



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: **200844017**
Release Date: 10/31/08
Legend
ORG = Organization name
Date: July 30, 2008

XX = Date

UIL: 501.10-01

Address = address

ORG
ADDRESS

Subordinate Name:
Subordinate's Employer
Identification Number:
Person to Contact:
Identification Number:
Contact Telephone Numbers:

Dear

This letter is sent to inform you that ORG's exemption under section 501(c)(10) of the Internal Revenue code has been revoked, effective June 1, 20XX.

As a result, the subject organization is on longer covered under your group exemption. This letter amends your Group Ruling to exclude this subordinate.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Marsha A. Ramirez
Director, EO Examinations

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
Explanation of Items		
Name of Taxpayer ORG		Year/Period Ended 5/31/20XX & 5/31/20XX

LEGEND

ORG = Organization name XX = Date

ISSUE

Whether ORG qualifies for exemption under Section 501(c)(10) of the Internal Revenue Code, where the organization has not filed Form 990.

FACTS

ORG is an exempt organization under section 501(c)(10) of the Internal Revenue Code. Exempt Organization, "EO" has not filed Form 990 since tax year ending 5/31/20XX. During the examination it was requested that the Exempt Organization prepare and submit delinquent Forms 990 for the tax periods ending 5/31/20XX and 5/31/20XX. Exempt Organization failed to respond to the Internal Revenue Service correspondence and did not prepare and submit the Forms 990.

LAW

IRC § 6033(a)(1) provides every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

Treas. Reg. § 1.6001-1(a) in conjunction with Treas. Reg. § 1.6001-1(c) provides that every organization exempt from tax under IRC § 501(a) and subject to the tax imposed by IRC § 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by IRC § 6033.

Treas. Reg. § 1.6001-1(e) states that the books or records required by this section shall be kept at all times 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.

Rev. Rul. 59-95, 1959-1 C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of IRC § 6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds

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that the organization has not established that it is observing the conditions required for the continuation of exempt status.

In accordance with the above cited provisions of the Code and regulations under IRC §§ 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

This organization has not filed Form 990 by the due date. Section 6652(c) of the Internal Revenue Code of 1986 provides for a penalty of \$20 for each day the return is late. The maximum penalty for any one return is the lesser of \$10,000 or 5% of the gross receipts of the organization for the year. In the case of an organization having gross receipts exceeding \$1,000,000 for any year, the penalty is increased to \$100 per day with a maximum penalty of \$50,000. The penalty begins on the due date for filing the Form 990. The penalty may also be charged if the organization files an incomplete return or furnishes incorrect information.

TAXPAYER'S POSTION

Taxpayer agrees that they should have filed Form 990, and that they are responsible for timely filing Form 990.

GOVERNMENT'S POSITION

Taxpayer has not filed Form 990. During the examination it was requested that the EO prepare and submit delinquent Forms 990 for tax years ending 5/31/20XX and 5/31/20XX. The EO failed to prepare and submit the delinquent Forms 990, and did not respond to correspondence. Further, the organization has failed to meet the reporting requirements under IRC §6033 to be recognized as exempt from federal income tax under IRC § 501(c)(10). Accordingly, the EO no longer qualifies for exempt status, and should have its exempt status revoked effective 6/1/20XX. The EO is also subject to penalties for failure to file a Form 990.

CONCLUSION

ORG has not filed Form 990 and has failed to meet the reporting requirements under IRC §6033 to be recognized as exempt from federal income tax under IRC § 501(c)(10). Accordingly, the EO no longer qualifies for exempt status, and should have its exempt status revoked effective 6/1/20XX. Form 1120 should be filed by the organization.

Internal Revenue Service

Department of the Treasury
TE/GE: EO: 7942
230 S. Dearborn Street- 17th Floor
Chicago, IL 60604

Date:

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 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.

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 revoking your 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,

Marsha A. Ramirez
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Form 6018
Report of Examination
Envelope