



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

Release Number: 200744022  
Release Date: 11/2/07  
Date: August 6, 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  
OF COLUMBIA:

Dear :

This is a final determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (IRC). Recognition of your exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(3) is retroactively revoked to ..... because it is determined that you are not operated exclusively for an exempt purpose.

IRC 501(c)(3) exempts from taxation organizations which are organized and operated exclusively for charitable or educational purposes, no part of the net earnings of which inure 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 do not participate in, or intervene in, any political campaign on behalf of (or in opposition to) any candidate for public office.

We have determined that you are not operating exclusively for charitable or educational purposes. Our examination reveals that you are not conducting charitable or educational activities pursuant IRC section 501(c)(3) and Treas. Regs. 1.501(c)(3)-1(c)(1) and that you failed to meet the "operational test" under Treas. Regs. 1.501(c)(3)-1(a)(1).

We are revoking your exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code effective .....

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 all years beginning .....

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 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 too-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, .....,  
.....

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,

Enclosure:  
Publication 892

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

Legend:

- A = Name of the Organization
- B = Year/Period Ended
- C = The president, treasurer, secretary and director
- D = Date Form 1023 was filed
- E = Office of the Organization
- F = Director 2
- G = Director 3
- H = IRS agent
- I = State incorporated

FACTS

C filed a Form 1023 on D requesting that The A (A) be formed for the purpose of making contributions to organizations qualified for exemption from Federal income taxation under section 501(c)(3). The active contributions by the Foundation were to commence in the fourth quarter of . The activity was to be conducted by the Board of Directors of the Foundation from the office of the Foundation located at E which was to open after the Application for Recognition of Exemption was approved. The members of the Board were C (president, treasurer, secretary, and director), F (director), and G (director). The members of the board were not compensated.

The organization budgeted \$ in gifts, grants, and contributions. It had a good standing with the Secretary of State in .

A was part of a compliance check held by the Internal Revenue Service. Internal Revenue Agent H called Mr. G, a director of A and the representative on the Form 1023 application, on 6/23/2006 and discussed the filing requirement and obtained information on the intentions of the organization.

A has not filed a Form 990-PF since its exemption was granted. Per phone conversation with the organization, A was formed for tax planning purposes and has yet to conduct any activities; the director was unsure on when the organization would begin activities. The organization was not aware of the requirement to file a 990PF.

Mr. G, , general counsel and member and trustee of the A, submitted a letter dated January 24, 2007 which confirmed that A has not yet engaged in any business activities, charitable or otherwise, no is any such activity currently contemplated. The letter confirmed A's desire to voluntarily withdraw its tax-exempt status, effective immediately, and will be filing the necessary paperwork with the I Attorney General's office.

LAW

Treasury Regulation Section 1.501(c)(3)-1(c)(1) states that an organization 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. Revenue Procedure 90-27, 1990-1 CB 514 (April 30, 1990), Section 14 - Revocation or modification of rulings or determination letters recognizing exemption states that a ruling or determination letter recognizing exemption may be revoked or modified by (1) a notice to the taxpayer to whom the ruling or determination letter originally was issued, (2) enactment of legislation or ratification of a tax treaty, (3) a decision of the United States Supreme Court, (4) issuance of temporary or final regulations, or (5) issuance of a revenue ruling, revenue procedure, or other statement published in the Internal Revenue Bulletin. The revocation or modification may be retroactive if the organization

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omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, in the case of organizations to which section 503 applies, engaged in a prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purpose and such transaction involved a substantial part of the corpus or income of such organization. Where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change. In cases where a ruling or determination letter was issued in error or is no longer in accord with the holding of the Service, when section 7805(b) relief is granted (see sections 15 and 18 of Rev. Proc. 90-4), retroactivity of the revocation or modification ordinarily will be limited to a date not earlier than that on which the original ruling or determination letter is modified or revoked.

### TAXPAYER'S POSITION

A was formed for the purpose of making contributions to organizations qualified for exemption from Federal income taxation under section 501(c) (3). The active contributions by the Foundation were to commence in the fourth quarter of . The activity was to be conducted by the Board of Directors of the Foundation from the office of the Foundation located at E which was to open after the Application for Recognition of Exemption was approved. The members of the Board were C (president, treasurer, secretary, and director), F (director), and G (director). The members of the board were not to be compensated.

The organization budgeted \$ in gifts, grants, and contributions. It received a good standing with the Secretary of State in . A is inactive and hasn't made any plans to become active. The directors did not have anything to report so they did not file a 990PF.

Mr. C was the sole contributor to this fund. Mr. C was anxious to establish the organization but presently decided he did not want to put time, energy, or money in the A.

Mr. G, general counsel and member and trustee of the A, submitted a letter dated 1/24/2007 stating that A has not yet engaged in any business activities, charitable or otherwise, no is any such activity currently contemplated. The letter confirmed A's desire to voluntarily withdraw its tax-exempt status, effective immediately, and stated that they will be filing the necessary paperwork with the I Attorney General's office.

### GOVERNMENT'S POSITION

Treasury Regulation Section 1.501(c)(3)-1(c)(1) states that an organization 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. The A received its exempt status and never became active. It is not operating exclusively for the exempt purpose specified in its filing - the purpose of making contributions to organizations qualified for exemption from Federal income taxation under section 501(c)(3) nor does it have any plans on operating according to its exempt purpose.

Revenue Procedure 90-27, 1990-1 CB 514 (April 30, 1990), Section 14 – Revocation or modification of rulings or determination letters recognizing exemption states that a ruling or determination letter recognizing exemption may be revoked or modified where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization. No plans on operating according to its exempt purpose are a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of the organization.

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According to Revenue Procedure 90-27, 1990-1 CB 514 (April 30, 1990) revocation or modification will ordinarily take effect as of the date of such material change. A should be revoked to its exemption granted date.

CONCLUSION

An organization should be revoked if there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization. A was formed for the purpose of making contributions to organizations qualified for exemption from Federal income taxation under section 501(c) (3). A has never performed its purpose and has no plans to perform its exempt purpose.

A has not fulfilled its exempt purpose and should be revoked.



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
Internal Revenue Service  
230 South Dearborn, Room 1720  
MC:4929CHI  
Chicago, IL 60604

FEB 08 2007

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 an adjustment 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.

Letter 3610 (04-2002)  
Catalog Number 34801V

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 modifying or revoking 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:

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  
Form 6018  
Report of Examination  
Envelope