TEGE EO Examinations Mail Stop 4920 DAL
1100 Commerce St.
Dallas, Texas 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: November 25, 2009

Release Number: **201007073**
Release Date: 2/19/10
UIL Code: 501.03-00
LEGEND
ORG = ORGANIZATION NAME
ADDRESS = ADDRESS
XX = DATE

Taxpayer Identification Number:
Person to Contact:
Employee Identification Number:
Employee Telephone Number:

ORG
ADDRESS

LAST DATE TO FILE A PETITION
IN TAX COURT: February 23, 20XX

CERTIFIED MAIL – RETURN RECEIPT

Dear

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated October 19, 19XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective April 1, 20XX.

The revocation of your exempt status was made for the following reason(s):

Organizations described in IRC 501(c)(3) and exempt under section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to produce documents to establish that you are operated exclusively for exempt purposes and that no part of your net earnings inures to the benefit of private shareholders or individuals. You failed to respond to repeated reasonable requests to allow the Internal Revenue Service to examine your records regarding your receipts, expenditures, or activities as required by IRC 6001, 6033(a)(1) and Rev. Rul. 59-95, 1959-1 C.B. 627.

Contributions to your organization are no longer deductible under IRC §170 after April 1, 20XX.

You are required to file income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the tax year ending March 31, 20XX, and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91st Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to the United States Tax Court at the following address:

You also 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, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

See the enclosed Notice 1546, Taxpayer Advocate Service - Your Voice at the IRS, for Taxpayer Advocate telephone numbers and addresses.

You should contact your State officials if you have any questions about how this final determination may affect your State responsibilities and requirements.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Sunita Lough
Director, EO Examinations

Enclosures:
Publication 892
Publication 1546

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TE/GE EO Examinations: Grp 7910
625 Fulton Street, 5th Floor
Brooklyn, NY 11201

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: July 28, 2009

ORG
ADDRESS

Taxpayer Identification Number:
Form:
Tax Year(s) Ended:
Contact Person / ID Number
Contact Numbers:
Telephone:
Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear

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, please sign and return the enclosed Form 6018, Consent to Proposed Action - Section 7428. If you have already given us a signed Form 6018, you need not repeat this process. 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.

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.

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,

Sunita B. Lough,
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

Form **886-A** (Rev. January 1994)	**EXPLANATIONS OF ITEMS**	Schedule number or exhibit
Name of taxpayer ORG	Tax Identification Number	Year/Period ended March 31, 20XX through March 31, 20XX

LEGEND
ORG = ORGANIZATION NAME XX = DATE STATE = STATE

Issue:

Whether ORG (ORG) qualifies for exemption under Section 501(c) (3) of the Internal Revenue Code.

Facts:

An examination of ORG for the tax period ending March 31, 20XX, was initiated as the result of a referral report indicating the organization had failed to file Form 990 information returns since 19XX and was collecting consulting fees for services performed by one of its employees.

ORG was granted tax exempt status under section 501(c)(3) of the Internal Revenue Code (the Code) on October 19, 19XX and classified as a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The organization's purpose as set forth in its articles of incorporation is: "to promote development by owners, landlords and tenants of rehabilitation of deteriorating or abandoned tenement housing and to advise and assist in implementing programs relating to such rehabilitation."

During the examination we verified that ORG had not filed a Form 990 return since the tax period ending March 31, 19XX and that the organization is still listed as an active domestic Not-For-Profit Corporation in the State of State. Despite numerous information document requests submitted to the organization during the examination, the organization failed to provide complete books and records for our review. We also learned that the organization did not maintain an accounting system during the examination period. For the purpose of the examination, the power of attorney prepared financial reports using source documents such as bank statements and cancelled checks which were requested from various financial institutions during the course of our examination. As a result, ORG was able to file delinquent 990 returns for the periods ending March 31, 20XX and March 31, 20XX.

Based on our examination, we have determined the following:

1. ORG has not conducted tax exempt activities since the fiscal year ending 3/31/20XX.

2. Subsequent to the fiscal year ending 3/31/20XX, ORG sole source of support was derived from management and consulting fees.

3. Subsequent to the fiscal year ending 3/31/20XX, ORG received no public support.

4. ORG failed to file Form 990's for all tax periods subsequent to the year ending 3/31/20XX.

The organization has agreed to a voluntary revocation of its tax exempt status as of April 1, 20XX.

Law:

Treasury Regulation 1.501(c)(3)-1(a)(1) states that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

IRC § 6001 provides that every person liable for any tax imposed by the IRC, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

IRC § 6033(a)(1) provides, except as provided in IRC § 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

Treasury regulation 1.6038A-3(a) (1) states a reporting corporation must keep the permanent books of account or records as required by section 6001 that are sufficient to establish the correctness of the federal income tax return of the corporation, including information, documents, or records to the extent they may be relevant to determine the correct U.S. tax treatment of transactions with related parties. Such records must be permanent, accurate and complete and must clearly establish income, deductions and credits. This requirement includes records of the reporting corporation, as well as to records of any foreign related party that may be relevant to determine the correct U.S. tax treatment or transactions between the reporting corporation and foreign related parties.

Taxpayer's Position

ORG has agreed to revocation of the organization's tax-exempt status as of April 1, 20XX.

Government's Position

Form **886-A** (Rev. January 1994)	**EXPLANATIONS OF ITEMS**		Schedule number or exhibit
Name of taxpayer ORG		Tax Identification Number	Year/Period ended March 31, 20XX through March 31, 20XX

Treasury Regulation 1.501(c)(3)-1(a)(1) states that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. Treasury regulation 1.6038A-3(a) (1) states a reporting corporation must keep the permanent books of account or records as required by section 6001 that are sufficient to establish the correctness of the federal income tax return of the corporation, as well as to records of any foreign related party that may be relevant to determine the correct U.S. tax treatment or transactions between the reporting corporation and foreign related parties.

It is the government's position that ORG does not qualify for exemption under Section 501(c) (3) of the Code because the organization does not pass the operational test as stated in Treasury Regulation 1.501(c) (3)-1(a) (1), does not maintain records in compliance with Treasury Regulation 1.6038A-3(a) (1), and has failed to file returns, Form 990, for years ending March 31, 20XX through 20XX.

Conclusion:

It is the IRS's position that ORG has failed to demonstrate that it is conducting 501(c)(3) activities and operating in compliance with Treasury Regulation 1.501(c)(3)-1(a)(1) and has failed to meet the reporting requirements under IRC §§ 6001 and 6033. Accordingly, the organization does not qualify for exemption under Section 501(c) (3) of the Code.

We therefore propose revocation of the organization's tax exempt status effective April 1, 20XX.

Form 1120 returns should be filed for the tax periods ending after March 31, 20XX.