



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
1100 Commerce Street
Dallas, TX 75242

501.03-00

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: February 13, 2012

Number: 201222046
Release Date: 6/1/2012

LEGEND

ORG - Organization name
XX - Date Address - address

Person to Contact:
Badge Number:
Contact Telephone Number:
Contact Address:
Employer Identification Number:

ORG
ADDRESS

CERTIFIED MAIL

Dear _____ :

This is a final notice of adverse determination that your exempt status under section 501(c) (3) of the Internal Revenue Code is revoked. Recognition of your exemption under Internal Revenue Code section 501(c)(3) is revoked effective January 1, 20XX for the following reason(s):

You have failed to establish that you are operating exclusively in furtherance of exempt purposes within the meaning of Internal Revenue Code section 501(c)(3). You have not provided any information as requested and as required by Treas. Reg. section 1.6033-2. It appears you have ceased any activities. As such, you are not operating exclusively for exempt purposes.

Contributions to your organization are no longer deductible.

Since your exempt status has been revoked, you are required to file Form 1120, U.S. Corporation Income Tax Return, for all years beginning on or after January 1, 20XX.

Income tax returns for subsequent years are to be filed with the appropriate Service Center identified in the instructions for those returns.

It is further determined that your failure to file a written appeal constitutes a failure to exhaust your available administrative remedies. However, if you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the

United States Claims Court, or the district court of the United States for the District of Columbia

before the (ninety-first) 91st day after the date that this determination was mailed to you. Contact the clerk of the appropriate court for rules for initiating suits for declaratory judgment. To secure a petition form, write to the following address:

Please understand that filing a petition for a declaratory judgment under IRC section 7428 will not delay the processing of subsequent income tax returns and assessment of any taxes due.

You also have the right to contact the Office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access you tax information and can help you get answers. You can call 1-877-777-4778, and ask for the Taxpayer Advocate assistance or you can contact the Advocate from the site where this issue was determined by writing to:

Taxpayer Advocate assistance cannot be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in 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.

This letter should be kept within your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosures:
Publication 892



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY

Internal Revenue Service
TE/GE Examinations
801 Tom Martin Dr.
Birmingham, AL 35211

June 17, 2011

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,

Nanette M. Downing
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 EIN	Year/Period ended December 31, 20XX & 20XX

LEGEND

ORG - Organization name XX - Date RA-1 - 1st RA

Issue:

ORG(ORG) qualifies for exemption under Section 501(c)(3) of the Internal Revenue Code.

Facts:

On March 15, 20XX ORG applied for exemption with the Internal Revenue Service. The activities of the organization is to help reduce the incidence of personal bankruptcy by educating the public about personal money management skills and assisting needy individuals and families with their financial problems. ORG will initially address these problems in three ways: a) providing information to the general public on sound money management; b) counseling individuals and families who have serious financial difficulties and c) preparing budget plans for those needy individuals and families who may benefit from them. The 1023 application states that the financial support for the organization will come from voluntary payments, primarily from creditors participating in budget plans and from clients. Contributions are also expected from religious organization, civic groups, labor unions, businesses, and educational organizations benefitting from ORG's public information activities.

According to the Articles of incorporation, the purpose of the organization is to assist needy debtors in improving their finances through educating them as to better means of managing their money and seeking for them, if appropriate, an extension or other reorganization of their debts.

The Corporation is organized exclusively for charitable, educational, religious, or scientific purposes, within the meaning of section 501(c)(3) of the internal Revenue Code (or corresponding section of any future federal tax code.)

ORG was granted exemption on June 15, 20XX by the Internal Revenue Service.

On February 11, 20XX an Information Document Request was sent to ORG stating agent will return to the organization to further develop the case because during the first audit there was not enough information gathered to make a determination as to whether the organization qualifies for exemption. The correspondence was returned to the Service undeliverable. After research agent could not locate a different address. A postal trace was done and it was returned stating the organization moved with no forwarding address.

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Agent talked to RA-1 the organization's representative and he explained that the organization wants to agree with the revocation that was previously proposed by the service because there was no more activities in the organization. Agent explained that the form 6018 needs to be signed by an officer of the organization and returned to the service. Agent sent another form 6018 to the organization however this was also returned. Representative stated he was not sure if he could locate any of the officers. Since then agent has been trying to contact the representative by calling and leaving messages with no success.

Law:

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

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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.

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

Revenue Procedure 80-25, 1980-1 CB 667, Section 12.02 states that a ruling or determination letter recognizing exemption may not be relied upon if there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of the organization. Sec 13.01 further states that where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change.

Revenue Procedure 82-39, 1982-2 CB 759, Sec 2.01 indicates that for contributions by donors to be deductible, the organization must qualify at the time of the contribution. It is the responsibility of an organization receiving contributions to ensure that its character, purposes, activities, and method of operation satisfy the qualification requirements of Section 170(c) in order for contributors to have the assurance that their contributions at the time made are deductible.

Revenue Procedure 20XX-52, Section 12.01(1) states that where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change.

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Conclusion: It is the IRS's position that ORG failed to meet the Organizational and Operational test and therefore cannot be recognized as exempt from federal income tax under IRC § 501(c)(3). ORG failed to respond to repeated reasonable request to allow the Internal Revenue Service to re-examine the books and records regarding the receipts, expenditures or activities as required by IRC 6001, 6033(a)(1). There is no indication that ORG's assets were distributed in accordance with the regulations and the dissolution clause contained in its Article of Incorporation. Accordingly, ORG exempt status is revoked effective January 1, 20XX, the first tax year in which a material change in its method of operation was documented.

Form 1120 has to be filed by the organization for year ended December 31, 20XX and all subsequent years.