



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TE/GE - EO Mandatory Review
1100 Commerce Street, MC 4920-DAL
Dallas, TX 75242

Release Number: **200842054**
Release Date: 10/17/08
Date: June 27, 2008
UIL Code: 501.03-01
Legend
ORG = Organization name
ORG
ADDRESS

XX = Date

Employer Identification Number:
Person to Contact:
Identification Number:
Contact Telephone Number:
In Reply Refer To:
TE/GE Review Staff
**LAST DAY FOR FILING A
PETITION WITH TAX COURT:**
September 25, 20XX

CERTIFIED MAIL – Return Receipt Requested

Dear :

This is a final adverse determination that you do not qualify for exemption from income tax under section 501(a) of the Internal Revenue Code (I.R.C.) as an organization described in I.R.C. section 501(c)(3). Internal Revenue Service recognition of your status as an organization described in I.R.C. section 501(c)(3) is revoked, effective January 1, 20XX. Our adverse determination is made for the following reason(s):

You have not established you are operated exclusively for charitable, educational, scientific, or religious purposes because you failed to comply with the IRS's requests for information to determine if you still qualify for tax exempt status under IRC 501(c)(3).

Contributions made to you are no longer deductible as charitable contributions by donors for purposes of computing taxable income for Federal income tax purposes. See Rev. Proc. 82-39 1982-2 C.B. 759, for the rules concerning the deduction of contributions made to you between January 1, 20XX and the date a public announcement, such as publication in the Internal Revenue Bulletin, is made stating that contributions to you are no longer deductible.

You are required to file income tax returns on Form 1041 and 1120 for all years beginning after December 31, 20XX. Returns for the years ending December 31, 20XX, December 31, 20XX, December 31, 20XX and December 31, 20XX must be filed with this office within 60 days from the date of this letter, unless a request for an extension of time is granted. Send such returns to the following address:

Tax returns for subsequent years are to be filed with the appropriate Campus identified in the instructions for those returns.

If you decide to contest this determination under the declaratory provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed

before the 91st day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgment. You may write to the United States Tax Court at the following address:

The processing of income tax returns and assessment of any taxes due will not be delayed because a petition for declaratory judgment has been filed under I.R.C. section 7428.

If you have questions about this letter, please write to the person whose name and address are shown on this letter. If you write, please attach a copy of this letter to help identify your account. Keep a copy for your records. Also, please include your telephone number and the most convenient time for us to call, so we can contact you if we need additional information.

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 office located nearest you by calling faxing, 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 I.R.C. section 6104(c).

This is a final revocation letter.

Sincerely,

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		Year/Period Ended
ORG EIN:		20XX December 31

LEGEND

ORG = Organization name XX = Date CO-1 = 1st company

ISSUE

1. Whether the ORG is operated exclusively for exempt purposes described within Internal Revenue Code Section 501(c)(3):
2. Whether ORG tax-exempt status as 501(c)(3) Private ORG should be revoked, effective January 1, 20XX.

FACTS

ORG was organized by a Trust document. Trust Document was signed November 21, 20XX. Schedule A of the Trust Document was not included.

The purpose of the organization is to provide funds to charitable and educational organizations. The organization's purposes are within the scope of IRC 501(c)(3).

The ORG was recognized as exempt from Federal income tax as a Private ORG within the meaning of IRC Section 501(c)(3) by our letter 1076 dated December 26, 20XX. The determination letter contains no caveats or provisions that adversely affect the examination.

Trustee stated that he made a business investment in CO-1 selling . He stated that the proceeds from the sell of these were to fund the ORG. He received a loan from CO-1 in the amount of \$ to purchase these .

The founder used the checking accounting set-up for the Trust to make two of the loan payments in the amount of \$.

The information provided by Trustee did not show any charitable activities going on within the operations of the ORG.

The Form 990-PF shows \$ for contributions, gift, and grants paid. The bank statements submitted only show cash withdrawals. There were no documents verifying that these transactions were for charitable purposes.

You have failed to provide the information requested in our information document requests #3, #4, and #5 (attachments) to establish that you are operated exclusively for exempt purposes within the meaning of IRC §501(c)(3) and no part of your earnings inure to the benefit of private shareholders or individuals.

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Law

Internal Revenue Code Section 501(a) provides that an organization described in Section 501(c)(3) is exempt from income tax.

Internal Revenue Code Section 501(c)(3)-provides for the exemption from Federal income tax of corporations, and any community chest, fund, or ORG, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual. The term charitable includes relief of the poor and distressed. The words "private shareholder or individual" refer to persons having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engaging primarily in activities that 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.

1.501(c)(3)-1(c)(2)- clarifies that an organizations is not operated exclusively for exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Section 1.501(c)(3)-1(d)(1)(ii)-clarifies that an organization is not organized or operated exclusively for one or more of the purposes specified in subdivision (i) of this subparagraph 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.

IRC Section 7602 give the Internal Revenue Service the authority to examine any books, records, or other relevant data for the purpose of ascertaining the correctness of any return, making a return where none has been made, determining the liability of any person for any internal revenue tax or the liability at law or in equity of any transferee or fiduciary of any person in respect of any internal revenue tax, or collecting any such liability.

Reg. § 1.6001-1(e) and Section 6001 of the Income Tax Regulation and Internal Revenue Code states that the books or records required by this section shall be kept at all times and made

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Name of Taxpayer ORG EIN:		Year/Period Ended 20XX December 31

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 1-6033-2(i)(2) of the Income Tax Regulations provides, in part, that every organization which is exempt from tax, whether or not it is required to file an annual information return, shall submit such additional information as may be required by the Internal Revenue Service for the purpose of inquiring into its tax exempt status. Failure to comply with our request for information could result in the loss of your tax-exempt status.

Revenue Ruling 59-95 1959-1 CB 627, prescribes that failure to comply with the provision 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 an exempt status.

Section 61(a) of the Internal Revenue Code of 1954 and the Income Tax Regulations hereunder provide that, except as otherwise provided by law, gross income means all income from whatever source derived, including compensation for services.

Under section 162(a) (1) of the Code a taxpayer may deduct all of the ordinary and necessary expenses paid or incurred during the taxable year in carrying on a trade or business. The performance of services as an employee is the carrying on of a trade or business. However, employee business expenses are deductible only as itemized deductions in computing taxable income unless they are (1) for travel, meals and lodging while away from home in performance of services as an employee, or (2) covered by a reimbursement or other expense allowance arrangement by the employer, or (3) transportation costs, or (4) outside salesmen's expenses.

TAYPAYER POSITION

Taxpayer has not provide a position

GOVERNMENT POSITION

Section 1.501(c)(3)-1(d)(1)(ii)-clarifies that an organization is not organized or operated exclusively for one or more of the purposes specified in subdivision (i) of this subparagraph 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,

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shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

You failed to provide documents to establish that you are operated exclusively for exempt purposes within the meaning of IRC §501(c)(3) and no part of your earnings inure to the benefit of private shareholders or individuals. Also, you have failed to keep adequate books and records as required by IRC §6001.

CONCLUSION

ORG did not have adequate business records or documents (i.e. ledger, brochure, receipt, itinerary, flyer, etc.) to substantiate that the expenditures were in furtherance of the exempt purpose of the organization.

Revocation is being proposed because ORG has not complied with the requirements of Income Tax Regulations 1.501(c)(3)-1(d)(1)(ii), 1.6033-2(i)(2), and Internal Revenue Code Sections 7602 and 6033 to provide the information requested in order to make a determination on the organization exempt status as a Private ORG described in Internal Revenue Code Section 501(c)(3).

If the revocation is either agreed to or upheld, charitable contributions and/or donations to the ORG will no longer be deductible to donors as charitable contributions as defined in Section 170(c) of the Internal Revenue Code.

ORG will continue to file the Form 990-PF. You will also need to file Form 1041 for the tax period ending December 31, 20XX.



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service

January 28, 2008

ORG
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 A. Ramirez
Director of EO, Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination