

Internal Revenue Service

memorandum

date: Oct. 30 1996

to: Regional Chief Compliance Officers
District Director, Key District Offices (EP/EO)
Information Copy: EP/EO Division Chiefs

from: Director, Exempt Organizations Division CP:E:EO
signed Marcus S. Owens

subject: Coordination of Cases Involving Intermediate Sanctions or IRC
501 (c)(4) Inurement

A memorandum issued September 6, 1996, discusses the statutory changes in the recent Taxpayer Bill of Rights (Pub. L. 104-168, 110 Stat. 1452) regarding exempt organizations. These changes include an excise tax on Excess Benefit Transactions and subsection of IRC 501(c)(4) organizations to the inurement proscription.

At the present time there are no regulations covering these issues, however the statutory changes are retroactive to September 14, 1995.

Without regulations, Field Offices are unable to assert positions with respect to issues arising under the new provisions, either during examinations of exempt organizations, or in subsequent negotiations with taxpayers to close examinations. However, because of the retroactivity of these provisions, it is inevitable that transactions currently under examination may be subject to the excise tax or held to be inurement.

Therefore, in order to ensure uniformity of such cases nationwide, Headquarters is initiating a temporary procedure for handling all cases involving intermediate sanctions or IRC 501(c)(4) inurement. Before asserting any position with respect to these matters and exempt organizations, Field Offices must contact Tom Miller, Assistant Chief, Project Branch 1, on (202) 622-7867. If technical advice is required, Mr. Miller will inform the agent what information should be included in the request.

If you have any questions about this procedure, please call me, or one of your subordinates may call Terry Hallihan on (202) 622-8457 or Tom Miller at the above number.

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