to what is really giving value to the process and what is not, and take away those things that are just adding burden but providing no value at all," Von Lienen explained.

Tax Reform's Impact

Because of limited IRS resources, any tax reform plan approved by Congress probably "will impact some of what we currently are planning to accomplish" in the EO area, Von Lienen said.

"It really does require a great amount of resources for us to review the new legislation and determine the impact that it's going to have — not only to our stakeholders but also to our forms, to the schedules, [and] to the training we need to provide to our employees," said Von Lienen. She added that tax reform would require information technology changes, "and that can be very expensive for us."

Reid noted that although the congressional taxwriting committees sometimes ask the IRS for input on technical matters and how a particular bill would affect tax administration, typically the Treasury Office of Tax Policy is more involved with forming legislation. Meghan Biss, senior technical adviser to Von Lienen, agreed.

"We try to stay away from policy-level decisions," Biss said. "Our job is just to administer the code as it's currently written. To the extent committees have questions, they are typically about a particular code section, what it is that we currently do in that section, [and about] any information we can give them on compliance or noncompliance that may exist there. And if they're proposing changes, how those changes might impact our ability to administer that code section."