

Internal Revenue Service
Appeals Office
3310 El Camino Avenue Suite 170
Sacramento CA 95821-6318

Department of the Treasury

Taxpayer Identification Number:

Number: **201338059**

Person to Contact:

Release Date: 9/20/2013

Tel:

Fax:

Date: June 24, 2013

Tax Period(s) Ended:

A

Form Number

B

Certified Mail

UIL: 501.03-00

Dear

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the "Code"). It is determined that you do not qualify as exempt from Federal income tax under section 501(c)(3) of the Code effective November 30, 2009.

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

You did not engage primarily in activities which accomplish one or more of the exempt purposes specified in IRC 501(c) (3) and Treas. Reg. 1.501(c) (3)-1(c) (1). More than an insubstantial part of your activities was in furtherance of a non-exempt purpose.

Contributions to your organization are not deductible under section 170 of the Code.

You are required to file Federal income tax returns on Form 1120 for the tax periods stated in the heading of this letter and for all tax years thereafter. File your return with the appropriate Internal Revenue Service Center per the instructions of the return. For further instructions, forms, and information please visit www.irs.gov.

If you were a private foundation as of the effective date of revocation, you are considered to be taxable private foundation until you terminate your private foundation status under section 507 of the Code. In addition to your income tax return, you must also continue to file Form 990-PF by the 15th Day of the fifth month after the end of your annual accounting period.

You have waived your right to contest this determination under the declaratory judgment provisions of Section 7428 of the Code by your execution of Form 906, *Closing Agreement Concerning Specific Matters*, an executed copy of which is being sent to you under separate cover.

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

Sincerely Yours,
Nan Shimizu

Nan Shimizu
Appeals Team Manager



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service
1100 Commerce Street
Dallas, TX 75242

MAR 19 2012

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
886-A

Form 886-A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule number or exhibit 1
Name of taxpayer ORG	Tax Identification number EIN	Year/period ended 11/30/20XX

LEGEND

ORG - Organization name EIN - ein XX - Date City - city State - state
 Event - event POA - poa RA-1 - 1st RA CO-1 - 1st COMPANY

ISSUE

1. Whether ORG (ORG) is organized and operated exclusively for section 501(c)(3) exempt purposes and if found not what would be the effective date of revocation.

FACTS

ORG was incorporated and filed articles of incorporation in the state of State on January 3rd, 20XX. In our letter dated June 30, 20XX ORG began operating under an advance ruling as an organization exempt under section 501(c)(3) and not a private foundation within the meaning of section 509(a)(2). The advance ruling period ended November 30, 20XX. On Form 990 for the tax year that ended November 30, 20XX ORG selected foundation status 509(a)(3). They did not complete the Support Schedule as required for organizations exempt under foundation status 170(b)(1)(A)(vi) or 509(a)(2).

According to Form 1023, Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code, the ORG was formed to support CO-1 (CO-1), of City,, State, an organization exempt from federal income taxation under Section 501(a) as an organization organized exclusively for purposes within the meaning of Section 501(c)(6). ORG will support CO-1 by engaging in charitable, educational and scientific activities related to CO-1's profession (i.e., patent, trademark, copyright, unfair competition and other intellectual property law), by offering educational seminars and conferences, and potentially by publishing continuing education materials and funding research grants and scholarships.

ORG's Form 990 for the tax year that ended November 30, 20XX reported \$\$0.00 on line 1: contributions, gifts, grants, and similar amounts received and \$52.00 interest income. Out of \$\$, % of the total revenue came from \$ (CO-1), an organization exempt under Section 501(c)(6) of the internal revenue code.

Organizations recognized as exempt under section 501(c)(6) provides for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues (whether or not administering a pension fund for football players), which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

During the initial interview, which was conducted on June 24, 20XX with ORG's Power of Attorney (POA), POA, he explained their activities. The POA stated that the sole purpose of ORG is to fund the Event. The Event is an annual event for the CO-1. It is a way to show the appreciation to the Judges. The Event is also an event that furthers the CO-1's mission of Education, Service, and Community. This function took place at the RA-1 United States Court Houses in City, on Friday May 1, 20XX. The Event is for a select crowd including the judges and CO-1's members. The members of the public were not invited. Non-CO-1 members are also welcome to attend for non-member prices. As part of the Event, CO-1 incurs expenses such as a fee to the courthouse to use the property for the event, expense reimbursements for travel usually to judges, catering, room rental, and etc. CO-1 tallies the expenses, transfer the money to ORG and has ORG to make the payments. According to the POA, ORG does not

Form 886-A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule number or exhibit 1
Name of taxpayer ORG	Tax Identification number EIN	Year/period ended 11/30/20XX

carry out any other activities throughout year, but to support the CO-1's activities, which is the annual Event.

LAW

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for religious, charitable, or educational purposes so long as no part of the organization's net earnings inures to the benefit of any private shareholder or individual. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of any exempt purpose.

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)(ii) of the regulations states that an organization is not organized or operated for one or more exempt purposes unless it serves a public rather than a private interest. Accordingly, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator, shareholders, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(e)(1) of the regulations provides that an organization may meet the requirements of section 501(c)(3) if the Code although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in section 513 of the Code. In determining the existence or nonexistence of such primary purpose, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes.

Harding Hospital, Inc. v. United States, 505 F.2d 1068 (1974) [74-2 USTC ¶9816], holds that an organization seeking a ruling as to recognition of its tax exempt status has the burden of proving that it satisfies the requirements of the particular exemption statute. Whether an organization has satisfied the operational test is a question of fact. See also Christian Stewardship Assistance, Inc. v. Commissioner, 69 [70] T.C. 1037, 1042 (1978) [CCH Dec. 35,422].

Better Business Bureau v. United States, 316 U.S. 279 (1945), holds that the existence of a single non-exempt purpose, if substantial in nature, will destroy the exemption under section 501(c)(3). An

Form 886-A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule number or exhibit 1
Name of taxpayer ORG	Tax Identification number EIN	Year/period ended 11/30/20XX

organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such purposes.

TAXPAYER'S POSITION

Organization disagreed with government's position and appeal case.

GOVERNMENT'S POSITION

An organization exempt under section 501(c)(3) must be organized and operated exclusively for religious, charitable, or educational purposes so long as no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(d)(ii) of the regulations states that an organization is not organized or operated for one or more exempt purposes unless it serves a public rather than a private interest. Accordingly, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator, shareholders, or persons controlled, directly or indirectly, by such private interests.

ORG does not qualify for exemption under section 501(c)(3) of the code because it fails to operate for a purpose described under section 501(c)(3) of the code. The sole purpose of the organization is to support CO-1 an organization exempt under section 501(c)(6) of the code. Organizations exempt under section 501(C)(6) serve the private interest of its members and not the general public

Organizations exempt under section 501(c)(3) must serve a public rather than private interest . Not only does the Judge's dinner not serve a purpose described under section 501(c)(3) of the code but it is also for a select crowd and not the general public. Non-CO-1 members are also welcome to attend for non-member prices

It is the government's position that ORG did not engage in any in charitable, educational and scientific activities related to CO-1's profession by offering educational seminars and conferences, and potentially by publishing continuing education materials and funding research grants and scholarships as stated on Form 1023. Instead its only activity consisted of supporting the annual Event. The Event does not serve a purpose described under IRC section 501(c)(3).

An organization will not be so regarded as operating exclusively for charitable purposes if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. In the fundamental case of Better Business Bureau of Washington, D.C., Inc. v. United States, supra, the Court concluded that the presence of a single nonexempt purpose, if substantial in nature, would preclude exemption regardless of the number or importance of statutorily exempt purposes.

CONCLUSION

ORG is not organized and operated exclusively for one or more of the purposes specified in section 501(c)(3) of the Code. It is our conclusion that they never operated within the meaning of section 501(c)(3) of the code and hence should be revoked effective December 01, 20XX.