



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service

Release Number: **200836037**
Release Date: 9/5/08
Date: January 11, 2008
UIL Code: 501.03-01
Legend
ORG = Organization name
ADDRESS

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.

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 Ramirez
Director EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

| | | |
|--|------------------------------|---------------------------------|
| Form 886-A (Rev. January 1994) | EXPLANATIONS OF ITEMS | Schedule number or exhibit |
| Name of taxpayer ORG | Tax Identification Number | Year/Period ended 20XX12 |

LEGEND

ORG = Organization name XX = Date City = city XYZ = State

Issues---Revocation of the Exempt Status

Facts----The organization was incorporated in the state of XYZ in 18XX. In 19XX the organization filed an application with the Internal Revenue Service requesting status as a Municipal Corporation. The Service granted the request in a letter dated October 17 19XX. The organization was filing forms 990 identifying themselves as a 501(c)(1) organization since that time. In a letter dated 2-17-XX the org received a letter from the Service notifying them that our records indicated that they were exempt under IRC 501(c)(3) of The Internal Revenue Code. During the 18XXs and 19XXs the organization was acting as a municipal corporation providing various services such as Fire, police, trash ect for the residents of CITY. In 19XX due to litigation CITY was annexed by CITY and ceased to exist as a separate municipality. The county was now responsible for all municipal services but did allow this organization to continue providing service to the residents of CITY for which they were reimbursed. The 19XXs then became a homeowners association for only the residents of CITY. The org collects dues from the homeowners and help provide a quiet and healthy environment for the members, rents out some property and adopts rules and regulations to protect the interests of the residents of CITY.

Law--IRC 501(c)(3)--In order to obtain and maintain tax exempt status under this section the organization must be organized and operated exclusively for religious, charitable, scientific, literary or educational purposes.

Governments Position--The service has determined that the organization performs no exempt activities, but rather acts as a homeowners association for the residents of CITY.

Taxpayers Position--The taxpayer agrees with the governments position.

Conclusion--Due to the fact that the organization performs no exempt activities and never requested nor held themselves out as a 501(c)(3) and never solicited or collected income from IRC 170 donations. The organizations tax exempt status under 501(c)(3) should be revoked. In addition since all of the income collected was from members ,dues and assessments or services provided as homeowners association ,all assets should remain with the organization and the State need not be notified of the revocation.(the State of XYZ has already ruled that they do not recognize this organization as a valid 501(c)(3) for real estate taxes exemptions).



DEPARTMENT OF THE TREASURY

Internal Revenue Service
TE/GE EO Examinations
1100 Commerce Street
Dallas, TX 75424

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

May 20, 2008

UIL: 501.03-01

LEGEND

ORG = Organization name
address XYZ = State

XX = Date

City = city

Address =

ORG

ADDRESS

Person to Contact:

Contact Telephone Number:

In Reply Refer to: TE/GE Review Staff

EIN:

CERTIFIED MAIL – RETURN RECEIPT

LAST DATE FOR FILING A PETITION
WITH THE TAX COURT: August 18, 20XX

Dear :

This is a Final Adverse Determination Letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. Your exemption from Federal income tax under section 501(c)(3) of the code is hereby revoked effective January 1, 20XX. You agreed to this adverse determination per signed Form 6018, on March 24, 20XX.

Our adverse determination was made for the following reasons:

Your primary activity and purpose since your inception has consisted of providing services to various individuals of CITY, XYZ, for pecuniary gain. I.R.C. section 501(c)(3) requires organizations to operate exclusively for an exempt purpose. See Treas. Reg. Section 1.501(c)(3)-1(a). You failed to meet the requirements of IRC section 501(c)(3) and Treas. Reg. section 1.501 (c)(3) -1(d) in that you failed to establish that you were operated exclusively for an exempt purpose. Rather, you were operated for a substantial non-exempt purpose by providing services for interests of individuals of CITY.

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. You are to provide those returns for periods ended 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 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 mailing:

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