

EIN:

REDACTION LEGEND

Final Revocation Letter – May 15, 2007

A = Organization
N = Address of Organization
NUM = Employer ID Number
Date 1 = Last Day For Filing Petition with the Tax Court
Date 2 = Tax Year
Date 3 = Effective Date of Revocation

L3618 - 30 Day Letter – July 13, 2006

A = Organization
B = Address of Organization
NUM = Employer ID Number
Date 1 = Tax Year
Date 2 = Tax Year

RAR – Form 886-A Explanation of Items:

A = Organization
Date 1 = Tax Year
Date 2 = Tax Year



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

Number: 200736032
Release Date: 9/7/2007

May 15, 2007

UIL: 501.03-01

A
A
N
N

Person to Contact:
Identification Number:
Contact Telephone Number: ()
In Reply Refer to: TE/GE Review Staff
EIN: NUM

**LAST DATE FOR FILING A PETITION
WITH THE TAX COURT: Date 1**

Dear _____ :

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

Our adverse determination was made for the following reasons:

A not been operating exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c) (3). _____ also is not a charitable organization within the meaning of Treasury Regulations section 1.501(c) (3)-1(d). You are not an organization which operates exclusively for one or more of the exempt purposes which would qualify it as an exempt organization. You operate substantially for a non-exempt purpose, for private benefit, and your earnings inure to the benefit of private individuals.

Based upon these reasons, we are retroactively revoking your IRC section 501(c) (3) tax exempt status to Date 3.

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 Date 2 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 calling (xxx)xxx-xxxx , or writing to: Internal Revenue Service, Taxpayer Advocates 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 Ramirez
Director, EO Examinations



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service

ATTN: Examiner

July 13, 2006

A
A
B
B

Taxpayer Identification Number:

NUM

Form:

990

Tax Year(s) Ended:

DATE 1 AND DATE 2

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:

Address
Address
Tel: ()
Fax: ()

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 Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer A		Year/Period Ended Date 1 Date 2

Issue:

Explanation of Proposed Revocation of Exemption under IRC Section 501(c)(3)

Facts:

The above-named organization was granted exemption as a public charity described in IRC Section 501(c)(3) in September 2003. Form 1023, Application for Recognition of Exemption, which was filed in May 2003, states that the organization's activities would include providing grants to organizations that are classified under IRC Section 501(c)(3).

During the examination, we found that a substantial amount of the organization's expenditures were personal in nature. These personal expenditures include payments for the benefit of trustees and family members. A detailed list of these transactions is attached hereto.

Applicable Law:

IRC Section 501(c)(3) provides tax exemption for corporations and foundations that are operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that in order to be exempt as an organization described in IRC 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.

Treasury Regulation Section 1.501(c)(3)-1(c)(1) states 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.

Treasury Regulation Section 1.501(c)(3)-1(c)(2) states 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.

Treasury Regulation Section 1.501(c)(3)-1(d)(1)(ii) states that an organization is not organized or operated exclusively for one or more of the purposes specified in IRC Section 501(c)(3) 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 designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer A		Year/Period Ended Date 1 Date 2

Government's Position:

The organization has failed to meet the operational test described in Treasury Regulation Section 1.501(c)(3)-1(c)(1), above.

A substantial amount of the organization's expenditures were personal in nature. These personal expenditures include payments for the benefit of trustees and their family members. A detailed list of the transactions which were determined to be personal in nature is included on the attached spreadsheet. The spreadsheet also includes an explanation of why we believe that each transaction was made for personal purposes.

As stated in Treasury Regulation Section 1.501(c)(3)-1(c)(1), "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." As indicated on the attached spreadsheet, over % of the organization's total expenditures during years ended and were for personal purposes. Therefore, it is clear that more than an insubstantial part of the organization's activities are not in furtherance of an exempt purpose.

Further, as indicated in Treasury Regulation Section 1.501(c)(3)-1(c)(2), the organization is not operated exclusively for exempt purposes because a substantial portion of its net earnings are inuring to trustees of the foundation.

The organization is also being operated for private rather than public interests due to the substantial amount of personal expenditures. As stated in Treasury Regulation Section 1.501(c)(3)-1(d)(1)(ii), an organization is not operated for exempt purposes it is being operated for private interests.

Based on the above precedent, it is our position that the organization no longer qualifies for exemption under IRC Section 501(c)(3).

Taxpayer's Position:

The taxpayer agreed to the revocation by executing the attached Form 6018.

Conclusion:

Since the organization does not meet the operational test under IRC Section 501(c)(3), we are proposing that its tax exemption be revoked.