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TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

MAR 31 2004

Employer Identification #

Person To Contact/ID#:

Contact Telephone Number

Contact Persons Address:

LAST DATE FOR FILING A PETITION
WITH THE TAX COURT:

CERTIFIED MAIL

Dear :

This is a final adverse determination that you do not qualify for exemption from income tax under section 501(a) of the Internal Revenue Code (I.R.C.) as an organization described in I.R.C. section 501(c)(3). Internal Revenue Service recognition of your status as an organization described in I.R.C. section 501(c)(3) is revoked, effective .

Our adverse determination is made for the following reason(s):

You are not operated exclusively for exempt purposes within the meaning of I.R.C. section 501(c)(3). You are not an educational or charitable organization within the meaning of Treas. Reg. section 1.501(c)(3) -1(d).

Specific facts that contributed to this determination included:

1. You were unable to document that you have carried on any activities for charitable or other purposes described in I.R.C. section 501(c)(3).
2. Your primary activities have been the operation of an
an , and a . These activities were

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operated on a commercial basis and were not for purposes described in I.R.C. section-501(c)(3).

Contributions made to you are no longer deductible as charitable contributions by donors for purposes of computing taxable income for federal income tax purposes.

You are required to file income tax returns on Form 1120 for the tax year ending and all subsequent tax years.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for initiating suits for declaratory judgment. You may write to the Tax Court at the following address:

United States Tax Court,

The processing of income tax returns and assessment of any taxes due will not be delayed because a petition for declaratory judgment has been filed under I.R.C. section 7428.

The last day for filing a petition for declaratory judgment is

If you have questions about this letter, please write to the person whose name and address are shown on this letter. If you write, please attach a copy of this letter to help identify your account. Keep a copy for your records. Also, please include your telephone number and the most convenient time for us to call, so we can contact you if we need additional information.

You also have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above, since this person can access your tax information and can help you get answers. Or you can contact the Taxpayer Advocate office located nearest you by calling 1(877) 777-4778 or by writing to:

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, not extend the time fixed

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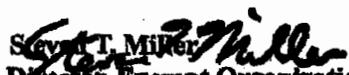
by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate, can, however, see that a tax matter, that may not have been resolved through normal channels, gets prompt and proper handling.

We will notify the appropriate State officials of this action, as required by I.R.C. section 6104(c).

This is a final revocation letter.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely,


Steven T. Miller
Director, Exempt Organizations

Enclosures;
Pub. 892



DEPARTMENT OF THE TREASURY
Internal Revenue Service

Taxpayer Identification Number:

Form:

990

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Certified Mail - Return Receipt Requested

Dear Sir:

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

Letter 3618 (04-2002)
Catalog Number 34609F

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,



R. C. Johnson
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

ISSUE: Do the organization's activities qualify for exemption under 501(c)(3)?

FACTS:

- was established in and received their exempt status in October
- was asked to provide a copy of the Articles of Incorporation, but it has not been provided.
- Agent requested a copy of the application for exempt status from the Records Center at the Cincinnati Service Center and was told there was nothing there for this organization.
- Line a of Part III of the Form 990 states primary purpose is "improve air medical coverage in rural areas."
- During an interview, the president, said they had provided flights for individuals to go to hospitals, for family members to visit an accident victim, move terminally ill patients from hospital to their homes and fly individuals to hospitals for organ transplants.
- was requested to provide any documentation showing who has received assistance, how they determine how much an individual could pay, fares received requesting medical flights, copies of referrals sent to other air ambulance services and who had donated flight time or fuel. The records provided do not show this information.
- According to, does not own any aircraft. But the pictures of the hanger and the website indicate that had their own aircraft.
- To raise money the organization set up other for profit entities. These entities included
 - owned leases on aircraft and operated an aviation services business. The company was owned by and Each had shares. The organizing document stated the profits should go to
 - A separate company, would sell aviation fuel and supplies. This company was owned by their organizing document said the profit should go to
 - has one director, He is also the president of owns the for the part of the United States. This franchise allows individuals to own parts of planes and have use of the plane. This is known as a. The articles of incorporation, for states its purpose is to provide support services.
- According to the organization would use the planes held in the of for the medical flights. The owners of the planes are asked to donate time and fuel for the organization's use.
- The website of tells individuals they can improve air medical coverage by donating to or participate in the. There is also a statement that the aircraft are available for executive charter to offset medical and aircraft costs.
- Under the a person would pay a monthly amount. For this fee they would receive free access to air medical aircraft, participation in the profit sharing program, and some free coffee, tea or other product.
- The president's letter of says that the organization will set up a subscription program entitled. Members would pay a monthly fee and then not have to pay if they need use of the aircraft. The foundation will be required to donate all profits and proceeds to!
- The information given on the web site offers different levels for the
 - One is monthly payments of \$ or \$ per year and the other is monthly payments of \$ or \$ per year. The participant would receive private

PLANATION	ITEMS	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended

jet transportation for them or immediate family for serious illness or injury, a check for automatic participation in the _____ and the newsletter. For the higher monthly payment the participant would receive a small gift, such as whole bean coffee.

- There are many other air ambulance services that are operated on a for profit basis.
- _____ provided the flight log of one of the aircraft, but it doesn't state who used the plane at that time or how much they paid.
- _____ said they used to have kids from the court system come out to _____ facilities. The kids were shown how to fuel the aircraft and move them. They were given motorcycle rides and plane rides.
- _____ sent in copies checks received during the years _____ and _____. The checks were for commissions, donations, room use, products and some were not notated.
- During the years _____ and _____ received monies from the United Way. These amounts were from _____ employees that had checked _____ for where they wanted their share of the _____ to go.
- A copy of a proposal from the organization to the _____ dated _____, lists 4 problems that exist with most air ambulance services. One of the problems is the high cost of the service. The organization's purpose, listed in the proposal, is to provide high quality non-emergency basic and advanced life support air-ambulance service. It asks that _____ and its affiliates to use _____ as a preferred provider.
- The proposal includes the statement "By utilizing the above resources, we will be able to offer lower rates and very competitive contracts to our customers."
- According to the proposal _____ will provide the accounting, billing, dispatch, legal, marketing, medical equipment, medical supplies, malpractice insurance, medical personnel, physician advisory and quality assurance. The for-profit company _____ provides the aircraft debt service, aircraft maintenance, aircraft insurance, flight planning and fuel.

LAW & ARGUMENT:

IRC Section 501(c) (3) provides that organizations that are organized and operated exclusively for charitable purposes are exempt from tax as long as no part of the net earnings inure to the benefit of a private shareholder or individual.

Regulation 1.501(c) (3)-1(c) requires an organization to engage primarily in activities that accomplish one or more of their exempt purposes. It will not be regarded as engaged primarily in exempt activities if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Regulation 1501(c) (3)-1(d) (1) (ii) provides that an organization is not organized or operated exclusively for charitable purposes unless it serves a public rather than a private interest.

Regulation 1.501(c) (3)-1(d) (2) states that the term "charitable" is used in its generally accepted legal sense. Charitable includes relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings monuments, or works; lessening of the burdens of government; and promotion of social welfare.

An _____ service in itself is not a charity.

The _____ is a form of insurance. Insurance is not a charitable activity.

The documents provided indicate that the activities, of _____ included medical flights, charter flights, a profit sharing program, administrative services for other companies, and a referral service for flights.

Form 990 yrs [

ISSUE: Do the organization's activities qualify for exemption under 501(c)(3)?

Conclusion

Interviewed the president, read agreements of related organizations, and reviewed information provided by the taxpayer. The organization does not qualify to be exempt. They have not established that their primary activities are for charitable purposes.

FACTS:

- [redacted] was established in [redacted] and received their exempt status in October
 - Line a of Part III of the Form 990 states [redacted] primary purpose is "improve air medical coverage in rural areas."
 - During an interview [redacted], the president, said they had provided flights for individuals to go to hospitals, for family members to visit an accident victim, move terminally ill patients from hospital to their homes and fly individuals to hospitals for organ transplants. (Pages C00-C5)
 - [redacted] was requested to provide any documentation showing who has received assistance, how they determine how much an individual could pay, faxes received requesting medical flights, copies of referrals sent to other air ambulance services and who had donated flight time or fuel. The records provided do not show this information. The records show that they can get flights for individuals but not that they have. Anyone can go to the air ambulances web sites and find the empty legs. (C138 - C139) (C140 - C141)
 - To raise money the organization set up other for profit entities. These entities included [redacted]
 - [redacted] owned leases on aircraft and operated an aviation services business. The company was owned by [redacted], and [redacted]. Each had 1,000 shares. The organizing document stated the profits should go to [redacted] (pages C15 - C54)
 - A separate company, [redacted], would sell aviation fuel and supplies. This company was owned by [redacted]
- Their organizing document said the profits should go to [redacted]. (pages C60 - C65)
- [redacted] has one director, [redacted]. He is also the president of [redacted] owns the [redacted] for the [redacted] part of the United States. This franchise allows individuals to own parts of planes and have use of the plane. This is known as a [redacted]. The articles of incorporation, for [redacted] states its purpose is to provide air medical support services. (pages C55 - C59)- The organization provided a copy of the Prospectus & Information on [redacted]. This appears to have been written in the late 1990s and was the plan for the group. It is title [redacted]. The activities and projects shown in this prospectus have not been done by the organization. The funding plan includes insurance claim reimbursements, contributions, grants, subsidies from hospital sponsors, charges to other hospitals, and non-medical use of the aircraft. (Pages C69 - C122)
- [redacted] is part of a company [redacted]. He sent along the brochure of that company because the last 2 pages discuss [redacted] (Pages C123 - C137)
- According to [redacted] the organization would use the planes held in the [redacted] of [redacted] for the medical flights. The owners of the planes are asked to donate time and fuel for the organization's use.
- Copies of the pages from the website are on pages C142 - C182.

- The website of [redacted] tells individuals they can improve [redacted] coverage by donating to [redacted] or participate in the Profit Sharing Program. There is also a statement that the aircraft are available for executive charter to offset medical and aircraft costs. (page C142)
- Under the Profit Sharing Program a person would pay a monthly amount. For this fee they would receive free access to air medical aircraft, participation in the profit sharing program, and some free coffee, tea or other product. (Page 159 & C175 -C182)
- The information given on the web site offers different levels for the [redacted]. One is monthly payments of \$[redacted] or \$[redacted] per year and the other is monthly payments of \$[redacted] or \$[redacted] per year. The participant would receive private air-medical jet transportation for them or immediate family for serious illness or injury, a check for automatic participation in the profit sharing program, and the newsletter. For the higher monthly payment the participant would receive a small gift, such as whole bean coffee. Pages (C149 - C151)
- There are many other air ambulance services that are operated on a for profit basis. When I did a google search on the internet for [redacted] there were [redacted] hits. I searched some of the websites. Most of these companies operate in a manner similar to [redacted]. They offer ambulance service but also have charter services to help with costs. They receive their money from insurance, fees for the ambulance service, and fees for the charters.
- The president's letter of [redacted] says that the organization will set up a subscription program entitled [redacted]. Members would pay a monthly fee and then not have to pay if they need use of the aircraft. The foundation will be required to donate all profits and proceeds to [redacted]. (Pages C183 - C184)
- A copy of a proposal from the organization to the [redacted] dated [redacted], lists 4 problems that exist with most air ambulance services. One of the problems is the high cost of the service. The organization's purpose, listed in the proposal, is to provide high quality non-emergency basic and advanced life support [redacted]. It asks that [redacted] and its affiliates to use a preferred provider. (pages 218 - C231)
- The proposal includes the statement "By utilizing the above resources, we will be able to offer lower rates and very competitive contracts to our customers." (Page C224)
- According to the proposal [redacted] will provide the accounting, billing, dispatch, legal, marketing, medical equipment, medical supplies, malpractice insurance, medical personnel, physician advisory and quality assurance. The for-profit company [redacted] provides the aircraft debt service, aircraft maintenance, aircraft insurance, flight planning and fuel. (Pages C226 & C227)
- [redacted] said they used to have kids from the court system come out to [redacted] facilities. The kids were shown how to fuel the aircraft and move them. They were given motorcycle rides and plane rides. (Pages C232 & C233)
- [redacted] sent in copies checks received during the years [redacted] and [redacted]. The checks were for commissions (\$ [redacted]), club commissions (\$ [redacted]), donations (\$ [redacted]), room use (\$ [redacted]), products (\$ [redacted]) and some were not notated (\$ [redacted]). (pages C284 - C328) page c328 is spreadsheet of the checks.
- During the years [redacted] and [redacted], [redacted] received monies from the United Way. These amounts were from [redacted] employees that had checked [redacted] for where they wanted their share of the Employee Community Fund to go. (Pages C273 - C275)
- [redacted] provided the flight log of one of the aircraft, but it doesn't state who used the plane at that time or how much they paid. (pages C276 - C283)

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- According to [redacted] does not own any aircraft. But the pictures of the hanger and the website indicate that [redacted] had their own aircraft. (Pages C236 - C244)
 - The president, [redacted], has stated that the organization provides a service of finding empty leg flights so that individuals can have a reduced rate. He has provided copies of "Empty Leg Report". (Pages C213-C215) & (Pages C245 - C72) I went to the website of the companies that had provided the "empty leg reports". They have a link to their daily discounted flights. Anyone can access these web sites to find flights. The organization would be a service arranger not providing a service. [redacted] has not provided any documentation that they have provided this service to anyone. There are no copies of requests from patients looking for flights.
 - Copies of Choice point research is on pages C329 - C353.