

Internal Revenue Service

Department of the Treasury

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ORG
ADDRESS
UIL: 501.04-00

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear :

We have enclosed a copy of our report of examination explaining why we believe revocation of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter revoking your exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Judy L. Jones, CPA

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

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS		Schedule number or exhibit
Name of taxpayer ORG	Tax Identification Number		Year/Period ended December 1, 20XX

LEGEND

ORG = Organization XX = Date

Issue:

Whether ORG, Inc. (ORG) qualifies for exemption under Section 501(c)(4) of the Internal Revenue Code.

Facts:

Exhibit A provides copies of the Internal Revenue Service correspondence requesting that ORG file the Form 990 for the tax period ending December 31, 20XX. ORG failed to respond to the Internal Revenue Service correspondence or file the Forms 990 for the tax period ending December 31, 20XX.

ORG was previously examined for the tax year ended December 31, 20XX and given a letter stating that ORG continued to qualify for exemption, but with an advisory addendum that set out several deficiencies which, if continued, could result in penalties and/or loss of exemption.

Specifically, an exempt organization whose annual gross receipts are normally \$25000 or less does not have to file Form 990. The organization's gross receipts are the total amounts it receives from all sources during its annual accounting period, without subtracting any costs or expenses. An organization's gross receipts are considered normally to be \$ or less if the organization averaged \$ or less in gross receipts for the immediately preceding three tax years.

ORG's gross income for the year 20XX was over \$, so even if it had no other income, it still has exceeded "normally more than \$ annually", for the next three years. ORG was advised that it must file Form 990 for 20XX, 20XX, and 20XX because it had more than \$ in income from the year 20XX alone.

During the course of the examination, it was determined that ORG did not maintain adequate records to report accurately its financial activities as required by Section (§)6033(a) of the Internal Revenue Code and the Regulations there under. The closing letter addendum was the official notice to keep complete records so the accuracy of your returns may be determined.

Law:

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

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IRC § 6033(a)(1) provides, except as required in IRC §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.

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

Treas. Reg. §1.6001-1(e) states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Treas. Reg. §1.6033-1(h)(2) 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 IRC §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 IRC §6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

In accordance with the above cited provisions of the Code and regulations under IRC §6001 and §6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a

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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.

Conclusion:

It is the IRS's position that the organization failed to meet the reporting requirements under IRC §6001 and 6033 to be recognized as exempt from federal income tax under IRC §501(c)(4). In addition, it has failed to meet the recordkeeping requirements as required under by Rev. Rul. 59-95, 1959-1C.B. 627, and Treas. Reg. § 6001-1(e). Accordingly, the organization's exempt status is revoked effective January 1, 20XX, the first year following the prior examination year and for which it was specifically required to file a return and keep adequate records.

Form 1120 returns should be filed for the tax periods ending on or after December 31, 20XX.