

Internal Revenue Service
Appeals Office
One Cleveland Center-Suite 815
1375 East Ninth Street
Cleveland, OH 44114-1739

Department of the Treasury

Person to Contact:

Employee ID Number:

Release Number: **200850035**

Release Date: 12/12/08

Date: September 18, 2008

Tel:

Fax:

Refer Reply to:

AP:FE:

In Re:

EO Examination

Tax Period(s) Ended:

EIN:

UIC: 501.07-05

CERTIFIED MAIL

Dear

This is a Final Adverse Determination as to your exempt status under section 501(c)(7) of the Internal Revenue Code.

Our adverse determination was made for the following reasons:

Your organization fails to meet the requirements for exemption under IRC section 501(c)(7). IRC section 501(c)(7), as amended by the Tax Reform Act of 1969 provides for the exemption of clubs organized and operated for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Public Law 94-568 states that it is intended that social clubs should be permitted to receive up to 35 percent of their gross receipts, including investment income, from sources outside of their membership without losing their exempt status. It is also intended that within this 35 percent amount not more than 15 percent of the gross receipts should be derived from the use of a social club's facilities or services by the general public.

As a result of a recent audit of your organization's activities and Forms 990, it was determined that your organization has exceeded the safe harbor limitations on non-member income as outlined in Public Law 94-568.

Further, an analysis of all facts and circumstances surrounding your organization's operations revealed that the extent of nonmember use of your facility established a nonexempt purpose.

Based on the above, we are revoking your organization's exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code effective

You are required to file converted Forms 1120, U.S. Corporation Income Tax Return, for any years which are still open under the statute of limitations beginning with the year ending _____ and ending with the year ending _____. You should file any returns due for these years with the Internal Revenue Service TEGE: EO: 1100 Commerce St. MC 4920 DAL: Mandatory Review, Dallas, TX 75242-1027. Forms 1120 for tax periods beginning on and after _____ should be filed with the Cincinnati Service Center, Cincinnati, OH, 45999-0012.

You 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 call the Taxpayer Advocate for the IRS office that issued this letter. See the enclosed Notice 1214, *Helpful Contacts for Your "Notice of Deficiency"* for Taxpayer Advocate telephone numbers and addresses.

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.

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

Sincerely yours,

Douglas H. Schulman
Commissioner
By

Charles F. Fisher
Appeals Team Manager

Enclosure:
Notice 1214 Helpful Contacts for your "Notice of Deficiency"

Issue:

This is to consider if the club continues to qualify for exemption under the provisions of IRC section 501(a) as an organization described in IRC section 501(c)(7).

Facts:

The *** (the club) is an organization exempt from income tax under the provisions of IRC section 501(a) as described in section 501(c)(7). The club was established in 18XX as a society to provide aid and benefit to *** immigrants in the *** area. In 18XX the club completed construction of its current facility at ***. In January, 19XX, the club obtained exemption from taxation as an organization described in IRC section 501(c)(7).

*** is a Greek revival structure with a colonnaded portico and a domed rotunda serving as an entry. The first floor of the building is dominated by a large meeting room and adjacent conference rooms. At the rear of the first floor is a bar and space for relaxation and conversation. The bar area, storage rooms and an office adjacent to the rotunda are used exclusively for exempt purposes.

Spiral staircases lead to the second floor that is almost entirely occupied by a large ballroom with a stage and theatrical curtains. The space is lighted with eight to ten large gilded chandeliers.

The club meets monthly at its facility on *** in a large meeting room on the first floor of the facility. The management committee also meets monthly in a conference room located on the first floor. Other events include the annual meeting held on St. Patrick's Day in March, parties at New Years, Christmas, and Easter, and the President's ball.

The membership of the organization has been capped at maximum of 500 members with annual dues of \$*** per member. A waiting list of membership applicants is kept and the current estimate of time to become a member is 15 years. Those on the waiting list pay \$*** annually to remain on the list and are invited to participate in a limited way in some of the club's activities. ***, the club's representative and CPA has told the agent that the membership has recently been increased from 500 members to 600 members.

Because the restoration and maintenance of the club's large and historically significant facility is increasingly expensive, the club has sought other sources of income to defray these costs. The elegant grandeur of the building with its large ballroom on the second floor, lends itself to serve as host to wedding receptions and other social functions. Because of the general public's interest in the facility for such functions, the club regularly rents the facility to private groups. Rentals to individuals or groups not associated with the club are reported on form 990-T as unrelated business income. However, rentals to members of the club for their private functions have not been reported as unrelated business income.

In the agent's initial discussion with the president and the organization's representative, it was learned that no records have been kept as required by Revenue Procedure 71-17 with respect to the rental of the facility to members in these instances. In fact, it was agreed that if the records had been kept, the conditions for the presumption of these member rental functions to be considered exempt membership activities, would not have been met.

I. Use of the Facility

Most of the building is used primarily for the rental to groups from the general public and to members for their own private functions. In an effort to establish a reasonable basis for the allocation of expenses for the unrelated business income derived from the rental of the facilities, the agent sought to define the parts of the facility that are used for exempt purposes and those that are generally subject to rental for private functions.

The club's representative, ***, explained that the bar at the back of the first floor, storage space, and an office adjacent to the rotunda are used exclusively for exempt social and recreational activities of members, and administration of the club. Of the ***_square feet of space in the club facility, *** square feet is dedicated to the bar and ***_square feet are occupied by the various storage and office spaces. The remaining *** square feet are generally rented for private functions, but parts of this space are occasionally used for exempt club functions. *** described the nature of those functions and the estimated usage in terms of time as summarized below.

Annual meeting (St Patrick's Day)	*** hours
Monthly meetings	*** hours
News Years party	*** hours
Christmas party	*** hours
Easter party	*** hours
Presidents Ball	*** <u>hours</u>
Total exempt purpose activities (Of space generally used for rent)	*** hours

At the same time, *** estimated the use of these rental areas for uses not related to the exempt functions of the club to be as summarized below.

Average use per rental	*** hours
Rentals in (estimate of usual)	***
Total hours used for rental	*** hours

*** estimated that the bar and other areas used exclusively for exempt purpose activities were used approximately *** hours per week, *** weeks per year, or *** hours annually.

Based on these estimates, the facility was used a total of *** hours for all of the various uses described above. The uses of the facilities unrelated to the exempt purposes of the club represent ***% of the total use of the facilities.

Subsequently, however, G revised his estimates with respect to the use of the facilities. These revised estimates are summarized below.

	Year Ended February	
	<u>20XX</u>	<u>20XX</u>
Spaces used exclusively for club activities (the bar, etc.)	*** hrs	*** hrs
Rental areas used for club functions	*** hrs	*** hrs
Rental areas used for private functions	*** <u>hrs</u>	*** <u>hrs</u>
Total hours of use of the facility	*** hrs	*** hrs

Based on these revised estimates of the usage of the facility, the club has utilized the facility *** % of the time and ***% of the time in 20XX and 20XX respectively for unrelated business purposes.

II. Total Gross Receipts compared with Gross Receipts from the General Public:

The club has received substantial income from the rental of its facilities to the general public and to members that have used the facility for their private functions. With respect to the rentals to members, the club has confirmed that these rentals invariably involved groups in excess of 8 individuals and that rarely if ever, did any of these groups consist of 75% or more member participation. Gross receipts from the rental of the facilities for these private purposes are detailed below.

	Year Ended February	
	<u>20XX</u>	<u>20XX</u>
Rentals to non members	\$ ***	\$ ***
Rentals to members for private functions	\$ ***	\$ ***
Total receipts from unrelated activities:	\$***	\$ ***

The gross receipts received by the club during this period included the following:

	Year Ended February	
	<u>20XX</u>	<u>20XX</u>

Receipts from admissions, membership fees, dues, assessments, exempt activities, etc.	\$ ***	\$ ***
Initiation fees & capital contributions	\$ ***	\$ ***
Rents	\$ ***	\$ ***
Interest and Dividends	\$ ***	\$ ***
Non-Recurring Unusual Sales	\$ ***	\$ ***

Law:

IRC Section 501(a) exempts from income tax organizations described in subsections (c) and (d).

IRC Section 501(c)(7) describes “clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder” from taxation.

Reg. 1.501(c)(7)-1(b) provides in part, that a club which engages in business, such as by making its social and recreational facilities available to the general public or by selling real estate, timber, or other products is not organized and operated exclusively (“exclusively” is the standard exercised prior to the 1976 enactment of P.L. 58-568) for pleasure, recreation, and other nonprofitable purposes, and is not exempt under IRC Section 501(a). Following the enactment of P.L. 58-568 in 1976, the term “exclusively” should be replaced with the terms “substantially all”.

IRC Section 512(a)(3)(A) stipulates that all income derived by an organization exempt under the provisions of 501(c)(7) is taxable income except for the income derived from members for dues, assessments, or participation by members and their bona fide guests for activities traditionally considered to be exempt purpose activities of a social or recreational club.

Revenue Procedure 71-17 provides the record keeping requirements for social clubs to substantiate the member and non member character of the income derived by the organization for products or services provided.

Public Law 94-568 amends Revenue Procedure 71-17 to allow organizations exempt from income tax to have up to 15% of their gross income from non member sources and an additional 20% from investment income without jeopardizing the organization’s exempt status. It also amends the language of IRC Section 501(c)(7) from “operated **exclusively** for pleasure, recreation, and other nonprofitable purposes” to “**substantially all** of the activities” are for such purposes.

Government’s Position:

Social clubs are exempt from federal income tax under IRC Section 501(a) as organizations described in IRC Section 501(c)(7) if they are “organized for pleasure, recreation, and other

nonprofit purposes.” They were originally granted exemption from federal income tax in the Revenue Act of 1916.

The central purpose of social clubs is to provide benefits to members, including access to social and recreational facilities such as clubhouses, golf courses, and swimming pools. When such benefits are funded by members, exemption has been justified by Congress on the theory that the member will be in the same position as if they had paid for the benefits directly. The practical effect of the exemption is to allow individuals to join together to provide themselves with recreational or social opportunities on a mutual basis without further tax consequences. The individual member is in substantially the same position as if he or she had spent his or her after-tax income on pleasure or recreation without the intervening organization.

A social club’s exemption does not operate properly when it receives income from sources outside its membership, because the members will receive a benefit not contemplated by the statute in that untaxed dollars are used by the organization to provide pleasure or recreation to its membership. To prevent club members from receiving benefits not contemplated by IRC Section 501(c)(7), the receipt of nonmember income and investment income is permitted up to certain limits without jeopardizing exemption, but the net income from these sources is made taxable to the clubs by IRC Section 512(a)(3).

Enactment of IRC Section 512(a)(3) in 1969 created an almost unique status for social club in that they alone among exempt organizations are taxed on dividends, rents and interest.

Revenue procedure 71-17 governs the record keeping, and substantiation requirements with respect to use of the facilities of a section 501(c)(7) social club. In addition, a minimum gross receipts standard, and the rules for assumption as to status of non-members are promulgated.

Revenue procedure 71-17 requires section 501(c)(7) organizations to substantiate the status of individuals that use the organization’s facility as either member or non member. For groups of eight people or less, the presumption is that the non members in that party are guests of the member provided the member or the member’s employer pays for such use of the facility. For groups larger than eight persons, the organization can substantiate the status of the non members as guests if records are kept that show that 75% or more of the persons in such a group are members and that a member or the member’s employer pays for such use of the facility. In either of these circumstances described above, the activities involving these individuals is considered to be an exempt social function carried on by the club and the income derived by the club for the entertainment of the non members as bona fide quests of members is **not** unrelated business income. However, if the club fails to maintain these records and can not show that the conditions set forth above have been met, **all** such income derived by the club is assumed to be non member income, the income is subject to taxation as unrelated business income and is not considered exempt function income.

Exempt organizations described in 501(c)(7), prior to the enactment of P.L. 94-568, were required to operate exclusively for pleasure, recreation , or other non profitable purposes. Revenue procedure 71-17 established guidelines to be used to determine when gross receipts

from the general public have violated the exclusivity standard set forth for 501(c)(7) organizations. Initially the revenue procedure indicated that non member gross receipts of \$ 2500 or less would not violate the standard. If non member gross receipts exceed \$ 2500, the non member gross receipts can not exceed 5% of the total gross receipts of the organization. "Total gross receipts" of the organization is defined as normal and usual activities of the club including charges, admissions, membership fees, dues, and assessments. Excluded for this purpose are initiation fees and capital contributions.

In 1976 Congress amended IRC Section 501(c)(7) to liberalize prior limitations on the portion of income social clubs could receive from non member use of their facilities and from investment income without jeopardizing their exempt status. The legislation changed the statutory test for exemption from an exclusivity test ("...operated exclusively for...") to a substantiality test ("...substantially all the activities of which are for ...")

The Senate and House Committee reports show that this wording change was intended to make clear that social clubs may receive outside income, without losing their exempt status. However, the Committee reports also specified clearly defined limits on this outside income, which if exceeded then invoke the applications of a facts and circumstances test. Because social clubs have historically been granted exemption largely for the convenience of the government as contrasted with justification of other exempt organizations that provide some form of community benefit or public service, the courts have recognized that the exemption of social clubs should be strictly construed. Thus, only a limited number of facts and/or circumstances would warrant continued exempt status where the percentage guidelines are exceeded. Among those considerations are the actual percentage of non member receipts, the frequency of use of the club, and the generation of profits when only direct marginal expenses are considered.

Activities of social clubs are classified as "traditional or nontraditional". Traditional activities may be conducted with members or non members, but are those types of activities that if engaged in with members further the exempt (i.e. social or recreational) purposes of the social club. Making the club's facility available to the general public on a rental basis for social purposes is an example of a traditional activity which is carried on by non members. A nontraditional activity is considered to be a business in which, if conducted on a membership basis, would not further the club's social or recreational exempt purpose. The exempt status of social clubs that engage in nontraditional business activities will be precluded unless such activities are insubstantial, trivial, and nonrecurrent.

The club has acknowledged that it has failed to keep records with respect to the member or non member status of the individuals that used the facility for private functions. The organization has separately accounted for this rental income as those that were paid by nonmembers and those that were paid by members. The club has also acknowledged that the "member rentals" were invariably attended by groups of more than 8 people and that rarely, if ever did these groups consist of 75% members. Accordingly, if records had been kept, the audit presumption would not have been established and all of these activities would be required to be treated as non member unrelated business income.

With respect to the "total gross receipts" of the organization for the purpose of establishing the minimum gross receipts standard, the following information is extracted from the books and records of the club.

	<u>2/28/XX</u>	<u>2/28/XX</u>
Total Income per Form 990 (As Amended)	\$ ***	\$ ***
Less:		
Initiation fees & capital contributions	(***)	(***)
Non-Recurring Unusual Sales		(***)
Total Gross Receipts for the years ended 2/28/ <u>XX</u> & 2/28/ <u>XX</u>	\$ ***	\$ ***

Gross receipts from the general public (non members) has been established to consist of all of the rental income received from non members and from members due to the failure to maintain records or substantiate the status of the participants of these private functions. Such nonmember income amounted to ***% (\$***/\$***) and ***% (\$***/\$***) of the "total gross receipts" of the organization in the years ended February 28, 20XX and 20XX respectively. Because Public Law 94-568, limits such income to 15% of the "total gross receipts" of the club, the standard has been exceeded by a factor of more than two times the permitted percentage. It has also been established that based on the estimates of the organization, the club facilities have been used substantially (***)% of the total usage in the year ended February 20XX) for the benefit of non members. Such a substantial use by non members provides additional evidence of the use of the club's facility which is inconsistent with the use contemplated of a social club exempt from income tax.

The club maintains that the rental income "is not more than trivial" when compared with the fair market value of the club's facilities. They also suggest that the rental income should be considered to be "unusual income because of the unforeseen and entirely unpredictable changes that are unique to its situation". (i.e. the increase in the fair market value of the facilities and the popularity of its use for private functions)

These lines of reasoning are not consistent with the history or the intent of the legislation. Income derived from non member sources is compared with the gross receipts from the normal or usual activities of social clubs of similar types. (i.e. those activities that such clubs have traditionally conducted) Gross receipts that exceed 35% of the club's income from normal or usual member sources is not trivial. In fact, the evidence shows that the club has depended on this income to subsidize the maintenance and upkeep of the facility without resorting to substantial increases in membership dues, assessments or other such contributions by the membership. Additionally, a club that has the good fortune to be the beneficiary of appreciation of the fair market value of its facility is not entitled to a tax subsidy by the disallowance of such income as "unusual". In fact, the income has not been unusual. Inspection of the forms 990 show the recurrent nature of the rental income received by the club.

<u>Year Ended February 28,</u>	<u>Gross Rents</u>	<u>% of Gross Receipts</u>
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20 <u>XX</u>	\$ ***	***%
20 <u>XX</u>	\$ ***	*** %
20 <u>XX</u>	\$ ***	*** %
20 <u>XX</u>	\$ ***	*** %
20 <u>XX</u>	\$ ***	*** %

The club has provided the agent with a calendar of rental events scheduled for the calendar year as a representative example of the frequency of the rental events. That calendar is attached to this report as Exhibit 1. A cursory inspection of this document shows that these events have been scheduled nearly every week of the year with some periods showing nearly daily engagements. Based on the consideration of these circumstances, the characterization of these events as unusual is not appropriate.

In the years ended February 28, 20XX and 20XX, the club reported rental income from non member sources on form 990-T, deducting principally those additional expenses the club incurred as a consequence of the rental income. Net income was reported in those years of \$ *** and \$ *** respectively. Subsequently, the club amended the returns to include a pro rata portion of the fixed overhead expenses attributable to the space used for rental purposes. Addition of these overhead expenses resulted in net losses of \$ *** and \$ *** in the years ended February XX and XX respectively. Accordingly, it can be seen that the collection of rents from non members have contributed to the payment of expenses in each of these years that the membership would otherwise have to assume on their own behalf. These contributions to the operating overhead amounted to \$ *** and \$ *** in the years ended February 28, 20XX and 20XX respectively. These contributions to the fixed costs associated with the maintenance and operation of the club's facilities amount to a subsidy of the social and recreational activities of the organization by members of the general public. Such benefits to members are not consistent with the proper operation of an exempt social club.

Taxpayer's Position:

The club's representative has indicated that the club's legal council has advised the club that the "excess rents are not fatal to the tax exempt status of the ***". At Exhibit 2 is a copy of the memorandum the club has received from its legal council, ***, which it is relying on to support its position that revocation of the club's exemption is not appropriate.

Conclusion:

The club no longer qualifies as an exempt organization under the provisions of section 501(a) as an organization described in section 501(c)(7). The activities of the club are not substantially all activities described as exempt function activities in IRC section 501(c)(7). These activities are

not trivial with respect to the exempt activities income nor are they unusual or nonrecurrent in nature. Therefore, your exempt status should be revoked effective March 1, 20XX.

Should this revocation be upheld you are required to file Form 1120 for all periods, starting with the effective date, whether or not you have taxable income.

Please note that this is not a final report. This report is subject to review by our Mandatory Review staff that may modify it as a result of their review. You will receive the final report from Mandatory Review.



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service

I.

ATTN:

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.

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



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY

Internal Revenue Service
TE/GE: EO Examinations
1100 Commerce Street
Dallas, TX 75242

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.

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,

Marsha A. Ramirez
Director, EO Examinations

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