



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

TE/GE: EO Examinations

625 Fulton Street, Room 503

Brooklyn, NY 11201

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

December 31, 2008

UIL:501.03-01

Number: **200915060**

Release Date: 4/10/2009

LEGEND

ORG = Organization name XX = Date Address = address

ORG

ADDRESS

Taxpayer Identification Number:

Person to Contact:

Identification Number:

Contact Telephone Number:

**LAST DATE FOR FILING A PLEADING
WITH THE TAX COURT, THE CLAIMS,
COURT, OR THE UNITED STATES
DISTRICT COURT FOR THE DISTRICT
OF COLUMBIA: March 31, 20XX**

CERTIFIED MAIL

Dear _____ :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated September, 20XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reason(s):

We have determined that you are not operating exclusively for charitable or educational purposes. A substantial part of your activities consists of providing down payment assistance to home buyers. To finance the assistance you rely on home sellers and other real-estate related businesses that stand to benefit from these down payment assistance transactions. Your receipt of payment from the home seller corresponds to the amount of the down payment assistance provided in substantially all of your down payment assistance transactions. The manner in which you operate demonstrates you

are operated primarily to further your insiders' business interests. Therefore, you are operated for a substantial nonexempt purpose. In addition, your operations further the private interests of the persons that finance your activities. Accordingly, you are not operated exclusively for exempt purposes described in section 501(c)(3).

Furthermore, you failed to provide a correct address and phone number in order for us to contact you. In our letters dated April 21, 20XX, February 23, 20XX, April 19, 20XX and July 10, 20XX, we requested information to conduct an examination of your Form 990 for the year ended December 31, 20XX. We have not received the requested information and all letters were returned except letter dated February 23, 20XX.

Section 1.6033-1(h)(2) of the Income Tax Regulations provides, in part, that every organization which is exempt from tax, shall submit such additional information as may be required by the Internal Revenue Service for the purpose of inquiring into its exempt status.

Since you are not operated exclusively for exempt purposes described in section 501(c)(3) and have not provided the requested information, we hereby revoke your organization's exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code effective January 1, 20XX.

Contributions to your organization are no longer deductible under IRC §170 after January 1, 20XX.

You are required to file income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the tax year ending December 31, 20XX and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessments 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 under the declaratory judgment 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 judgments by referring to the enclosed Publication 892. You may write to these courts at the following addresses:

You also 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, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

We will notify the appropriate State Officials of this action, as required by Code section 6104(c). You should contact your State officials if you have any questions about how this final determination may affect your State responsibilities and requirements.

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

Sincerely,

Vicki L. Hansen
Acting Director, EO Examinations

Enclosure:
Publication 892

Letter 3607(04-2002)
Catalog Number: 34198J

Internal Revenue Service

Department of the Treasury
TE/GE Exempt Organizations Examinations
915 Second Avenue M/S W540
Seattle, Washington 98174

Date: February 25, 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, 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 XYZ = State City =city Address =
address website = website Chairman = chairman EMP-1 = 1st employee
CO-1 = 1st company

ISSUE

Whether ORG is operated exclusively for exempt purposes within meaning of Internal Revenue Code section (I.R.C. §) 501(c)(3)?

FACTS

Overview

ORG is a City not-for-profit corporation, incorporated on, May 11, 19XX. Chairman is ORG's registered agent, and chairman. ORG's last known address was Address, City, XYZ.

On May 15, 20XX, ORG applied for recognition as a tax-exempt organization under I.R.C. § 501(c)(3) on Form 1023. Based on the information that ORG provided in its application for exemption and on the assumption that ORG would operate in the manner represented in its application, ORG was recognized, as of September, 20XX, as a tax-exempt organization as described in § 501(c)(3).

Since its inception in the year 20XX, ORG has promoted and operated a down payment assistance (DPA) program for home buyers under which it provides funds to the buyers to use as their down payment or for closing costs and collects the same amount, plus an additional fee, from the home sellers. ORG also incorrectly advised home sellers that they may claim charitable deductions on their federal income tax returns for the amounts they pay to ORG. As more fully described below, under ORG's program, down payment assistance is provided for all types of housing loan programs, including federally insured mortgages to buyers, whether first time or not, and without any income or asset limitations.

Application for Recognition of Tax-Exempt Status

ORG filed Form 1023 with the IRS on May 15, 20XX to apply for recognition of tax-exempt status. Form 1023 was signed by EMP-1 under penalties of perjury. On Form 1023 ORG stated that its purpose was to operate a Down Payment Assistance Program. Form 1023 described the program as follows:

The Down Payment Assistance Program is designed to assist individuals and families whose incomes are at or below 100% of Area Median Income as established by HUD to qualify to purchase homes ORG provides and an up to 5% charitable grant or gift to each qualified buyer. This amount is based on the final sale price of the home. ORG charges the seller of the home a service fee equal to the amount of the grant to the Buyer plus (1%) of the final sale price at the close of escrow. This service fee is paid in return for ORG's efforts to identify, educate and assist prospective buyers as well as for ORG's efforts to promote its seller's home, and is not received by ORG until after close of escrow. As

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a qualified charitable non-profit housing organization, ORG provides down payment assistance gifts to qualified homebuyers. ORG obtains the money for the Down Payment Assistance Trust Fund through grants, charitable contributions and a fee for service associated with homebuyer identification, pre-qualification and education. Consistent with FHA regulatory requirements, down payment assistance is generally available to any homebuyer that qualifies under the area median income guidelines. Pursuant to Revenue Ruling 70-585, 1970-2 C.B. 115, an organization formed for the purpose of developing a program to provide housing not otherwise affordable to low-income families is relieving the poor and distressed; therefore, the organization is operated exclusively for charitable purposes. It is ORG's ultimate goal as a charitable housing organization is to provide safe, affordable housing opportunities to low and moderate-income individual and families.

Regarding fundraising and contributions, ORG's application for exemption stated:

ORG will solicit gifts from corporations, foundations and individuals with whom the members, directors and officers have personal relationships.

Federal Returns

The ORG filed Form 990 for the calendar year ended December 31, 20XX and did not file for 20XX; The ORG also did not file Form 990-T. ORG also filed Forms 941, W-2, and 1099-MISC for 20XX. No employment tax returns were filed for subsequent years.

On the form 990 return filed for 20XX, ORG's only reported activity consisted of operating its DPA program as described in more detail below.

According to Part III of ORG's 20XX Form 990 "[ORG] assisted 400 low income families and individuals in obtaining affordable housing by providing grants to be used as down payments."

In 20XX ORG received \$ in gross revenue from amounts paid to it by sellers participating in ORG's DPA program. ORG did not report the seller's payments as contributions. Instead, ORG reported these payments as program service revenue. ORG reported the total amount of contributions and gifts it received, from all sources, as zero. ORG also reported that it distributed \$ in down payment assistance to homebuyers for use as down payments and/or to pay for closing costs.

There is no record of the ORG filing any information, income, or employment tax returns for any period subsequent to the 20XX tax year.

Operation of ORG's Down Payment Assistance Program

The ORG, through its website promoted its DPA program to builders, lenders, loan officers, mortgage brokers, real estate agents, title insurers, buyers, and sellers. Many of the participants in ORG's DPA program utilize Federal Housing Administration (FHA) financing for their home purchase. To qualify for a federally insured mortgage, a buyer must make a down payment in a specified minimum amount, generally equal to 3% of the purchase price. To qualify under applicable Department of Housing and

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Urban Development (HUD) rules, such a buyer may only receive gifts to use for the down payment from a relative, employer, labor union, charitable organization, close friend, governmental agency, or public entity. The seller cannot be the source of funds for the down payment.

The ORG website listed the following information to explain how the down payment assistance program worked.

1. Once a buyer has begun to look for a house, the real estate agent informs the client about ORG program;
2. After the buyer has found a house to purchase and begins negotiations with the seller, the seller is informed about the program and the tax benefits of the program. The seller completes "The ORG Program Seller Participating Agreement" (Seller Agreement);
3. Once an agreed-upon price is reached, the amount of the down payment is calculated and this amount is added to the previously agreed-upon sales price;
4. Escrow is instructed to withdraw proceeds from the seller's closing statement, in the amount of the down payment, and categorize it as a contribution to ORG;
5. The same down payment amount is added to the buyer's closing escrow statement as a gift from ORG and is used as the buyer's down payment.

In addition, ORG charges the seller a fee for each property sold. This fee is generally 0.75% of the total sales price for individual sellers or a flat fee of \$ for builders.

On its website ORG, provides this program explanation for the home buyers, listing the following description of the Down Payment Assistance Program.

The ORG Down Payment Assistance program has helped thousands of people just like you achieve their dream of home ownership. ORG realizes that saving a down payment can be somewhat of a challenge. Not everyone has thousands of dollars saved or a rich relative they can turn to. ORG Provides a free gift towards your down payment or closing cost at no cost to you, unlike some grant programs. The ORG funds are a gift to the participant from ORG, a non-profit corporation with ongoing down payment assistance programs servicing individuals and families. The participants do not need to be a first time homebuyer and there is absolutely no repayment for this grant. The amount of the grants vary and up to \$ may be granted to used for down payment, closing or other qualifying costs.

Location: the program may be utilized with new or existing (re-sale) homes anywhere in the continental United States. Any participant who qualifies as a homebuyer by ORG approved lenders may use the ORG Down Payment Assistance Program.

The following information was given on the website on how the program works.

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The ORG Down Payment Assistance Program is available to anyone desiring to become a home owner and can qualify for a loan to support the purchase price. It doesn't matter if you have previously owned a home. However, under FHA Guidelines this purchase needs to be owner occupied, not a vacation, rental, or second home.

ORG works with hundreds of lenders that are eager to assist you in becoming a home owner.

ORG, through it's Down Payment Assistance Program, will gift three to ten percent of the final purchase price of the home there is no repayment of this gift ever. *In addition, most of our preferred agents have been successful in getting most, if not all, of the closing cost paid by the seller.* This means that you move in with instant equity with little, if any, cash out of pocket.

The website lists 5 steps to closing in this section. The first step is the only significant one as it shows how the downpayment amount is linked to the seller's contribution. The rest of the steps are the processing of a normal real estate transaction.

Step 1: The real estate contract is negotiated between the buyer and the seller. The contract should include the sellers contribution equal to the down payment plus a processing fee.

In the Frequently asked questions for home buyers the ORG lists a number of questions. Included here are the questions pertaining to the source of the gift funds. This is also for the govt position section.

1. Where does ORG get its money to keep operating and give grants to home buyers?

ORG will wire to escrow your down payment (3%) prior to closing. After the transaction has closed, escrow will forward \$\$ or 1% (whichever is lower) of the final sales price from the seller to ORG. The seller agreed, when your offer to buy the house was accepted, to donate \$\$ or 1% (whichever is lower) of the sales price to the non-profit organization. The down payment of three percent (3%) that you received was taken from an existing pool of funds collected from previous sellers that helped out home buyers just like you. The extra \$\$ or 1% (whichever is lower) is used as a processing fee to balance the costs of processing your grant.

2. Why would the seller be willing to donate to the non-profit agency? What's in it for them?

Most sellers are motivated to sell their homes and have already made up their minds how much they are willing to negotiate from the original sales price. Occasionally, the sales price will be increased if the seller doesn't have equity necessary to contribute back to the grant program. With this program, FHA will not accept a sales price higher than the marketable value of the property.

Sellers have many distinct advantages of selling their property utilizing this program. First, the home becomes available to many prospective home buyers, such as yourself, that need a grant for their down payment or just want to invest their money elsewhere. These home buyers, like yourself, have good jobs, good credit, but don't have the necessary cash reserves needed for the down payment and closing costs on a home purchase. Secondly, the sale of the home can close very quickly because all of our home buyers

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are pre-approved, so a home seller knows that you are serious with your offer to buy their home. Finally, the seller has many advantages to giving back to the non-profit organization – one is a deduction for the cost to sell the home. Seller's should always seek professional tax advice to gain knowledge of all the deductions available.

3. Does any part of the grant need to be paid back?

No this is a grant that can not be repaid. The seller gains advantages from their contribution to the non-profit organization. A buyer that wishes to give to the program to help out other home buyers that need our assistance is not allowed to give to the program. If they choose to sell their home, they can use ORG and help many home buyers that might not have ever seen their home without a down payment grant.

The ORG Down Payment Assistance Program can help sell your house 30% faster!

What is the ORG Down Payment Assistance Program?

ORG Down Payment Assistance Program provides gift funds for a down payment and closing to qualified individuals and families looking to purchase a home. Using an eligible loan program such as FHA, VA, sub-prime, or conventional. The gift funds are an amount equal to one to ten percent of the final contract purchase price of the home. The funds are to be used toward the purchase of a participating home. These funds are a gift to the buyer and there is no re-payment

How can the ORG Program help me sell my home?

The most important thing to a home seller is selling their home as fast as possible and as close the asking price as possible. Utilizing the ORG Program you will be introduced to a larger pool of potential homebuyers, therefore, giving you a better chance of accomplishing your goal. ORG creates the pool of buyers by bridging the gap between homebuyers and sellers. Ask yourself how many people are in today's market place with good credit, a good job, with enough money for a down payment and closing cost? Not many people meet those criteria. Not having a down payment is the number one reason people can't buy a home. ORG solves that problem by providing the down payment for buyer to purchase your home.

ORG is a charitable non-profit 501(c)(3) corporation who's goal is to make the "Dream of Homeownership" a reality for as many prospective homebuyers as possible and effectively address the challenge of not having a down payment in order to make this dream come true. By providing the resources for prospective homebuyers to obtain decent, affordable housing and through the combined efforts of both the public and private sectors, this goal can be achieved.

ORG was created to address one of the most crucial elements to the lack of funds for down payment and closing costs. The ORG program provides gift funds to prospective homebuyers by allowing a prospective homebuyer to purchase participating homes with little or no cash out of pocket. **These funds do not have to be paid back . . . it is a true gift!"**

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ORG		20XX12

Eligible Loan Programs:

ORG can be used with any home loan program that allows gift funds from a non-profit charitable organization to cover borrower required closing costs and prepaid expenses.

The property must meet Lender loan requirements. All Lender required property condition repairs, if any, must be completed as per Lender loan program guidelines and Purchase agreement between Seller and Buyer. Please note that ORG does not underwrite the loan.

Typically, FHA financing will be used. FHA allows the use of gift funds offered by ORG per the HUD Handbook 4155.1, Rev 4, Change 1, "Funds to Close." In addition, some sub-prime programs will also allow use of ORG gift funds. A Rural Development Section 502 Guaranteed Rural Housing loan is also eligible, however, this program already contains a "zero down" feature with no seller contribution limit as to seller paid closing costs and prepaid expense.

Eligible Areas:

ORG can be used on any lender approved home (new or existing) anywhere in the United States.

Eligible Purposes of Gift Funds: ORG allows the use of gift funds for the following purposes:

- Down Payment
- Loan Closing Cost
- Loan Prepaid Expense (i.e., first year hazard insurance premium, tax escrows, insurance escrows, prepaid interest expense and other escrows, as required)

Note: Funds provided by ORG to the homebuyer (recipient) are a GIFT . . . No repayment is expected or implied.

Program Participants - Seller:

Any Seller/Builder can participate in the ORG by simply enrolling a participating property in the program and completing and signing a "Seller/Builder Enrollment and Participating Home Agreement" form.

Minimum & Maximum Allowable Gift Request:

There is no minimum. The maximum allowable gift amount is ten percent (10%) of the final sale price of the property, not to exceed \$ (whichever is lower).

Occupancy Requirements:

Only owner occupied properties are eligible for the ORG. There appears to be something missing here.ORG was designed to assist prospective owner occupied property homebuyers who simply lack the down payment and closing cost funds required to purchase a safe, decent and affordable home.

Income Limits:

ORG does not have income limits.

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Closing/Settlement Agent:

Must be a title company, escrow company, or law firm. No individuals are allowed. ORG, at its sole discretion, reserves the right to refuse the use of any closing/settlement agent not deemed qualified by ORG or who does not comply with ORG requirements.

Closing/settlement agents must be able to receive gift funds via wire transfer. No checks will be mailed.

Note: ORG requires that requested gift funds be wired to the closing/settlement agent a minimum of forty-eight (48) hours prior to closing. All parties to the transaction should plan the scheduled closing of the home accordingly.

ORG will **not** be responsible for any costs incurred as a result of the use of the closing/settlement agent, including wire transfer fees. It is the responsibility of the seller/builder and homebuyer (gift recipient) to negotiate and determine who will pay any costs charged by the closing/settlement agent associated with the use of the ORG.

In the frequently asked questions for the Sellers and builders there are a number of answers that create concern.

What loans can the program be used for?

Any FHA, Conventional, VA, or Sub-Prime loan that allows for a gift from a non-profit organization.

Is the seller paying for the buyer's down payment?

No. The grant comes from an existing pool of funds that's provided by ORG.

Are you approved with FHA?

FHA does not approve any down payment grant programs. It is the responsibility of the lender to ensure that the down payment assistance program meet official guidelines.

Are there any income limitations?

There are no income limitations. If the buyer is approved for a loan they are automatically approved for a grant.

Does the buyer have to repay the grant?

No. There is absolutely no repayment of this gift from the buyer ever!

What is the maximum gift amount allowed by ORG?

The maximum gift amount is ten (10%) percent of the final contract sales price of the home.

Can the grant be used for closing cost?

Yes. The grant can be used for both down payment or closing cost.

Can the program be used on any housing type?

Yes. The program can be used for condos, apartments, duplexes, etc.

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Doesn't this program simply mean the price of the home is raised to cover the buyer's down payment ?

No. The market value of the home being purchased using the program must be substantiated by an independent appraiser.

Is the program tax deductible?

There are two tax deductions to consider. There is a deduction against capital gains and a charitable deduction. For best results consult your tax adviser.

Is the program only for first time homebuyers?

No. The program can be used by anyone regardless of how many homes they have purchased however, they must be owner occupied.

Contacting the ORG.

The initial attempt to contact the ORG regarding an examination of its exempt status was made on April 21, 20XX. A Letter 3606 was mailed to the ORG address of record at Address, City, XYZ. The letter requested that information be provided within 30 days. No response was received. Was certified letter sent to this address? Was postal tracer sent to this address?

Research located the ORG phone number for that address through CO-1. The phone number was XXX-XXX-XXXX. When a call to the phone number was attempted the line was no longer in service. Additionally, attempts were made to a phone number on the IRS computer system of XXX-XXX-XXXX. Attempts to contact the organization through this number ended with a recorded message stating the person was not available.

Further research was conducted on the internet to try to locate the organization. Two additional addresses were found for the organization. The first address was located at Address, City, XYZ, Phone number XXX-XXX-XXXX. The second address was at Address, City, XYZ, phone number XXX-XXX-XXXX. Attempts to contact both locations by phone revealed that the phone service was disconnected.

Research was conducted through Accurant to locate an address for the officers of the organization. An address was located for Chairman the individual listed as the registered agent with the State of XYZ where the organization was incorporated. The home address listed for Chairman is Address, City, XYZ. A postal tracer Form 4759 was sent to the US Postal service to verify that the address was current on February 20, 20XX. A response was received from the post office on April 9, 20XX indicating the address was valid. A letter 3606 with an Information document request and Publication 1 was sent to the above address on April 19, 20XX by certified mail. No response was received from the taxpayer to this letter and the letter was returned by the post office as undeliverable. .

Information was received from the Ogden Campus on July 10, 20XX indicating that the organization had changed it's address to Address, City, XYZ in June of 20XX?. A Letter 3606 with an information document request and Publication 1 was sent to this address by certified mail. The Letter was returned on July 10, 20XX, indicating that a suite number was required for delivery of the letter. A visit to this

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address found that it was a financial office building. A check of the building directory and the information desk indicated that there was no ORG located in the building.

LAW & ARGUMENT

Section 501(a) of the Code provides for the exemption from federal income taxation of corporations described in section 501(c)(3) of the Code. To be described in section 501(c)(3), an organization must be organized and operated exclusively for charitable, educational or other exempt purposes and may not permit any of its net earnings to inure to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations provides that an organization operates exclusively for exempt purposes only if it engages primarily in activities that accomplish exempt purposes specified in section 501(c)(3) of the Code. An organization must not engage in substantial activities that fail to further an exempt purpose. In Better Business Bureau of Washington, D.C. v. U.S., 326 U.S. 279, 283 (1945), the Supreme Court held that the "presence of a single . . . [nonexempt] purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly . . . [exempt] purposes." If a substantial part of an organization's activities furthers non-charitable purposes, the organization is not operated exclusively for charitable purposes even though its other activities further charitable purposes. See Old Dominion Box Co., Inc. v. U.S., 477 F.2d 340 (4th Cir. 1973), cert. denied, 413 U.S. 910 (1973).

Section 1.501(c)(3)-1(c)(2) of the regulations provides that an organization is not operated exclusively for one or more 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) of the regulations provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. To meet this requirement it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations defines the term "charitable" as used in section 501(c)(3) of the Code as including the relief of the poor and distressed or of the underprivileged, advancement of education, combating community deterioration and lessening the burdens of government.

Section 1.501(c)(3)-1(d)(3)(i) of the regulations provides, in part, that the term "educational" as used in section 501(c)(3) of the Code relates to the instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(e) of the regulations provides that an organization that operates a trade or business as a substantial part of its activities may meet the requirements of section 501(c)(3) of the Code if the trade or business furthers an exempt purpose, and provided the organization's primary purpose does not consist of carrying on an unrelated trade or business.

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Rev. Rul. 2006-27, 2006-21 I.R.B. 915, sets forth standards for determining when an organization that provides funds to homebuyers for down payment or closing costs qualifies for exemption from Federal income tax under section 501(c)(3). In Situation 2, an organization provides down payment assistance to low-income individuals and families. It offers financial counseling seminars and conducts other educational activities to help prepare potential low-income homebuyers for the responsibility of home ownership. Under the organization's grantmaking procedures, the staff considering a particular applicant's application knows the identity of the party selling the home to the grant applicant and may also know the identities of other parties, such as real estate agents and developers, who may receive a financial benefit from the sale. Moreover, in substantially all of the cases in which the organization provides down payment assistance to a homebuyer, the organization receives a payment from the home seller. Further, there is a direct correlation between the amount of the down payment assistance provided by the organization to the homebuyer and the amount of the home seller's payment to the organization. Finally, the organization does not conduct a broad based fundraising campaign to attract financial support. Rather, most of the organization's support comes from home sellers and real estate-related businesses that may benefit from the sale of homes to buyers who receive the organization's down payment assistance.

The revenue ruling holds that the organization described in Situation 2 is not exempt from Federal income tax under section 501(c)(1) because it finances its down payment assistance activities with contributions from sellers and individuals that stand to benefit from the transactions that the organization facilitates. The fact that the organization relies on seller's payments for most of its funding and in substantially all of the transactions the payment from a home seller corresponds to the amount that the organization gives to a homebuyer indicate that the benefit to the home seller is a critical aspect of an organization's operations. Rev. Rul. 2006-27, also holds that the payments to homebuyers in Situation 2 are not gifts, but rebates or purchase price reductions because sellers make the payments not out of detached and disinterested generosity, but in response to an anticipated economic benefit, namely the sale of their home at a higher price and in less time.

Rev. Rul. 2006-27, Situations 1 and 3 describe organizations that provide down payment and closing costs to qualified homebuyers, in the manner that could qualify for exemption from Federal income tax under section 501(c)(3). In Situation 1, the organization's purposes and activities relieve the poor, distressed and underprivileged by enabling low-income individuals and families to obtain decent, safe and sanitary homes. In Situation 3, the organization's purposes and activities combat community deterioration in a specific, economically depressed area that has suffered a major loss of population and jobs. Importantly, these organizations conduct broad based fundraising programs to attract gifts, grants, and contributions from several foundations, businesses, the general public, and receive funding from government agencies. See Rev. Rul. 2006-27. Their policies and procedures prevent the grantmaking staff from knowing identities of the parties involved in the transaction and whether anyone related to the transaction had made or agreed to make or made a contribution to the organization.

In Easter House v. U.S., 12 Cl. Ct. 476, 486 (1987), aff'd, 846 F.2d 78 (Fed. Cir.) cert. denied, 488 U.S. 907 (1988), the court held that an organization that operated an adoption agency was not exempt under section 501(c)(3) of the Code because a substantial purpose of the agency was a nonexempt commercial

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purpose. The court concluded that the organization did not qualify for exemption under section 501(c)(3) because its primary activity was placing children for adoption in a manner indistinguishable from that of a commercial adoption agency. The court rejected the organization's argument that the adoption services merely complemented the health related services to unwed mothers and their children. Rather, the court found that the health-related services were merely incident to the organization's operation of an adoption service, which, in and of itself, did not serve an exempt purpose. The organization's sole source of support was the fees it charged adoptive parents, rather than contributions from the public. The court also found that the organization competed with for-profit adoption agencies, engaged in substantial advertising, and accumulated substantial profits. Accordingly, the court found that the "business purpose, and not the advancement of educational and charitable activities purpose, of plaintiff's adoption service is its primary goal" and held that the organization was not operated exclusively for purposes described in section 501(c)(3). Easter House, 12 Cl. Ct. at 485-486.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), the court held that an organization that operated a school to train individuals for careers as political campaign professionals, but that could not establish that it operated on a nonpartisan basis, did not exclusively serve purposes described in section 501(c)(3) of the Code because it also served private interests more than incidentally. The court found that the organization was created and funded by persons affiliated with entities of a particular political party and that most of the organization's graduates worked in campaigns for the party's candidates. Consequently, the court concluded that the organization conducted its educational activities with the objective of benefiting the party's candidates and entities. Although the candidates and entities benefited were not organization "insiders," the court stated that the conferral of benefits on disinterested persons who are not members of a charitable class may cause an organization to serve a private interest within the meaning of section 1.501(c)(3)-1(d)(1)(ii) of the regulations. The court concluded by stating that even if the political party's candidates and entities did "comprise a charitable class, [the organization] would bear the burden of proving that its activities benefited members of the class in a non-select manner."

In Aid to Artisans, Inc. v. Commissioner, 71 T.C. 202 (1978), the court held that an organization that marketed handicrafts made by disadvantaged artisans through museums and other nonprofit organizations and shops was operated for exclusively charitable purposes within the meaning of section 501(c)(3) of the Code. The organization, in cooperation with national craft agencies, selected the handicrafts it would market from craft cooperatives in communities identified as disadvantaged based on objective evidence by the Bureau of Indian Affairs or other government agencies. The organization marketed only handicrafts it purchased in bulk from these communities of craftsmen. It did not select individual craftsmen based on the needs of the purchasers. The court concluded that the overall purpose of the activity was to benefit disadvantaged communities. The organization's commercial activity was not an end in itself but merely the means through which the organization pursued its charitable purposes. The method it used to achieve its purpose did not cause it to serve primarily private interests because the disadvantaged artisans directly benefited by the activity constituted a charitable class and the organization showed no selectivity with regard to benefiting specific artisans. Therefore, the court held that the organization operated exclusively for exempt purposes.

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In Airlie Foundation v. Commissioner, 283 F. Supp. 2d 58 (D.D.C., 2003), the court relied on the "commerciality" doctrine in applying the operational test to an organization that operated a conference center as its primary activity and derived most of its revenues from user fees. Because of the commercial manner in which this organization conducted its activities, the court found that it was operated for a non-exempt commercial purpose, rather than for a tax-exempt purpose. In reaching this conclusion, the court stated that "[a]mong the major factors courts have considered in assessing commerciality are competition with for profit commercial entities; extent and degree of below cost services provided; pricing policies; and reasonableness of financial reserves. Additional factors include, *inter alia*, whether the organization uses commercial promotional methods (e.g. advertising) and the extent to which the organization receives charitable donations."

Rev. Rul. 67-138, 1967-1 C.B. 129, held that helping low income persons obtain adequate and affordable housing is a "charitable" activity because it relieves the poor and distressed or underprivileged. The organization carried on several activities directed to assisting low-income families obtain improved housing, including (1) coordinating and supervising joint construction projects, (2) purchasing home sites for resale at cost, and (3) helped low income people obtain home construction loans.

Rev. Rul. 70-585, 1970-2 C.B. 115, discussed four situations of organizations providing housing and whether each qualified as charitable within the meaning of section 501(c)(3) of the Code. Situation 1 described an organization formed to construct new homes and renovate existing homes for sale to low-income families who could not obtain financing through conventional channels. The organization also provided financial aid to eligible families who do not have the necessary down payment. When possible, the organization recovered the cost of the homes through very small periodic payments, but its operating funds were obtained from federal loans and contributions from the general public. The revenue ruling held that by providing homes for low-income families who otherwise could not afford them, the organization relieved the poor and distressed.

Situation 2 described an organization formed to ameliorate the housing needs of minority groups by building housing units for sale to persons of low and moderate income on an open-occupancy basis. The housing was made available to members of minority groups who were unable to obtain adequate housing because of local discrimination. The housing units were located to help reduce racial and ethnic imbalances in the community. As the activities were designed to eliminate prejudice and discrimination and to lessen neighborhood tensions, the revenue ruling held that the organization was engaged in charitable activities within the meaning of section 501(c)(3) of the Code.

Situation 3 described an organization formed to formulate plans for the renewal and rehabilitation of a particular area in a city as a residential community. The median income level in the area was lower than in other sections of the city and the housing in the area was generally old and badly deteriorated. The organization developed an overall plan for the rehabilitation of the area; it sponsored a renewal project; and involved residents in the area renewal plan. The organization also purchased apartment buildings that it rehabilitated and rented at cost to low and moderate income families with a preference given to residents of the area. The revenue ruling held that the organization is described in section 501(c)(3) of the Code because its purposes and activities combated community deterioration.

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Situation 4 described an organization formed to alleviate a shortage of housing for moderate-income families in a particular community. The organization planned to build housing to be rented at cost to moderate-income families. The revenue ruling held that the organization failed to qualify for exemption under section 501(c)(3) of the Code because the organization's program was not designed to provide relief to the poor or further any other charitable purpose within the meaning of section 501(c)(3) and the regulations.

Section 6001 of the Code provides that every person liable for any tax imposed by the Code, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

Section 6033(a)(1) of the Code provides, except as provided in Section 6033(a)(2), 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.

Section 1.6001-1(a) of the regulations in conjunction with Section 1.6001-1(c) provides that every organization exempt from tax under Section 501(a) of the Code and subject to the tax imposed by Section 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 Section 6033.

Section 1.6001-1(e) of the regulations 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.

Section 1.6033-1(h)(2) of the regulations provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (Section 501 and the following), chapter 1 of the Code and Section 6033.

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 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 exempt status.

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In accordance with the above cited provision of the Code and regulations under Sections 6001 and 6003, 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.

Effective date of revocation

An organization may ordinarily rely on a favorable determination letter received from the Internal Revenue Service. Treas. Reg. §1.501(a)-1(a)(2); Rev. Proc. 2003-4, §14.01 (cross-referencing §13.01 et seq.), 2003-1 C.B. 123. An organization may not rely on a favorable determination letter, however, if the organization omitted or misstated a material fact in its application or in supporting documents. In addition, an organization may not rely on a favorable determination if there is a material change, inconsistent with exemption, in the organization's character, purposes, or methods of operation after the determination letter is issued. Treas. Reg. § 601.201(n)(3)(ii); Rev. Proc. 90-27, §13.02, 1990-1 C.B. 514.

The Commissioner may revoke a favorable determination letter for good cause. Treas. Reg. § 1.501(a)-1(a)(2). Revocation of a determination letter may be retroactive if the organization omitted or misstated a material fact or operated in a manner materially different from that originally represented. Treas. Reg. § 601.201(n)(6)(i), § 14.01; Rev. Proc. 2003-4, § 14.01 (cross-referencing § 13.01 et seq.).

Governments Position:

ORG does not qualify as an organization described in I.R.C. § 501(c)(3) because its sole activity is a program that does not serve an exempt purpose.

Charitable purposes include relief of the poor and distressed. See section 1.501(c)(3)-1(d)(2) of the regulations. ORG's down payment assistance program does not operate in a manner that establishes that its primary purpose is to address the needs of low-income people by enabling low-income individuals and families to obtain decent, safe housing. See Rev. Rul. 70-585, Situation 1. The down payment assistance program did not serve exclusively low-income persons. Despite the representations in its application for exemption, the ORG does not have any income limitations for participation in its DPA program. The ORG did not screen applicants for down payment assistance based on income. The ORG web site specifically states that there are no income limits for its program. Additionally, the program is not limited to first-time homebuyers.

ORG's DPA program does not limit assistance to certain geographic areas or target those areas experiencing deterioration or neighborhood tensions. See Rev. Rul. 70-585, Situation 4. Down payment assistance is available for any property that is otherwise able to qualify for a mortgage. Arranging or facilitating the purchase of homes in a broadly defined geographic area does not combat community deterioration or serve other social welfare objectives within the meaning of section 501(c)(3) of the Code.

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Even if ORG's DPA program were directed to exclusively low-income individuals or disadvantaged communities, ORG's total reliance for financing its DPA activities on home sellers or other real-estate related businesses standing to benefit from the transactions demonstrates that the program is operated for the substantial purpose of benefiting private parties.

Like the organization considered in American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), ORG is structured and operated to assist the private parties who fund it and give it business. Sellers who participate in ORG's DPA program benefit from achieving access to a wider pool of buyers, thereby decreasing their risk and the length of time the home is on the market. They also benefit by being able to sell their home at the home's full listed price or by being able to reduce the amount of the negotiated discount on their homes. Buyers who participate in ORG's DPA program benefit by being able to purchase a home without having to commit more of their own funds. ORG Real estate professionals who participate in ORG's DPA program, from real estate brokers to escrow companies, benefit from increased sales volume and the attendant increase in their compensation. It is evident from the foregoing that ORG's DPA program provides ample private benefit to the various parties in each home sale.

The manner in which ORG operated its DPA program shows that the private benefit to the various participants in ORG's activities was the intended outcome of ORG's operations rather than a mere incident of such operations. ORG's down payment assistance procedures are designed to channel funds in a circular manner from the sellers to the buyers and back to the sellers in the form of increased home prices. To finance its down payment assistance activities, ORG relies exclusively on sellers and other real-estate related businesses that stand to benefit from the transactions it facilitates. ORG neither solicits nor receives funds from other sources. ORG requires the home seller to reimburse it, dollar-for-dollar, for the amount of funds expended to provide down payment assistance on the seller's home, plus an administrative fee of several hundred dollars per home sale. ORG secures an agreement from the seller stipulating to this arrangement prior to the closing. No DPA assistance transactions take place unless ORG is assured that the amount of the down payment plus the fee is or will be paid by the seller upon closing. ORG's instructions to title and escrow companies provide that at the close of escrow the seller's contribution, along with any ORG fees, must be sent to ORG within 72 hours. Escrow companies that do not appropriately disburse funds in a timely manner are prohibited from utilizing the ORG DPA program. ORG's receipt of a payment from the home seller corresponding to the amount of the down payment assistance in every transaction indicates that the benefit to the home seller (and others involved in the transaction) is not a mere accident but rather an intended outcome of ORG's operations. In this respect, ORG is like the organization considered in Easter House which provided health care to indigent pregnant women, but only when a family willing to adopt a woman's child sponsored the care financially.

ORG's promotional material and its marketing activities show that ORG operated in a manner consistent with a commercial firm seeking to maximize sales of services, rather than in a manner that would be consistent with a charitable or educational organization seeking to serve one or more of the charitable purposes enumerated in § 501(c)(3). The manner in which ORG operated its DPA program shows that ORG Foundation was in the business of facilitating the sales of homes in a manner indistinguishable from an ordinary trade or business. In this respect ORG's operations were similar to an organization which

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was denied exemption because it operated a conference center for commercial purposes. See Airline Foundation v. Commissioner, 283 F. Supp. 2d 58 (D.D.C., 20XX).

Operating a trade or business of facilitating home sales is not an inherently charitable activity. Unlike the trade or business in Aid to Artisans, Inc. v. Commissioner, 71 T.C. 202 (1978), ORG's trade or business was not utilized as a mere instrument of furthering charitable purposes but was an end in itself. ORG provided services to home sellers for which it charged a market rate fee. ORG did not market its services primarily to persons within a charitable class. ORG did not solicit or receive any funds from parties that did not have interest in the down payment transactions. As can be seen from question 1, the funds for the buyer are coming from the seller of the property. The language in the paragraph tries to disguise the fact that the funds are coming from the home seller. Also, the following questions show that the justification for the home sellers to donate the amounts is for tax benefits on their tax returns. In essence, these transactions result in a circular flow of the money. The sellers make payments to ORG. ORG provides the funds to the buyers, who use the funds to make the down payment necessary to purchase the seller's home.

Like the organizations considered in American Campaign Academy, supra, and Easter House v. U.S., 12 Cl. Ct. 476, 486 (1987), aff'd, 846 F. 2d 78 (Fed. Cir.) a substantial part of ORG's activities furthered commercial rather than exempt purposes.

ORG has not operated exclusively for exempt purposes, and, accordingly, is not entitled to exemption under § 501(c)(3).

ORG is also not entitled to exemption under § 501(c)(3) because it promoted improper charitable contribution deductions. A payment of money generally cannot be deducted as a charitable contribution if the payer expects to receive a substantial benefit in return. A seller's payment to ORG is not tax deductible as a charitable contribution under § 170 because the seller receives valuable consideration in return for the payment. In addition, the seller's payment to ORG is not tax deductible to the seller because the payment is compulsory. Furthermore, the payments from the home sellers to ORG also do not qualify as gifts under § 102. The payments from the home sellers do not proceed from detached and disinterested generosity but, rather, in response to an anticipated economic benefit, namely facilitating the sale of the seller's home. Under Commissioner v. Duberstein, 363 U.S. 278 (1960), such payments are not gifts for purposes of § 102.

An organization that promotes a tax avoidance scheme is not entitled to exemption as an organization described in § 501(c)(3). See Church of World Peace, Inc. v. Commissioner, T.C. Memo 1994-87 (1994). On its website, ORG advertised that sellers who participate in its DPA program would be able to claim a charitable contribution deduction and a deduction against capital gains for their payments to ORG. ORG used the prospect of a charitable contribution deduction as an inducement for sellers to participate in its DPA program. In claiming that the seller-participants in its DPA program would be entitled to a charitable contribution deduction, ORG falsely and fraudulently misrepresented the quid pro quo nature of these payments. Because ORG has promoted improper charitable contribution deductions in connection with its DPA program, ORG does not operate exclusively for exempt purposes enumerated in section 501(c)(3) and does not qualify for exemption as an organization described in § 501(c)(3).

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Through the ORG's DPA program, buyers receive a "gift" of the funds that they use for the down payment. The down payment "gifts" were generally between 1% and 10% of the property's stated sales price. A house buyer was eligible to participate in ORG's DPA program only if the buyer purchased a house from a seller that agreed to ORG's contractual terms. The ORG and sellers entered into agreements that required sellers to pay the ORG an amount equal to the down payment "gift" that the buyer received under the ORG's DPA program. The ORG claimed that the seller's payment was not provided directly to the buyer, but instead it was used to "replenish" the pool of funds that was used to provide "gifts" to subsequent buyers. In addition to requiring the seller to pay an amount equal the amount of the "gift" provided to the house buyer, the ORG required sellers to pay the ORG an "administrative fee, equal to either .75% of the purchase price or a set amount (e.g., \$500). Is this from the web site? This sounds more like part of the govt. position section.

ORG promoted its DPA program by advising house sellers and others that sellers may claim charitable deductions on their federal income tax returns for amounts they pay to ORG and advised them to contact a tax professional to get the full tax benefit on its website, . Yet on its Forms 990 for prior years, ORG listed no contributions received. Instead, it reported its revenue as resulting from program services. .

The parties to the down payment assisted real estate transactions, including the realtors, builders and lenders, benefited more than incidentally from ORG's operations. The references below, from ORG's promotional website, clearly demonstrate this benefit.

The government proposes revoking ORG's exemption from January 1 20XX. Why not to inception? because the organization operated in a manner materially different from that represented in its application for exemption. In its application for exemption signed under penalties of perjury on July 12, 20XX, ORG represented that its purpose was to "provide down payment assistance program for low income individuals and families . . ." and that its "down payment assistance will be provided only to individuals who have a financial need for such services, and who complete the educational requirements designed to increase the likelihood of permanent home ownership." Despite these representations in its application for exemption, ORG does not have any income limitations for its DPA program and did not screen applicants for down payment assistance based on income. . ORG did not obtain verification from buyers that they had reviewed or completed the module. Revocation of a determination letter may be retroactive if the organization operated in a manner materially different from that originally represented. Treas. Reg. § 601.201(n)(6)(i), § 14.01; Rev. Proc. 20XX-4, § 14.01. ORG's operation of its DPA activities in a manner materially different from that represented in its application for exemption justifies retroactive revocation of ORG's determination letter.

Taxpayer's Position

ORG's position is unknown, since the IRS has not been able to contact the organization. A 30 day letter will be sent ORG at its last known address in order to solicit a taxpayers position.

Conclusion:

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In order to qualify for exemption under IRC § 501(c)(3) an organization must be both organized and operated to achieve a purpose that is described under that Code section. The ORG's DPA program was not operated in accordance with Internal Revenue Code § 501(c)(3) and the regulations there under governing qualification for tax exemption under Code. The ORG provides down payment assistance, purportedly in the form of a gift, to individuals and families for the purchase of a home. The ORG offered its down payment assistance to interested buyers regardless of the buyers' income levels or need. ORG's DPA activities do not target neighborhoods in need of rehabilitations or other relief such as lessening neighborhood tensions or eliminating prejudice and discrimination.

The ORG operated in a manner indistinguishable from a commercial enterprise. ORG's primary activity is brokering transactions to facilitate the selling of homes. ORG's primary goal is to maximize the fees from these transactions. ORG's brokering services are marketed to homebuyers, sellers, realtors, lenders, home builders, and title companies regardless of the buyers' income level or need and regardless of the condition of the community in which the home is located. Alliances are built with the realtors, lenders, home builders, and title companies to assure future business for the mutual benefit of the participants. Although ORG has an educational module on its website, ORG did not obtain verification from buyers that they had reviewed or completed the module. ORG does not engage in any counseling or other activities that further charitable purposes. Because ORG's primary activity is not conducted in a manner designed to further § 501(c)(3) purposes, ORG is not operated exclusively for exempt purposes within the meaning of § 501(c)(3).

Finally, ORG has failed to provide a viable address or phone number at which the organization can be contacted. Numerous letters have been sent to the organization's current and past addresses without any contact from the organization. Attempts were even made to send certified letters to the Chairman's home address which was verified through a Postal trace. No response was received from these letters.

For the foregoing reasons, revocation of exempt status is proposed. Because the facts show that, ORG operated in a manner materially different from that represented in its Form 1023 application the government proposes that the revocation be effective from January 1, 20XX.

As your organization will no longer be exempt under IRC § 501(c)(3), your organization will be required to file annually a Form 1120, *U.S. Corporation Income Tax Return*, which has an earlier due date of the 15th day of the third month following the end of the organization's tax year.