



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service

September 12, 2006

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Org

Taxpayer Identification Number:

Form:

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.

Letter 3618 (04-2002)
Catalog Number 34809F

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,

Enclosures:
Publication 892
Publication 3498
Report of Examination

LEGEND:

ORG= Name of the Organization
NUM= EIN Number of the Organization
Date1= Effective Date
Date2= Year end of the effective date

ORG

Person to Contact:
Identification Number:
Contact Telephone Number:
In Reply Refer to:
EIN: NUM

LAST DATE FOR FILING A PETITION
WITH THE TAX COURT: _____

Dear :

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

Our adverse determination was made for the following reasons:

ORG is not operated for an exclusive exempt purpose as required by Internal Revenue Code section 501(c)(3). You are not a charitable organization within the meaning of Treasury Regulations 1.501(c)(3)-1(d).

As a result of a recent examination of your organization's activities and Form 990 for the period ended Date2, it was determined that your organization was dormant and you had no intentions of operating in the future.

Based upon the above, we are revoking your organization's exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code retroactively to Date1.

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 1120. These returns should be filed with the appropriate Service Center for the year ending Date2 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 initiate a suit for declaratory judgment in the United States Tax Court, the United States Claim Court or the District Court of 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 the rules for initiating suits for declaratory judgment.

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 writing to: Internal Revenue Service, Taxpayer Advocates Office, Local Advocate's Office.

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.

Sincerely yours,

Marsha A. Ramirez
Director, EO Examinations

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

Legend:

Date1= Date exemption granted
Date2= Effective date of exemption
Date3= Year form 990 examined.

ISSUE:

Does an organization with no past, present or proposed future operations qualify for exempt status under IRC section 501(c)(3)?

FACTS:

The organization was granted exempt status under IRC section 501(c)(3) subsections 509(a)(1) and 170(b)(1)(A)(vi) in Date1

The organization's Form 990 for the year Date3 was selected for an examination.

On _____ the agent attempted to contact the organization in order to set up an appointment for the examination. A message was left for an officer to return the telephone call.

On _____ the agent was contacted by the organization and informed that the organization is inactive and referred agent to the organization's CPA.

On _____, the organization was informed in writing that in order to maintain their exempt status, they need to propose in writing future activities. Otherwise, the organization exempt status could be revoked for not meeting the operational test.

On _____, the POA called the agent and stated that the organization will start activities. The agent requested that the POA provide a written description of the proposed activities.

On _____, the agent sent the POA a document request, requesting a description of the proposed activities. The organization was informed that if no response is received, revocation of their exempt status will be proposed.

The case was reassigned to a different agent on _____

On _____ and _____, the agent requested a description of the proposed future activities of the organization.

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On _____, the agent spoke with the Power of Attorney. He stated that the organization will not be operating in the future and rather than tarnish the organization's name with revocation, they prefer to dissolve the organization. He stated that they are in the process of dissolving with the state. A copy of the filed dissolution papers was requested by the agent.

On _____, and _____, the agent left voice mail messages for the POA requesting copies of the dissolution papers.

On _____ the agent spoke with the POA, who stated that the dissolution papers are still at the state level waiting approval. The agent requested a copy of the filed papers once received.

As of _____ the organization has yet to provide any of the requested information indicating that they are either active or in the process of dissolving.

LAW:

Internal Revenue Code (IRC) Section 501(c)(3) provides for the exemption from federal income tax of organizations organized and operated exclusively for religious, charitable, literary, scientific, and educational purposes; no part of the net earnings of which inures to any private shareholder or individual.

Section 1.501(c)(3)-1(a) of the regulations provides that in order to be exempt as an organization described in Section 501(c)(3), the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

Section 1.501(c)(3)-1(d)(ii) of the regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

TAXPAYER'S POSITION:

The organization did not provide any legal argument supporting continuation of their exempt status under IRC section 501(c)(3).

GOVERNMENT'S POSITION:

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

The organization has not operated any exempt activities within the meaning of IRC section 501(c)(3). The organization does not meet the operational requirements of IRC section 501(c)(3).

CONCLUSION:

As the Organization has notified us that it has no intention of operating in the future, we are proposing revocation of their 501(c)(3) status. The exempt status of the organization should be revoked effective Date2.

As of Date2, donations to the organization are no longer deductible.

The organization will be required to file Form 1120 – U.S. Corporation Income Tax Return.