

**Internal Revenue Service**

**Department of the Treasury**

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Release Date: 6/22/07

Date: **APR 20 2006**

UIL Code 501.03-01

Taxpayer Identification Number:

Form:  
990

Tax Year(s) Ended:

Person to Contact/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, 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.

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:

Internal Revenue Service  
TAS

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,

Marsha A. Ramirez  
Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Report of Examination

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
Explanation of Items		Year/Period Ended
Name of Taxpayer		
Organization		

**Issue #1:**

Should O retain its exempt status under IRC section 501(a) as an organization described in § 501(c) (3) because it inured to the benefit of F?

**Facts:**

**Organizing Documents**

The O (the "Organization") was created with a Declaration of Trust by F1 and F2 (each being a "Founder" and "Trustee") on D. The trust was created for the purpose of establishing an organization which is described in IRC 501(c) (3) and IRC 509(a) (3). The Trust Instrument also provides that the founder renounces any power to determine or control, by alteration, amendment, revocation, termination or otherwise, the income or principle of the Trust estate. In addition, the trust instrument also provides that the founder renounces any interest, either vested or contingent, including any reversionary interest or possibility of reverter, in the income or principle of the Trust estate.

The Trust Document provides that it will be "organized and at all times thereafter operated exclusively to support or benefit", as defined by Treasury Regulation §1.509(a)-4(b)(1), "one or more publicly supported organizations". Pursuant to the Declaration of Trust, each year the Trustee shall distribute % of the adjusted net income of the Trust to , the named Primary Charity. In addition, the Trustee shall distribute a total of percent ( %) of the Trust's net income to one or more of the organizations listed on Schedule A or to the Primary Charity as directed by a majority of the Board of Directors (the "Board"). Schedule A contains a list of organizations.

The Declaration provides that it shall comply with all other requirements of §509(a)(3). No part of the net earnings of the Trust shall inure to the benefit of any individual and no part of the activities of this Trust shall consist of carrying on propaganda or otherwise attempting to influence legislation or of participating in or intervening in (including the publications or distribution of statements) any political campaign on behalf of any candidate for public office.

Notwithstanding any other provision hereof, the Declaration provides that the Trust shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization which is tax exempt or by an organization that receives donations which are deductible from taxable income to the extent allowed by the provisions of the code and other applicable legislation and regulations as they now exist or may hereafter be amended.

According to the Declaration, the Board is to be initially comprised of five (5) members, determined as follows:

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- One Board member shall be appointed by P
- One Board member shall be one F1.
- The initial remaining Board members shall be F2, B1, and B2.

Upon winding up and the dissolution of the Trust, the remaining assets of the Organization are to be distributed to a non-profit fund, foundation, or corporation which is organized and operated exclusively for charitable, educational, religious, and/or scientific purposes and which has established its tax-exempt status under § 501(c)(3). In the event that the Trust does not obtain tax exempt status under §§ 501(c)(3) and 509(a)(3) of the Code, the assets of the Trust shall go to F1 or his designate of by power appointment as defined herein, as a contingent remainder.

The Declaration provides that the membership of the Board shall at all times be such that the original founder, Donor, or other Disqualified Persons, as defined in §4946 of the Code, does not control the Board.

#### Organizing Documents

D2, the organization filed form 1023 application for recognition of exemption.

The organization checked the box for Trust for type of organization. The purpose of the organization as stated in the form 1023 is to distribute substantially all of its income to and for the use of various public charities and to help the regional P1 ( the primary charity) carry out its purposes and perform its function. The funds will be used specifically For the benefit of the arts program. Each year at least %of the net income of the organization will be distributed to the Primary Charity. The organizations board, which includes a member appointed by the primary charity, will with the governing board of the Primary Charity establish the use of these distributions. It is intended that the distribution will be used each year to carry out or fund a substantial and important program or function of the Primary Charity. In addition, each year at least percent ( %) of the net income of the organization will be distributed among designated public charities listed on schedule A of the organization indenture, as determined by the organization's Board. Finally, the organization may distribute the balance of the net income or the principal to such of the designated charities as the organizations board may determine.

Form 1023 also stated that since all of the assets and activities of the Support trust will be dedicated to organizations which are charitable, religious or educational within the meaning of section 501(c)(3) of the code, that the Support Trust and its activities should be considered charitable religious or educational within the meaning of section 501(c)(3) of the code.

By letter dated D3, the organization was recognized by the Service as exempt from Federal income tax under section 501(a) because it is described in section 501(c)(3) and classified as an organization that is not a private foundation because it is described in section 509(a)(3).

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The board as listed on form 1023 included 5 members as follows:

1. F1
2. F2
3. B1
4. B2
5. B3 representing Primary Charity

It should be noted that the application for exemption filed D2 listed B3  
As the Board Member representing the Primary Charity, however the declaration did not list B3 as a Board Member representing the Primary Charity.

It should be noted that the exemption application filed with the Service by the Organization contained financial information for the calendar year ending which included \$ in gifts, grants and contributions and proposed budgets for the calendar year and for \$ each year. The application did not, however, contain any information regarding the Organization's loan to L of \$

**P**

In , F1 realized a large increase in the value of stocks he owned. F1 exercised his options and sold the stocks which resulted in a substantial gain. In , in response to one of P's advertisements, F1 contacted P about the possibility of assisting him and his wife in reducing their federal income taxes in addition to protecting their assets. P and its affiliate, EP, proposed an array of strategies using a supporting organization and various domestic and foreign entities and programs to meet the F1 and F2 asset protection and wealth management objectives. P sent a confirmation letter advising the F1 and F2 of a retainer fee of \$ was required before a Master Financial Plan could be prepared for them. The F1 and F2 sent the \$ . A "master financial plan" was prepared for the F1 and F2. The plan consisted of the F1 and F2 establishing a charitable support organization into which they would deposit money and then take a corresponding charitable deduction on their federal income tax return. The money would then be invested with an offshore entity called I which supposedly was to generate a significant return for the charitable support organization. The funds invested with I, however, were specifically earmarked to be returned to the F1 and F2 in the form of a home mortgage loan through a program administered by P called an "EMM" program.

An Implementation Agreement was sent to the F1 and F2. F1 and F2 signed the agreement. The Declaration of Trust was implemented creating O. In addition to setting up the Organization, the Implementation Agreement also provided for the formation of various domestic and foreign

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entities and programs to help implement the master financial plan and further the F1 and F2 asset protection, wealth management, and tax planning objectives:

#### **Estate planning**

"Review of clients, existing plan, if any and/or obtaining information and documents from Client regarding trustees and beneficiaries, preparation of complete estate plan, including revocable living trust, pour-over wills, living wills, durable powers of attorney and medical powers of attorney; coordination with clients for the execution of the complete estate plan; and preparation, execution and filing of documents necessary to transfer, if requested, existing assets to living trusts."

#### **Family Limited Partnership**

"Preparation of organizational documents including agreements and governmental agency forms; filing documents with and payment of fees to the appropriate governmental agencies; and preparing and filing transfer documents, as needed for the funding of the Family Limited Partnership."

#### **Irrevocable Life insurance Trust**

"Preparation of organizational documents, including trust agreement and governmental agency forms; obtaining information from client regarding independent trustees and beneficiaries; filing of documents with the appropriate governmental agencies; review and transfer, if appropriate, of existing insurance policies to insure compliance with estate and gift tax requirements; and coordination with insurance companies to ensure proper ownership and beneficiary designations are made on existing and new insurance policies."

#### **Limited Liability Company - Private Annuity Agent**

"Preparation of organization documents, including agreements and governmental agency forms; filing of documents with and payment of fees to the appropriate governmental agencies; preparing and filing transfer documents, as needed, for the funding of the LLC. This entity will serve as the agent for the transfer of stock to an International Business Corporation."

#### **Foreign Variable Annuity**

"Coordination with foreign companies in providing applications, issuing annuity contract, and preparing necessary forms for filing with appropriate governmental agencies."

#### **Private Annuity**

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"Preparation of purchase, sale and annuity payment documentation, including calculation of proper payment amount; and coordination with brokerages for the transfer of stock, including preparation and filing of transfer documents as needed."

#### **International Business Corporation**

"Coordination with foreign companies for: preparation of organizational documents, including agreements and governmental agency forms; filing of necessary documents with and payment of first year registration fees to the appropriate governmental agencies; preparation and issuance of share certificate to appropriate owner; documentation of nomination and appointment of officers and directors; obtaining due diligence from client necessary to open an account for the transaction of corporate business; the provision of administrative services, including the preparation of reports to the owner and other interested parties; and the preparation and filing of asset transfer documents as needed."

#### **Supporting Organization**

"Preparation of Organizational documents, including the trust and governmental forms; obtaining information and documents from the primary charity regarding its status and the specific program or activity to be supported; filing of necessary documents with governmental agencies; preparation and filing of documents, as needed, for the transfer of assets to the organization; and correspondence with the IRS, as needed, to obtain the proper determination of the tax exempt status of the organization."

Pursuant to their master financial plan, and at the direction of P and EP, the F1 and F2 funded the Trust with \$ \_\_\_\_\_ in cash. The funds were deposited into a brokerage account at \_\_\_\_\_ for the O.

The O held their initial set up meeting. The board members were named and asked if willing to serve. The members were the members listed on the Declaration of Trust B1 the Board Member appointed the representative of the Primary Charity was not present in the meeting and she was not listed on the Declaration as a board member.

From the initial meeting to the date of the initial examination interview in \_\_\_\_\_ the organization held 7 meetings which usually lasted one to two hours in length. The minutes showed two meeting dates were usually a two hour meeting on the first date and a second related two hour meeting on the next scheduled date. The items addressed in the first meeting were usually carried over to the second meeting to give the board members time to think over the proposals. On occasion, the second meeting date consisted of follow-up phone calls to the board members. In the meetings dated January 11 and 23, F1 phoned the board members to get consents to transfer the \$ \_\_\_\_\_ from \_\_\_\_\_ to P. The board members were told the transfer was to invest in Mortgages for a high yield for O. B1 B2 and B3 voted yes. This was

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the first meeting in which the minutes mentioned B3 as a board member. The minutes stated F2 also voted yes after F1 explained the transfer to her in person, however, no date was given. F1 and F2 completed a loan application for a mortgage loan entitled Equity Management Mortgage with PM. The purpose of the loan was to finance the purchase of property C for an amount of \$

The organization stated they have an investment agreement with L, however the copy was seized by the SEC and not available for them to provide to the requesting agent. F1 and F2 stated they have no Investment Agreement with P for the \$

The Organization transferred \$ to I., a corporation, at the direction of P, allegedly for investment purposes.<sup>1</sup> In return, the Organization received a promissory note, in which I promised to pay the sum of \$ with interest on the unpaid principal at the rate of % per annum. Pursuant to the terms of the promissory note, I agreed to make annual installments of interest only on the unpaid principal beginning in continuing until at which time the remaining unpaid principal and interest was to be paid in full. None of the records of the meetings showed a discussion of the O loan of \$ to I. No records of Board approval of the loan was found in the meeting minutes

Contemporaneous with the transfer of the O funds to I, the F1 and F2 also transferred \$ from their brokerage account to I allegedly for a loss of income insurance policy that was part of their overall master financial plan. An amount equal to the Organization's \$ investment in I and the F1 and F2 \$ loss of income policy was then returned to the F1 and F2 in the form of a mortgage loan from L in the amount of \$ which was used to close on the mortgage of the property C. The loan from L was payable in 5 years at a % interest rate. F1 and F2 have not made any payments on the mortgage loan from L.

<sup>1</sup> F1 and F2 submitted a letter to stating, "please execute a wire transfer of \$ from our Charitable Supporting Organization account. Receiving Bank: ... .” The beneficiary Account name was I and the beneficiary account number. I is an affiliate of P.





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dispersed for . On F1 and F2 were informed P were in receivership and all of the assets of the related clients were seized by the SEC. The Organization had no further activity recorded in the minutes. ?]

### Law & Argument

IRC § 501(c)(3) exempts from Federal income tax: corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

Regulation section 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Regulation section 1.501(c)(3)-1(c)(2) provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. The words "private shareholder or individual" refer to persons having a personal and private interest in the activities of the organization. The term "private shareholder or individual" is defined in regulation section 1.503(a)1(c).

Regulation section 1.501(c)(3)-1(d)(1)(ii) provides an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

In Better Business Bureau v. United States, 326 U.S. 279 (1945), the United States Supreme Court held that regardless of the number of truly exempt purposes, the presence of a single substantial non-exempt purpose will preclude exemption under section 501(c)(3). See also American Campaign Academy v. Commissioner, 92 T.C. 1053, 1065-66 (1989) (when an organization operates for the benefit of private interests, such as designated individuals, the creator or his family, or persons directly or indirectly controlled by such private interests, the organization by definition does not operate exclusively for exempt purposes); Old Dominion Box Co., Inc. v. United States, 477 F.2d 340 (4<sup>th</sup> Cir. 1973) (operating for the benefit of private parties who are not members of a charitable class constitutes a substantial nonexempt purpose).

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In Founding Church of Scientology v. United States, 412 F. 2d 1197 (Ct. Cl. 1969) the court stated that loans to an organization's founder or substantial contributor can constitute inurement that is prohibited under section 501(c)(3). In that case, the church made loans to its founder and his family and failed to produce documentation that demonstrated that the loans were advantageous to the church. The church also failed to produce documentation to show that the loans were repaid. Significantly, the court stated that "the very existence of private source of loan credit from an organization's earnings may itself amount to inurement of benefit."

In Church of World Peace, Inc. v. Commissioner, T.C. Memo. 1994-87, aff'd, 75 A.F.T.R.2d (RIA) 2082 (10<sup>th</sup> Cir. 1995), the Tax Court held that a church did not operate exclusively for religious purposes because the church facilitated a circular tax-avoidance scheme. The facts showed that individuals made contributions to the church and claimed charitable contribution deductions. The court found that the church then returned the money to the individuals claiming that the payments were for housing allowances and reimbursement of expenses. The court further found that such payments were in fact unrelated to the church's operations.

In Revenue Ruling 67-5, 1967-1 C.B. 123, it was held that a foundation controlled by the creator's family was operated to enable the creator and his family to engage in financial activities which were beneficial to them, but detrimental to the foundation. It was further held that the foundation was operated for a substantial non-exempt purpose and served the private interests of the creator and his family. Therefore, the foundation was not entitled to exemption from Federal income tax under section 501(c)(3).

**Governments Position:**

The IRC § 501(c)(3) tax exempt status of the O ("Organization") should be revoked because it is not operated exclusively for tax exempt purposes.

The Facts show that the Organization is not operated exclusively for a tax exempt charitable purpose. Rather, the F1 and F2 have operated the Organization for their own personal benefit. F1 and F2 have also used the Organization for tax avoidance purposes. The promotional material and the agreements that F1 and F2 entered into with P show that the F1 and F2 established the Organization to obtain tax benefits in the form of claiming deductions under section 170, without relinquishing control of the funds that they claimed to have contributed to the Organization.

The Organization was funded with a contribution, the amount of which was based on % of the F1 and F2's estimated income, in the year it was created. Of the approximately \$ donated to the Foundation, \$ was loaned to I, leaving approximately \$ available for charitable purposes. The only collateral was a promise to pay. I. I. was to pay the Foundation % interest. The Foundation has not received any payments from I. I., through a scheme orchestrated by P, transferred the funds to L. L., again at the direction of P, returned all of the

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funds loaned to I. (less expenses), to F1 and F2's in the form of a PM on a property owned by the F1 and F2's. The mortgages require the F1 and F2's to pay % interest. F1 and F2 funded the Trust with \$ in . In , these funds were transferred to I, an organization controlled by P, in an unsecured transaction. Contemporaneous with this transfer, the F1 and F2 also transferred an additional \$ from their personal brokerage account to I. Shortly after the transfer of these funds to I, another entity controlled by P, L, transferred an amount equal to these two amounts, \$ , back to F1 and F2 in the form of a mortgage loan to finance the purchase of a property. To date, the Organization reported receiving a total of \$ [ \$ for the year and \$ for ] from I on payment on the note.

The timing of the transactions and other evidence in the administrative file shows that these transactions were prearranged by P as part of a master financial plan devised to help the F1 and F2 avoid the payment of taxes. Both I who received the funds from the Organization and L who returned all of the funds to the I in the form of a mortgage loan, were controlled by P. The wire transfers, mortgage loan application, promissory note, and fund transfer requests all evidence that the transfer of funds to I and the loan from L to the F1 and F2 were all intricately linked together as a part of a plan put together by P for their benefit.]

Since the Organization's formation, while being funded with approximately \$ , only \$ has been disbursed for charitable purposes. No other disbursements have been made.

An organization is described in section 501(c)(3) only if no part of its net earnings inures to the benefit of any private shareholder. The inurement prohibition is designed to insure that charitable assets are dedicated to exclusively furthering public purposes. An organization is not operated exclusively for exempt purposes if its net earnings inure to the benefit of private shareholders or individuals.

A gift to a charitable organization must be a voluntary transfer of money or property without the receipt of adequate consideration, made with charitable intent. Hernandez v. Commissioner, 490 U.S. 680, 690 (1980). To claim a deduction under section 170, a donor must surrender dominion and control over the gift. United States v. Estate Preservation Services, 202 F.3d 1093, 1101 (9<sup>th</sup> Cir. 2000). F1 and F2 transferred assets to the Organization and claimed a deduction under section 170. A charity's assets are required to be irrevocably dedicated to charitable purposes. Treas. Reg. § 1.501(c)(3)-1(b)(4). The inurement prohibition serves to prevent the individuals who operate the charity from siphoning off any of a charity's income or assets for personal use. By returning assets to the F1 and F2, the Organization breached the dedication requirement and its net earnings have inured to the benefit of the F1 and F2.

Although the inurement prohibition is stated in terms of net earnings, it applies to any of a charity's assets that serve the interests of its private shareholders. Harding Hospital, Inc. v. United States, 505 F.2d 1068, 1072 (6<sup>th</sup> Cir. 1974). The purported investment in PM, which was transferred to L and then loaned back to the F1 and F2, served the financial interests of the F1

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and F2, L and/or P. Even if the transfer to PM was an investment, when a charity's investments are decided in part by the needs of private interests, the charity is not operating exclusively for exempt purposes. Western Catholic Church v. Commissioner, 73 T.C. 196, 214 (1979), aff'd 631 F.2d 736 (7<sup>th</sup> Cir. 1980).

In this case, the F1 and F2 used the Organization to facilitate a circular tax avoidance scheme. Church of World Peace v. Commissioner, T.C. Memo. 1994-87. The Organization's assets served private interests and the Organization was operated as part of a tax avoidance scheme. Tax avoidance schemes do not further an exempt purpose. Freedom Church of Revelation v. United States, 588 F. Supp 693, 696 (D.D.C.1984)

The Organization, which is controlled by the F1 and F2, is operated to enable the F1 and F2 to engage in financial activities which are beneficial to them and/or entities with whom they are transacting business, but detrimental to the Organization. Accordingly, it is operated for a substantial non-exempt purpose. See Revenue Ruling 67-5.

The Organization's net earnings have inured to the benefit of insiders. Treas. Reg. § 1.501(a)-1(c); Ginsburg v. Commissioner, 46 T.C. 47 (1966). The very presence of a private source of loan credit may amount to inurement. Founding Church of Scientology v. United States, 412 F.2d 1197 (Ct. Cl. 1969); Church in Boston v. Commissioner, 71 T.C. 102 (1978). Loans to disqualified persons promote private rather than charitable purposes. Best Lock Corporation v. Commissioner, 31 T.C. 1217, 1235-37 (1959).

**Conclusion:**

Accordingly, the Organization's status as an organization described under section 501(c)(3) should be revoked, because it did not operate exclusively for exempt purposes because its assets inured to, and served the private interest, of its creators.

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**Redaction Legend**

- O = Organization
- F1 = Founder 1 (husband), Trustee, Board Member
- F2 = Founder 2 (wife), Trustee, Board Member
- D = Date 1
- D2 = Date 2
- D3 = Date 3
- PC = Primary Charity
- B1 = Board Member 1
- B2 = Board Member 2
- B3 = Board Member designated by PC
- P = Promoter/Advisor
- L = Financial Entity related to P
- EP = Estate Planning Affiliate of P
- I = Offshore investment firm
- PM = Mortgage company controlled by P
- C = Real Estate Property



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
TE/GE: EO Examination  
625 Fulton Street, Room 503  
Brooklyn, NY 11201

UIL: 501.03-01

Date: MAR 27 2007

Taxpayer Identification Number:

Person to Contact:

Identification Number:

Contact Telephone Number:

LAST DATE FOR FILING A PLEADING  
WITH THE TAX COURT, THE CLAIMS  
COURT, OR THE UNITED STATES  
DISTRICT COURT FOR THE DISTRICT  
COLUMBIA:

Dear :

This is a Final Adverse Determination Letter as to O's exempt status under section 501(c)(3) of the Internal Revenue Code.

Recognition of your exemption from Federal Income Tax as an organization described in Internal Revenue Code section 501(c)(3) is retroactively revoked effective Date for the following reasons:

You have not demonstrated that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3). You are not a charitable organization within the meaning of Treasury Regulations section 1.501(c)(3)-1(d). You operate substantially for non-exempt purposes. You are not an organization which operates exclusively for one or more of the exempt purposes which would qualify it as an exempt organization.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1041. These returns should be filed

with the appropriate Service Center for the year ending and for all years thereafter.

Processing of income tax returns and assessment 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 in court, you must file a pleading seeking a declaratory judgment in the United States Tax Court, the United States Court of Federal Claims, or the United States District Court for the District of Columbia before the 91<sup>st</sup> day after the date this final determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing pleadings for declaratory judgments and refer to the enclosed Publication 892. You may write to these courts at the following addresses:

United States Tax Court  
400 Second Street, NW  
Washington, D. C. 20217

United States Court of Federal Claims  
717 Madison Place, NW  
Washington, D. C. 20005

United States District Court for the District of Columbia  
333 Constitution Avenue, NW  
Washington, D. C. 20001

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.

You can call 1(877) 777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling , or writing to:

Internal Revenue Service  
Taxpayer Advocate Services

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.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

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

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Sincerely yours,

Marsha A. Ramirez  
Director, EO Examinations

Enclosure:  
Publication 892

cc: