IRM PROCEDURAL UPDATE

DATE: 06/18/2025

NUMBER: ts-03-0625-3414

SUBJECT: Added Procedures for Working Religious Exemption Returns; Added New Instruction for 501(d)

AFFECTED IRM(s)/SUBSECTION(s): 3.11.15

CHANGE(s):

IRM 3.11.15.6 - Added procedures for working Religious Exemption returns per feedback from the Office of Servicewide Penalties.

Religious Exemption

(1) Counsel issued **Notice 2024-18** which established the procedures for taxpayers to notify the Service of their religious exemption from electronic filing of information returns by filing a Form 8508, Application for Waiver from Electronic Filing of Information Returns. Filers of business tax returns must notate "Religious Exemption" at the top of the paper filed returns. Follow procedures below if "Religious Exemption" is notated at the top of page 1 of the tax return.

If	Then
Religious Exemption is notated,	1. Notate "RE-TC016" in the upper left margin. 2. Pull the return for research/input of TC 016 by the Code and Edit Research Clerk.

(2) Follow procedures below for religious exemption research/input of TC 016 on IDRS

If	Then
CC ENMOD/BMFOLE/IMFOLE displays the religious exemption indicator "RLG-EX IND" as a value of "1",	Continue processing the return. No action is required.
CC ENMOD/BMFOLE/IMFOLE displays the religious exemption indicator "RLG-EX IND" as a value of blank,	Input a TC 016 to record a religious exemption on IDRS: CC ENMOD, followed by CC: ENREQ, which becomes CC: BNCHG/INCHG Input a "1" in the "RLG-EX> "

<table>
<tr><td></td><td>field.

Continue processing the return.</td></tr>
</table>

IRM 3.11.15.17(7) - Added new instruction for 501(d) to the If/Then table to include directions for only one partner with 100% interest.

(7) If the partnership shows the number of Schedules K-1 is "1", or Line I is blank or zero, and only one K-1 is attached, follow the procedures below:

<table>
<tr><th>If</th><th>Then</th></tr>
<tr><td>The partnership shows any of the conditions shown in paragraph (5) above,

Note: Unless this is a husband and wife.</td><td>1. Edit the return following the procedures in paragraph (5) above.
2. Continue editing the return.</td></tr>
<tr><td>There is one Schedule K-1 attached showing 100% interest and the Partnership shows any of the following:

• Limited Partnership (LP),
• Limited Liability Partnership (LLP),
• Limited Liability Company (LLC),
• Limited Liability Land Trust (LLLT), or
• Unincorporated Business Organization (UBO)
• Disregarded Entity

or

Box b, c or d is checked on Schedule B, Question 1, or

Either box is checked on Schedule K-1, Part II, Line G.</td><td>1. Edit CCC "F".

Reminder: Edit Tax Period Beginning Date on Final returns.

2. Circle out the number "1".
3. Edit "2" on Line I.
4. Advise the partnership that we are deleting the partnership filing requirement with a non-suspense letter. Use Letter 3733C.

Exception: If the partnership has shown the return is a "Final" return, do not send Letter 3733C.

5. Notate the letter sent in the lower left margin of Form 1065.
6. Continue editing the return.</td></tr>
<tr><td>There is one Schedule K-1 attached showing 100% interest and the Partnership does not show any of the following:

• Limited Partnership (LP),
• Limited Liability Partnership (LLP),
• Limited Liability Company (LLC),</td><td>1. Correspond using Letter 1355C or other approved local correspondence procedures, informing the partnership that they cannot have a 100% partner. Ask for an explanation.
2. Notate the letter sent in the bottom left margin of Form 1065.</td></tr>
</table>

• Limited Liability Land Trust (LLLT), or • Unincorporated Business Organization (UBO) • Disregarded Entity	3. Continue editing the return.
Schedule K-1 (Form 1065) shows two names in the Partner's Name and Address Section,	1. Correspond requesting separate Schedules K-1 (Form 1065) using Letter 1355C or other approved local correspondence procedures. 2. Notate the letter sent in the bottom left margin of Form 1065. 3. Continue editing the return.
There is only one Schedule K-1 (Form 1065) attached that does not show 100% interest or no Schedules K-1 attached,	1. Correspond for the total number of Schedules K-1 (Form 1065) using Letter 1355C or other approved local correspondence procedures. **Caution:** Do not correspond for any return identified in paragraph (5) above. 2. Notate the letter sent in the bottom left margin of Form 1065. 3. Continue editing the return.
There is one Schedule K-1 attached showing 100% interest and the return is for an IRC 501(d), Religious or Apostolic Organization **Note:** IRC 501(d) filers can be identified on IDRS (CC ENMOD/INOLES) with an EO Section in status 01 with subsection 40 and a Form 1065 filing requirement.	1. Edit "2" on Line I. 2. Continue editing the return. **Note: Do Not** send correspondence.