



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
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MEMORANDUM FOR EXEMPT ORGANIZATIONS  
RULINGS AND AGREEMENTS EMPLOYEES

FROM: Stephen A. Martin /s/ *Stephen A. Martin*  
Director, Exempt Organizations Rulings and Agreements

SUBJECT: Revenue Procedure 2025-5 Case Processing Updates

This memorandum provides updated processing procedures based on issuance of Rev. Proc. 2025-5.

**Background/Source(s) of Authority**

Revenue Procedure 2025-5, updated annually, provides procedures for issuing Exempt Organization determination letters.

Rev. Proc. 2025-5, Section 6.05 states that an organization that is eligible may use Form 1023-EZ to apply for recognition of exemption under Section 501(c)(3), unless the organization is designated in section 6.05(2) of Rev. Proc. 2025-5 as an organization that is ineligible to submit Form 1023-EZ.

Additional Form 1023-EZ Ineligibility Items

Rev. Proc. 2025-5, Section 6.05(2) was updated with additional organizations that are not eligible to submit Form 1023-EZ and must use Form 1023 to apply for recognition of exemption under Section 501(c)(3), including:

- a. Private foundations applying for reinstatement after automatic revocation and requesting to change to a public charity foundation classification;
- b. Organizations that have previously received a ruling or determination letter denying recognition of exemption;
- c. Organizations previously determined to be ineligible to file Form 1023-EZ;
- d. Organizations conducting activities involving controlled substances (within the meaning of Schedule I and II of the Controlled Substances Act, 21 USC Section 801 et. seq.) which are prohibited by federal law regardless of the legality under the law of the state in which such activity is conducted; and
- e. Organizations engaged in exchanging, creating, or distributing digital assets.

Removed Form 1023-EZ Ineligibility Items

Rev. Proc. 2025-5, Section 6.05(2) was updated to remove from the list of organizations ineligible to submit Form 1023-EZ organizations applying for retroactive reinstatement under section 4 of Rev. Proc. 2014-11 after being automatically revoked that are seeking a foundation classification

that is different from the classification they had at the time of revocation. Accordingly, organizations (other than private foundation requesting to change to a public charity foundation classification) may use Form 1023-EZ, instead of Form 1023, to apply for retractive reinstatement and request a change to foundation classification if they meet all other eligibility requirements.

IRM 7.20.4.2(7), Automatic Revocation, states, in part, that organizations that had their tax-exempt status automatically revoked can request to have their tax-exempt status reinstated using procedures in Rev. Proc. 2014-11.

IRM 7.20.9.4, General Case Processing, states, in part:

- If an organization is requesting reinstatement under Rev. Proc. 2014-11, Section 4, and IDRS research shows the applicant is seeking a foundation classification that is different from the classification it had at the time of automatic revocation then reject the application.
- If an organization is requesting reinstatement under Rev. Proc. 2014-11, Section 7, and IDRS research shows the applicant was a private foundation at the time of automatic revocation and is seeking reinstatement as a public charity, or the organization is a private foundation requesting reinstatement as a public charity, the tax examiner will refer the case to a specialist.

### **Procedural Changes**

If a private foundation is automatically revoked and files either a Form 1023 or Form 1023-EZ for reinstatement, they must be reinstated as a private foundation. To be described as a public charity, they must terminate their private foundation classification through Section 507(b)(1)(B) procedures. See IRM 7.20.3.3.2, Private Foundation Terminations under IRC 507(b)(1)(B).

Reject Form 1023-EZ if the application involves:

- a. A private foundation applying for reinstatement after automatic revocation and requesting to change to a public charity foundation classification;
- b. An organization that has previously received a ruling or determination letter denying recognition of exemption;
- c. An organization previously determined to be ineligible to file Form 1023-EZ;
- d. An organization conducting activities involving controlled substances (within the meaning of Schedule I and II of the Controlled Substances Act, 21 USC Section 801 et. seq.) which are prohibited by federal law regardless of the legality under the law of the state in which such activity is conducted; or
- e. An organization engaged in exchanging, creating, or distributing digital assets.

If a Form 1023-EZ involves an organization (other than a private foundation) that is applying for retroactive reinstatement under section 4 of Rev. Proc. 2014-11 after being automatically revoked and seeking a foundation classification that is different from the classification it had at the time of revocation (for example, an organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi) seeking reclassification as an organization described in Section 509(a)(2)), continue to process the case.

### **Effect on Other Documents**

This guidance will be incorporated into IRM 7.20.4 and 7.20.9 by February 19, 2027.

**Effective Date**

February 19, 2025

**Contact**

EO Determinations Area 1 Manager

**Distribution**

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