

added to the list. For organizations that applied for and received reinstatement, the list gives the date of reinstatement. The IRS updates the list monthly.

Effect of Losing Tax Exempt Status

If an organization's tax exempt status is automatically revoked, it is no longer exempt from federal income tax. Consequently, it may be required to file one of the following federal income tax returns and pay applicable income taxes.

- Form 1120, U.S. Corporation Income Tax Return, due by the 15th day of the 3rd month after the end of the organization's tax year.
- Form 1041, U.S. Income Tax Return for Estates and Trusts, due by the 15th day of the 4th month after the end of the organization's tax year.
- An automatically revoked organization is not eligible to receive tax-deductible contributions and will be removed from the cumulative list of exempt organizations, Publication 78. The IRS will also send a letter informing the organization of the revocation.
- The organization is liable for all income, excise or other taxes and penalties that may have been owed at the time it was automatically revoked. The organization will also be responsible for any future tax liabilities that accrue as a result of the organization's loss of exemption.
- Revocation may also mean that any state tax exemptions that your nonprofit received - such as exemptions for income tax, property tax, and sales/use tax - that are dependent on federal tax-exempt status, may also be revoked now.

Donors can deduct contributions made before an organization's name appears on the Automatic Revocation List. State and local laws may affect an organization that loses its tax exempt status as well.

Reinstating Tax Exempt Status

The law prohibits the IRS from undoing a proper automatic revocation and does not provide for an appeal process. An automatically revoked organization must apply to have its status reinstated, even if the organization was not originally required to file an application for exemption.

Revenue Procedure 2014-11 explains the four procedures an organization may use to apply for reinstatement. The four ways to be reinstated are as follows:

1. *Streamlined retroactive reinstatement*

Organizations that were eligible to file IRS Form 990-EZ or 990-N (ePostcard) for the three years that caused their revocation may have their tax exempt status retroactively reinstated to the date of revocation if they:

- Have not previously had their tax exempt status automatically revoked.
- Complete and submit Form 1023, Form 1023-EZ or Form 1024 with the appropriate user fee no later than 15 months after the later of the date of the organization's Revocation Letter (CP-120A) or the date the organization appeared on the Revocation List on the IRS website.

These organizations should write on the top of the Form 1023 or Form 1024, "Revenue Procedure 2014-11, Streamlined Retroactive Reinstatement," and mail the application and user fee to: Internal Revenue Service, P.O. Box 12192, Covington, KY 41012-0192.

In addition, the IRS will not impose the Code Section 6652(c) penalty for failure to file annual returns for the three consecutive taxable years that caused the organization to be revoked if the organization is retroactively reinstated under this procedure and files properly completed and executed paper Forms 990-EZ for all such taxable years. (For any year for which the organization was eligible to file a Form 990-N, the organization is not required to file a prior year Form 990-N or Form 990-EZ to avoid penalties.) The organization should write "Retroactive Reinstatement" on the Forms 990-EZ and mail them to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0027.

2. *Retroactive reinstatement process (within 15 months)*

Organizations that cannot use the Streamlined Retroactive Reinstatement Process (such as those that were required to file Form 990 or Form 990-PF for any of the three years that caused revocation or those that were previously auto-revoked) may have their tax exempt status retroactively reinstated to the date of revocation if they:

- Complete and submit Form 1023 or Form 1024 with the appropriate user fee not later than 15 months after the later of the date on the organization's revocation letter (CP-120A) or the date the organization appeared on the Revocation List on the IRS website.
- Include with the application a statement establishing that the organization had reasonable cause for its failure to file a required annual return for at least one of the three consecutive years in which it failed to file.

- Include with the application a statement confirming that it has filed required returns for those three years and for any other taxable years after such period and before the postmark date of the application for which required returns were due and not filed.
- File properly completed and executed paper annual returns for the three consecutive years that caused the revocation and any following years. The organization should write "Retroactive Reinstatement" on these returns and mail them to: Department of the Treasury, Internal Revenue Service Center, Ogden, UT 84201-0027.

These organization should write on the top of the Form 1023 or Form 1024, "Revenue Procedure 2014-11, Retroactive Reinstatement," and mail the application and user fee to: Internal Revenue Service, P.O. Box 12192 Covington, KY 41012-0192.

In addition, the IRS will not impose the Code Section 6652(c) penalty for failure to file annual returns for three consecutive taxable years that caused the organization to be revoked if the organization is retroactively reinstated under this procedure.

3. *Retroactive reinstatement (after 15 months)*

Organizations that apply for reinstatement more than 15 months after the later of the date on the organization's revocation letter (CP-120A) or the date the organization appeared on the Revocation List on the IRS website may have their tax exempt status retroactively reinstated to the date of revocation if they:

- Satisfy all of the requirements described under the "Retroactive reinstatement (within 15 months)" procedure EXCEPT reasonable cause for its failure to file a required annual return for all three consecutive years in which it failed to file.

In addition, the IRS will not impose the Code Section 6652(c) penalty for failure to file annual returns for the three consecutive taxable years that caused the organization to be revoked if the organization is retroactively reinstated under this procedure.

4. *Postmark date reinstatement*

Organizations may apply for reinstatement effective from the postmark date of their application if they:

- Complete and submit Form 1023, Form 1023-EZ or Form 1024 with the appropriate user fee.

These organizations should write on top of the Form 1023 or Form

1024, "Revenue Procedure 2014-11, Reinstatement Postmark Date," and mail the application and user fee to: Internal Revenue Service, P.O. Box 12192, Covington, KY 41012-0192

What's a reasonable cause statement?

A reasonable cause statement establishes that an organization exercised ordinary business care and prudence in determining and attempting to comply with its annual reporting requirement. The statement should have a detailed description of all the facts and circumstances about why the organization failed to file, how it discovered the failure, and the steps it has taken or will take to avoid or mitigate future failures. For a detailed explanation, see Section 8 of Revenue Procedure 2014-11.

Pending reinstatement applications and previously granted applications

The reinstatement processes above apply to pending reinstatement applications to the extent they benefit an organization's ability to be retroactively reinstated. For organizations that have been previously reinstated from the postmark date but would have satisfied the streamlined retroactive reinstatement process requirements, they will be retroactively reinstated with no further action. They should keep their reinstatement determination letters and a copy of Revenue Procedure 2014-11.

Avoid being automatically revoked again - file annual returns

An organization can be automatically revoked again if it fails to file required returns for three consecutive years beginning with the year in which the IRS approves the application for reinstatement. Organizations seeking reinstatement of tax exempt status after a subsequent revocation are not eligible to use the Streamlined Retroactive Reinstatement Process.

If your nonprofit organization needs assistance in reinstating its tax exempt status with the IRS or requires assistance in maintaining its tax-exempt status, please contact our office.



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