



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

1100 Commerce St.
Dallas, TX 75242

Release Number: 200709071
Release Date: 3/2/07
UIL Code: 501-04-01
November 9, 2006

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)(4). Internal Revenue Service recognition of your status as an organization described in I.R.C. section 501(c)(4) is revoked, effective January 1, 2002.

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

Your organization has failed to meet the reporting requirements under sections 6001 and 6003 to be recognized as exempt from federal income tax under section 501(c)(4) of the Internal Revenue Code. Please refer to the attached Form 886-A for the law and arguments on which this determination is based.

You are required to file income tax returns on Form 1120 for the tax years beginning after December 31, 2001. Returns for the years ending December 31, 2002, December 31, 2003, and December 31, 2004 must be filed with this office within 60 days of the date of this letter unless a request for an extension of time is granted. Failure to file required returns may result in a statutory notice of deficiency being issued for the amount of any income tax deficiencies. Send such returns to the following address:

A
November 9, 2006

Page 2

Internal Revenue Service
4900 LIT: Attn: Susan Scott
700 W. Capitol
Little Rock, AR 72201

Tax returns for subsequent years are to be filed with the appropriate Campus identified in the instructions for those returns.

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 at the address and telephone number shown in the heading of this letter.

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, nor extend the time fixed 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.

This is a final revocation letter.

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

Sincerely,

Marsha A. Ramirez
Director, EO Examinations

Enclosures:
Pub. 892

Form 886-A (Rev. January 1994)	REPORT OF EXAMINATION	Schedule number or exhibit 0001
Name of taxpayer A	Tax Identification Number B	Year/Period ended

A=Taxpayer

B=Taxpayer EIN

C=Parent organization of A

D=name of A's president

E=name of District Director of A

F=name of A's district

Issue Name: Tax Exempt Status

Per Return: 990

Per Exam: December 31, 2002

Issue:

Whether **A** qualifies for exemption under Section 501(c)(4) of the Internal Revenue Code

Facts:

A is currently recognized as exempt under section 501(c)(4) of the Internal Revenue Code. The organization is included as part of the group ruling of the national organization of the **C**.

Information received from the Texas Lottery Commission shows the organization received \$XXX,XXX in calendar year 2002 from charitable gaming, which included \$XX,XXX from instant bingo. According to IRS records, the organization did not file a Form 990, *Return of Organization Exempt from Income Tax*, or a Form 990-T, *Exempt Organization Business Income Tax Return*.

The organization was contacted as part of a compliance check, in a letter dated January 27, 2005. The letter provided educational information and requested that the Forms 990, and if liable, the Form 990-T, be filed for the tax year ending December 31, 2002. The organization did not respond to this letter and following additional attempts to secure the returns, the compliance check was converted to an examination. Additional attempts to secure the returns and/or information concerning the organization's activities have not been successful.

The listing below provides a record of the Internal Revenue Service correspondence requesting **A** to file the Form 990 for the tax period ending December 31, 2002. To date **A** has failed to provide the requested information in the Internal Revenue Service correspondence or file the Forms 990 and 990-T for the tax period ending December 31, 2002.

CONTACT DETAIL:

- 09/30/04 - The IRS initially contacted the organization, as a compliance check, requesting that the organization file the required return, Form 990. This letter was mailed to address on file.
- 01/27/05 - The IRS received the letter dated 09/30/04 back undeliverable.

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- 01/27/05 - IRS mailed the initial letter out again to an address found on file for the POA of the organization, by certified mail.
- 03/14/05 - The IRS received the certified letter back indicating it was refused.
- 03/14/05 - Tax Examiner (TE) called the district office of **A** and requested a good mailing address for the organization. The TE was told the district would call back with that information.
- 03/21/05 - The TE received information from the District stating that the TE should call **E**, the Director of District **F**.
- 03/21/05 - TE made several calls to this new contact and left messages.
- 03/23/05 - TE called again and spoke with this District Director and was told that she would call the TE back.
- 03/24/05 - TE received voice mail from Director with the name and number of the President of **A**.
- 03/24/05 - TE called **D**, President, and left message.
- 03/29/05 - TE called **D** again and left another message.
- 04/04/05 - TE spoke with **D**. Mr. **D** gave the TE a new mailing address. TE was told that they no longer do bingo.
- 04/04/05 - IRS mailed letter to new address by certified mail.
- 04/18/05 - IRS received certified receipt back signed.
- 05/26/05 - TE called Mr. **D** and left detailed message requesting Forms 990, and 990-T if applicable.
- 06/01/05 - IRS mailed follow up letter to new mailing address, giving an additional 10 days to get required returns in. This was mailed certified.
- 12/06/05 - Revenue Agent (RA) mailed out initial exam letter informing the organization that it was now under examination and to file the required returns and submit the requested information.
- 01/05/06 - RA mailed out follow up letter giving organization an additional 10 days to comply.
- 01/17/06 - RA called Mr. **D** and left detailed message that the organization's exempt status would be revoked if I did not hear back from him right away.
- 01/24/06 - RA mailed the proposed revocation write up giving the organization 30 days to respond. This was sent by certified mail.

Law:

Section 1.61-1 of the regulations provides that gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in money, property, or services. Income may be realized, therefore, in the form of services, meals, accommodations, stock, or other property, as well as cash.

Section 511 of the Internal Revenue Code imposes a tax at corporate rates under section 11 on the unrelated business taxable income of certain tax-exempt organizations, including those described in section 501(c)(4).

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

Section 1.6001-1(e) of the regulations states that the books or records required by this section shall be kept at all time available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Section 6033(a)(1) of the Code provides, except as provided in section 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.

Section 1.6033-1(h)(2) of the regulations provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and section 6033.

Section 501(c) (4) of the Code provides that a civic organization not organized for profit but operated exclusively for the promotion of social welfare is exempt from Federal income tax.

Rev. Rul. 59-95, 1959-1 C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of section 6033 of the Code and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

Conclusion:

In accordance with the above-cited provisions of the Code and regulations under sections 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

It is the IRS's position that the organization failed to meet the reporting requirements under sections

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6001 and 6033 to be recognized as exempt from federal income tax under 501(c)(4) of the Internal Revenue Code. Accordingly, the organization's exempt status is revoked effective January 1, 2002. Form 1120 returns should be filed for the tax periods after January 1, 2002.