

IRS Announces New 501(c)(3) Databases

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A scenario repeated many times each day around the United States: A prospective donor is ready to sign a huge check to a favorite 501(c)(3) but wants assurances that the group is still eligible for tax-deductible contributions. Similarly, a foundation wants to award a grant to a worthy organization and needs confirmation of that group's exempt status.

Particularly since 2006, this matter has taken on a new sense of urgency – and confusion. That year, Congress passed Internal Revenue Code section 6033(j) mandating automatic revocation of tax exemption for failure to file a Form 990 for three consecutive years. Many organizations around the nation were caught in that trap.

There is new guidance from the IRS that will help organizations and donors alike answer these questions with confidence. Revenue Procedure (“Rev. Proc.”) [2018-32](#) was issued and effective on May 16, 2018. [In case you're wondering, here “proc” rhymes with “rock.” You can now casually toss around your insider savvy as in: “It says so right here – in Rev. Proc. 2018-32.”]

This new 34-page document updates and supersedes earlier published advice and information – “[scattered pieces of guidance](#) dating back to 1981.” Back in the olden days – that is, 1981 – there were no online databases or online anything. The official list of which organizations had been granted tax-exempt status, and to which contributions were deductible, was *Publication 78, Cumulative List of Exempt Organizations Described in [Sec.] 170(c)*. This hard-copy, bulky, document was updated at regular intervals. [Another insider tip: any and all IRS official publications are referred to as “Pub” – as in: “Check out the latest revision to Pub. 557.”]

New Resource for 501(c)(3) Searches

The most important feature of Rev. Proc. 2018-32, is the updated, greatly improved search capability. In real time, with the click of your mouse, you can find out whether an organization is eligible to receive tax-deductible donations, along with additional helpful information. No longer are

those “scattered pieces of guidance” – well – scattered.

The IRS now has five relevant, searchable, databases. This current menu of five online resources evolved over the years from that relic of a bygone era, *Publication 78* in hard copy. *Pub. 78* was first replaced by the *Select Check* online database. *Select Check* was renamed – and greatly expanded – in May 2018, as the *Tax Exempt Organization Search (Pub. 78 Data)*.

First Database: Organization Search

The key database is the first: the *Tax Exempt Organization Search (Pub. 78 Data)* lists all organizations eligible to receive tax-deductible contributions. Its new, expanded, capability now includes “deductibility codes” that show an organization’s status as a foundation under Internal Revenue Code section 509(a). (It does not, however, take the next step of indicating whether an organization qualifies for public charity status under 509(a)(1) or under 509(a)(2).)

It also has a section called the *Exempt Organization Business Master File (EO BMF Extract)* which has additional information on most tax-exempt organizations – not just the 501(c)(3)s eligible for the preferred tax-deductibility status. In this EO BMF Extract are data fields with the group’s name, EIN, the specific 501(c) classification, the exemption-ruling data, deductibility code, foundation code, and its status as an independent, central, or subordinate organization.

Second Database: Automatic Revocation

The second database is the *Automatic Revocation of Exemption List (or Auto-Revocation List)*. It names the 501(c)(3)s that have had their tax-exempt status revoked under Sec. 6033(j) for failing to file a required annual return or notice for three consecutive years.

If an organization has had its exemption revoked, it can follow certain procedures to try to re-establish its eligibility. These reinstated groups will be added back to the list of eligible organizations, but – for statutory reasons – the IRS must keep the organization’s name on the Auto-Revocation List, too; however, the reinstatement date will be noted.

Third Database: Small Organizations

The third database includes information from the smallest, tax-exempt, organizations now required only to file a Form 990-N, sometimes called an “e-postcard.”

Newest Databases

In May 2018, the IRS added two new databases to the already existing three databases described above.

The fourth database has images of Forms 990, Return of Organization Exempt From Income Tax, filed by exempt organizations on or after Jan. 1, 2018, that are available to the public under Internal Revenue Code section 6104.

The fifth database includes images of favorable IRS “determined letters” issued on or after January 1, 2014. “Determination letters” are the official documents notifying an applicant that its request for recognition of 501(c)(3) status has been approved.

Additional Features in Rev. Proc. 2018-32

Highlights of additional, welcome, features explained in Rev. Proc. 2018-32:

- **Affirmation Letters:** The IRS will issue letters to 501(c)(3)s in good standing, confirming their current eligibility to receive grants and tax-deductible donations and indicating their foundation status. The agency will also issue these affirmation letters to show and confirm name or address changes.
- **Reliance Rules Update:** There are detailed explanations of the most current reliance rules for donors, not only in connection with organizations which have always maintained their tax-exempt status in good standing but also in connection with groups on the *Auto-Revocation List* (which fact may or may not be known to the donor.) There are also safe-harbor rules in connection with donations to organizations that have lost tax-exempt status.

Conclusion

The Tax Exempt Organization Search – that is, the first database – now allows users to search across all five databases. New Rev. Proc. 2018-32 modifies and supersedes Rev. Proc. 81-6, Rev. Proc. 81-7, Rev. Proc. 89-23, and Rev. Proc. 2011-33.