



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 December 31, 20XX, 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 91<sup>st</sup> 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 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. 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



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
Internal Revenue Service

April 30, 2007

ORG  
ADDRESS

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.

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,

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 ORG		Year/Period Ended 20XX12

**LEGEND**

ORG = Organization name      XX = Date      XYZ = State      Country = country  
CO-1 = 1<sup>st</sup> company      President = president

**Issue**

Whether the ORG should continue to qualify for federal tax exemption under section 501(c)(3) of the Internal Revenue Code.

**Facts**

The ORG was granted exemption under IRC section 501(c)(3) on April 4, 20XX and classified as a supporting organization under 509(a)(3). According to its Articles of Incorporation, "the corporation was formed exclusively for scientific, literary, charitable and educational purposes by operating exclusively for the benefit of CO-1 in such a manner that the corporation will be an organization described in Section 509(a)(3). In furtherance of the foregoing purposes, the corporation shall conduct any and all lawful activities that may be in accomplishing such purposes."

As indicated in the application for exemption, Form 1023, the organization was formed solely to support CO-1a XYZ university. In order to qualify as a supporting organization under 509(a)(3), the board of directors for the organization will consist of nine individuals which will include the president of the university or another individual appointed by the university who will serve as a director, and the university will also appoint two additional directors.

The intended activities of this organization would be to solicit donations from CO-1 alumni living in the Country, other individuals and organizations, and to distribute these funds to the university for the benefit of the university, its students or faculty. These funds can be used for projects and programs developed by the organization's board of directors and university officers. They anticipated providing scholarships to the university's students studying in the Country, XYZ or other countries. The organization intends to fund the construction of the university's classrooms, laboratories, and libraries. The organization may also support humanitarian missions by the university students, faculty, alumni and other medical professionals to countries where medical care is needed.

The organization has filed only one Form 990 in 20XX. There was no revenue or expenses reported. The organization has failed to respond to correspondence, specifically Notice Number CP 140, sent by the service requesting information to determine their correct filing status.

The agent was not able to schedule an appointment for the examination because as indicated by the power of attorney and president of the organization, there are no bank statements or financial records to review. It was indicated that the organization had never conducted any activities since it was granted exemption. (See attached statement from the organization).

**Law**

IRC section 501(c)(3) of the Code exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
Explanation of Items		
Name of Taxpayer		Year/Period Ended
ORG		20XX12

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Treasury Regulation 1.501(c)(3)-1(a)(1) states that in order to be exempt as an organization described in 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 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 exempt purposes specified in IRC 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 1.501(c)(3)-1(d)(1)(i) states that an organization may be exempt as an organization described in IRC section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals.

**Taxpayer's Position**

The organization has not made a determination as to whether they agree or disagree to our proposal or if they will be terminating the organization.

**Government's Position**

Treasury Regulation 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.

In the statement provided by the President, President, the ORG has not conducted any activities since the organization was granted exemption on April 4, 20XX. It is the government's position that the ORG does not qualify for exemption under IRC section 501(c)(3) of the code because the organization does not pass the operational test as stated in Treasury Regulation 1.501(c)(3)-1(a)(1).

**Conclusion**

The organization does not qualify for exemption under IRC section 501(c)(3) of the Code. We therefore propose revocation of its tax exempt status effective January 1, 20XX.