



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: 501.04-01

Release Number: **200735031**
Release Date: 8/31/07

Date:

Taxpayer Identification Number:

O = organization

Person to Contact:

Identification Number:

Contact Telephone Number:

Dear :

This is a Final Adverse Determination as to your exempt status under section 501(c)(4) of the Internal Revenue Code.

Our adverse determination was made for the following reasons:

O fails to meet the reporting and record keeping requirements as set forth under Internal Revenue Code sections 6001 and 6033.

Based on the above, we are revoking your organization's exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code effective .

You 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:

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.

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 O		Year/Period Ended

Legend:

O = organization

D = date of revocation

Issue:

Should the O have it's exempt status under Internal Revenue Code (IRC) Section 501(c)(4) revoked for failing to comply with an examination of their organization as required by law?

Facts:

1. The organization is named the O (EO). The EO filed for and received exempt status under IRC 501(c)(4).
2. Internal documents show a filing requirement for this EO for Forms 990, Forms 941, Forms 11C and Forms 730. These documents also show that all forms except the Forms 990 have been timely filed when required.
3. There have been no Forms 990 filed since the inception of the EO. Evidence provided by the Forms 11C filed by the EO revealed the organization has gross receipts in excess of \$25,000 which would require the Forms 990 to be filed for these years per the IRC.

Law:

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 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 1.6001-1(a) of the regulations in conjunction with section 1.6001-1(c) provides that every organization exempt from tax under section 501(a) of the Code and subject to the tax imposed by section 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by section 6033.

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Section 1.6001-1(e) of the regulations states that the books or records required by this section shall be kept at all times 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 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.

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.

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.

Taxpayer's Position:

1. The taxpayer has not provided a position regarding the proposed revocation and, with this report, is being given the opportunity to provide additional comments and position statements regarding this issue.

Government's Position:

1. The EO failed to file the required return as requested. This is a violation of IRC section 6033..
2. The EO was mailed an information document request (IDR) via certified mail. This examination was subsequently converted to a correspondence examination and a revised IDR was mailed to the EO .

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3. Subsequent telephone calls to officers of the EO revealed that the information was being gathered and would be provided when completed. This documentation was not received.
4. A letter was mailed via certified mail to the EO explaining the potential actions that could be taken by the Service for failure to cooperate with the examination. One of the actions listed included a proposed revocation of the EO's exempt status. Also included with this letter were copies of the two previous IDR's that had been sent to the EO. The EO was given two weeks to respond to the letter and provide the requested information. There was no response from the EO. This failure to provide books and records sufficient to determine whether the EO meets the organizational and operational requirements of an organization exempt under IRC section 501(c)(4) or whether it has other income subject to taxation is a violation of IRC sections 6001 and 6033.

Conclusion:

Given the EO's failure to comply with valid requests for required returns and the records necessary to determine whether the organization should retain its exempt status and/or be subject to tax, the organization's exempt status under IRC Section 501(c)(4) should be revoked effective D.

Internal Revenue Service

Department of the Treasury
TE/GE Exempt Organizations Examinations
1220 SW Third Avenue M/S O540
Portland, Oregon 97204

Date:

Taxpayer Identification Number:

O = = organization

Form:
990

Tax Year(s) Ended:

O

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 organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains 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.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

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

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter revoking your exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

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
Local Taxpayer Advocate

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
Form 6018
Report of Examination
Envelope