



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **201410035**
Release Date: 3/7/2014

Date: December 12, 2013

UIL: 501.00-00; 501.03-00; 501.03-05;
501.32-00; 501.33-00

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

Dear _____ :

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(3).

We made this determination for the following reason(s):

You fail the organizational test. Your Articles of Incorporation do not limit your activities exclusively to exempt purposes as required under Treas. Reg. § 1.501(c)(3)-1(b).

You also fail the operational test. While you amended your connection to the related for-profit entity in order to alleviate the private benefit concerns and increased your educational activities, you are still not operated primarily for an exempt purpose and do not benefit a charitable class. Your primary purpose is the commercial purpose of selling raffles for outdoor excursions and gear, where you anticipate the average revenue to be twice your average costs for each prize. More than a substantial part of your activities are performed for a non-exempt purpose, and you look substantially like a commercial business.

Because you do not qualify for exemption as an organization described in I.R.C. § 501(c)(3), donors may not deduct contributions to you under I.R.C. § 170. You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

If you decide to contest this determination under the declaratory judgment provisions of I.R.C. § 7428, you must initiate a suit in the United States Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia before the 91st day after the date that we mailed this letter to you. Contact the clerk of the appropriate court for rules for initiating suits for declaratory judgment. Filing a declaratory judgment suit under I.R.C. § 7428 does not stay the requirement to file returns and pay taxes.

We will make this letter and our proposed adverse determination letter available for public inspection under I.R.C. § 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, you should follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at 1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

We have sent a copy of this letter to your representatives as indicated in your power of attorney.

Sincerely,

Karen Schiller
Acting Director,
EO Rulings and Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: August 02, 2012

UIL: 501.00-00
501.03-00
501.03-05
501.32-00
501.33-00

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

LEGEND:

State =
Company =
Date =
X =
Y =

Dear :

We have considered your application for recognition of exemption from Federal income tax under Internal Revenue Code section 501(a). Based on the information you provided in your application and subsequent correspondence, we have concluded that you do not qualify for exemption under Code section 501(c)(3). The basis for our conclusion is set forth below.

FACTS:

You applied for recognition of exemption under 501(c)(3) of the Internal Revenue Code ("Code") as an organization seeking to protect the environment and provide for the economically disadvantaged. You are incorporated in State.

Your Articles of Incorporation state that your purpose is to, "engage in activities which support wildlife and habitat preservation initiatives." Additionally, your Articles state that these purposes include, "making distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code." Your narrative statement from your Form 1023 states that you are committed to making high-priced hunting and fishing excursions accessible to the everyday outdoor enthusiast in addition to preserving the natural resources that make hunting and fishing possible.

You state in your narrative statement on the Form 1023 that you will accomplish your purpose by promoting and delivering exceptional excursions that will support ranchers who are struggling in this economy to maintain their businesses. While you originally proposed to operate your excursions and raffles through Company, a for-profit run by your founders, your protest to the proposed denial provides that you will perform these services yourself. The excursions, and

other prizes, will be raffled off in raffles that have a limited number of entrants. The cost of these raffles is in excess of a hundred dollars. You have no means of determining who can enter these raffles, and the winner is drawn randomly using a computer code. The excursions will then be operated by you in the same manner that your founders and Company would otherwise conduct excursions for customers paying full retail.

In response to the proposed denial you clarify that your hunting excursions will be performed for the "primary purpose of teaching participants about safe hunting practices, firearms safety, and the ecological reasons which motivate hunting." You state that you will work towards teaching about hunting as a means of population control without which ecosystems would be burdened by starvation and depletion of natural resources. You provide, however, that you will not conduct any "one-on-one" education during the excursions. Your educational efforts will be confined to educational videos produced to demonstrate hunting safety tips, "shoot or don't shoot scenarios," the importance of staying in good physical condition for hunting, boating safety tips, and information about laws that affect hunters. These clips will be posted individually on your website as well as edited to the end of "keepsake" videos of the excursions made for each of the winners.

You state that these efforts also support wildlife as ranchers are instrumental to supporting the natural environment. Your activities will attempt to expose as many people as possible to our natural environment helping educate and involve more people in the need to manage wild life and protect the environment. You seek to offer your excursions to wounded warriors, youth, and others who would otherwise not have the opportunity.

While you originally proposed providing funds to other charitable organizations, your response to the proposed denial amended your efforts to indicate that you will provide scholarships to individuals who are pursuing a course of study in wildlife management, ranch management, marine biology, agribusiness, or any related field. You seek to provide as many \$x grants as possible given your income with the hope of awarding up to \$y of scholarships annually. In addition to the course of study of the recipient you also require that recipients have a current GPA of 3.0 or higher in high school and demonstrate financial need (considered by you to be a household income of less than a low six figures annually). These contributions will constitute twenty percent of your revenues. Additionally, you seek to provide loans or grants to disadvantaged individuals for the purchase of hunting and fishing gear that these individuals may not otherwise be able to purchase. You have not started these efforts yet, however, and do not anticipate conducting such loans and grants until further in the future.

You state in your Form 1023 that you will not conduct any gaming, however, in an attached response to Part VIII, Item 4(a) of the Form 1023 you state that, "The sole means of fundraising for [you] will be organizing and conducting online raffles." Your response to the proposed denial affirmed that you will be conducting the raffles of both excursions and other various hunting and fishing gear. The price of the raffle tickets is set at over a hundred dollars a ticket for excursions that could be sold at full retail for over a hundred times that amount. You stated that you expect total gross revenue in the millions entirely from the conducting of your raffles.

You are currently controlled by three individuals. All three individuals are co-owners of Company. All three receive compensation from Company. All three will also be compensated by you in their position as officers. You propose to pay each officer an annual salary in the low six figures. You have stated, however, that should your revenue projections not be reached that you will reduce the payment to your officers by the percentage that your actual revenue falls

below your expected revenue. The salary to your officers will not increase should your gross revenue exceed your expected revenue in any given year. The salaries currently suggested for your officers constitute just under twenty percent of your expected revenue.

LAW:

Section 501(c)(3) of the Internal Revenue Code ("Code") provides that organizations may be exempted from tax if they are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes and "no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(3)-1(a)(1) of the Exempt Organization regulations ("regulations") provides that in order to be exempt under section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the exempt purposes specified in that section.

Section 1.501(c)(3)-1(c)(1) of the regulations state 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). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose."

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. To meet the requirement of this subsection, the burden of proof is on the organization to show that it is not organized or operated for the benefit of private interests, such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations defines charitable as it is used in its generally accepted legal sense. It continues to describe the generally accepted legal sense as the relief of the poor and distressed, advancement of religion, advancement of education or science, erection or maintenance of public buildings, lessening the burdens of government, or promoting social welfare if its an organization designed to accomplish one of the above causes or to lessen neighborhood tensions, defend human and civil rights, or combat community deterioration and juvenile delinquency.

Section 1.501(c)(3)-1(d)(3) of the regulations defines educational as the instruction or training of the individual for the purpose of improving or developing his capabilities, and the instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(e)(1) of the regulations states that, "an organization may meet the requirements of section 501(c)(3) although it operate 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." An organization operated primarily for an unrelated trade or business is not exempt under 501(c)(3).

Revenue Ruling 66-103, 1966-1 C.B. 134, provides that, "A nonprofit organization providing awards and grants, including scholarships and fellowship grants, to needy individuals to enable them to continue their work in the creative arts, as well as to continue their education and studies, with no monetary benefit to the donor organization, is entitled to exemption from Federal income tax under section 501(c)(3)."

Revenue Ruling 69-257, 1969-1 C.B. 151, provides that, "A nonprofit organization awarding scholarships based on scholastic ability, without regard to financial need, may qualify for exemption under section 501(c)(3) of the Code."

Revenue Ruling 70-186, 1970-1 C.B. 128, discusses an organization formed to preserve and enhance a lake as a public recreational facility by treating the water. The lake is large, bordering on several municipalities. The public uses it extensively for recreation. Along its shores are public beaches, launching ramps, and other public facilities. The organization is financed by contributions from lake front property owners, members of the adjacent community, and municipalities bordering the lake. The revenue ruling concludes that the benefits from the organization's activities flow principally to the general public through well maintained and improved public recreational facilities. Any private benefits derived by the lake front property owners do not lessen the public benefits flowing from the organization's operations. In fact, it would be impossible for the organization to accomplish its purposes without providing benefits to the lake front property owners.

Revenue Ruling 72-560, 1972-2 C.B. 248, examined whether an organization formed to educate the public about environmental deterioration due to solid waste pollution and to provide facilities for the collection of certain materials for recycling was exempt as an educational or charitable organization under section 501(c)(3) of the Code. The organization sponsors workshops, conferences, and exhibits to inform the public of the environmental problems caused by solid waste materials and the advantages of recycling such materials. It also has established centers staffed entirely by volunteers, where the public can bring solid waste materials for disposal. The organization qualifies for exemption because it is both charitable and educational. It is educational because it provides information to the public about environmental problems, and it is charitable because its recycling program combats environmental deterioration by preventing the pollution of the environment caused by the usual disposition of these materials. These activities are analogous to tree planting and street cleaning operations held to serve a charitable purpose in Rev. Rul. 68-14, 1968-1 C.B. 243.

Revenue Ruling 76-204, 1976-1 C.B. 152, holds that a nonprofit organization formed for the purpose of preserving the natural environment by acquiring, by gift or purchase, ecologically significant underdeveloped land, and either maintaining the land itself with limited public access or transferring the land to a government conservation agency qualifies for exemption under section 501(c)(3) of the Code. It is generally recognized that efforts to preserve and protect the natural environment for the benefit of the public serve a charitable purpose, including efforts that serve to preserve natural resources for future generations. It is necessary to limit public access to the land to avoid damaging the delicate ecosystem.

Revenue Ruling 78-384, 1978-2 C.B. 174, holds that an organization is not operated exclusively for charitable purposes when its main activity is owning farm land and restricting the use of the land to farming or such other uses as the organization deems ecologically suitable for the land. The organization does not preserve ecologically significant land. Although the organization claims that it benefits the public by restricting its land to uses compatible with the ecology of the

area, any benefit to the public from its self-imposed restriction is too indirect and insignificant to establish that the organization serves a charitable purpose within the meaning of section 501(c)(3) of the Code.

Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of private benefit, if substantial in nature, will destroy an organization's tax-exempt status regardless of the organization's other charitable purposes or activities.

In Living Faith, Inc. v. Commissioner, 950 F.2d 365 (7th Cir. 1991), the court denied exemption to an organization that sought to provide health food and restaurant services in furtherance of the teachings of the 7th Day Adventist Church. The organization was denied exemption due to its substantial commercial nature, whereby it competed with for profit companies, set pricing in a commercial manner, operated its hours in a commercial manner, and advertised in a commercial manner among other things.

In United Cancer Council v. Commissioner, 165 F.3d 1173, 1176-77 (7th Cir. 1999), an organization made a contract with an unrelated fundraiser. The terms of the fundraising contract allowed for exclusive rights to fundraising to the fundraiser and ninety percent of the funds raised went to pay costs under the contract of the fundraiser. The Service argued that the position as sole fundraiser gave it control of the charity and that since most of the funds were going to the fundraiser, which controlled the charity, those payments inured to the benefit of private individuals. The court ruled against the service stating that while the terms of the fundraising contract were very favorable for the fundraiser those terms did not make the fundraiser an insider and the fees were negotiated at arm's length and therefore were reasonable. According to the court, no proceeds inured to the benefit of the fundraiser illegally.

In Arlie Foundation v. IRS, 283 F. Supp. 2d 58, 63, 65 (D.D.C. 2003), the court states that, "Among 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." With respect to the organization in question, the court found that, "While certain factors-including plaintiff's fee structure and subsidization practice-are indicative of non-commercial characteristics, others-such as the nature of its clients and competition, its advertising expenditures and the substantial revenues derived from weddings and special events on the premises, strongly suggest that the agency was correct in revoking the foundation's tax exempt status."

In B.S.W. Group, Inc. v. Commissioner, 70 T.C. 352 (1978), the court held that an organization that sold consulting services to nonprofit or exempt organizations for a fee set at recouping the organization's costs and realizing a profit is not exempt from taxation under section 501(c)(3) of the Code, because the facts indicate that the organization was not operated exclusively for exempt purposes. The critical inquiry, the court explained, is whether the organization's primary purpose for engaging in the activity is an exempt or a non-exempt purpose, which is a question of fact. Relevant factors include the manner in which the organization conducts the activities, the commercial hue of those activities, and the existence and amount of annual or accumulated profits, adding, "Competition with commercial firms is strong evidence of the predominance of non-exempt commercial purposes."

In Dumaine Farms v. Commissioner, 73 T.C. 650 (1980), the Tax Court examined whether a model farm operating as a conservation project was exempt under section 501(c)(3) of the Code, analyzing whether the organization was, "merely a commercial farm or, in fact, serves valid exempt purposes." The court noted that because the organization was engaged in many activities, it first had to determine what its substantial activities were and then whether those activities were carried on for an exempt purpose. The court concluded that the organization was operated for both scientific and educational purposes within the meaning of section 501(c)(3). The court also concluded that the organization was not operated for the substantial nonexempt commercial purpose of farming, as the IRS had claimed, reasoning that the purpose of all the organization's activities, including raising and selling crops for profit, was not commercially related but furthered its educational purposes in demonstrating, "the commercial viability of [its] modern, ecologically sound farming techniques and alternatives to establish cash crops."

ANALYSIS:

In order to be exempt you must be operated exclusively for exempt purposes. § 1.501(c)(3)-1(a)(1). Many problems arise with your application for exemption. First, your operations are conducted to further a commercial, rather than exempt, purpose. Second, while you do perform some education it is not significant enough to be your exempt purpose. Next, the protection of wildlife and the preservation of the environment must be done in a manner that is beneficial to the public, particularly when not performed in conjunction with the prevention of cruelty to animals. Finally, you are not operated in a manner that fulfills a charitable purpose of relieving the poor and distressed.

While ten to twenty percent of your proceeds are donated to scholarships, a majority of your proceeds will go to pay for the excursions and other prizes as well as the salary of your officers for running the raffle and conducting the excursions. The regulations permit an exempt organization to conduct its exempt purpose through a trade or business, § 1.501(c)(3)-1(e), but several cases over the past decades have outlined a commerciality doctrine whereby organizations that have a substantial commercial purpose are not operated primarily for exempt purposes. Two relatively recent cases have substantially defined the factors to consider when determining whether an organization is operated for a substantial commercial purpose. The earlier case, Living Faith, 950 F.2d 365, considered whether the organization sold goods or services to the public, whether the organization was in direct competition with commercial organizations, whether the prices were set in a commercial manner, whether the organization used promotional materials similar to those of a commercial enterprise, whether the organization utilized volunteers, and whether the organization received charitable contributions. More recently, Arlie Foundation, 283 F. Supp. 2d at 63, reiterated these factors adding that the reasonableness of financial reserves was also to be considered. Furthermore, the court noted that the organization need not fall on the commercial side of all of the factors in order to be operated for a non-exempt purpose. Id. at 68; see also, B.S.W. Group, 70 T.C. 352 (stating that the existence of annual or accumulated profits is an indication of a non-exempt purpose). The main question of these factors is to determine whether the trade or business is performed for a charitable purpose or whether the charitable purpose merely assists the trade or business.

Here, your activities are split on the factors provided by these courts. You do not receive any donations nor do you use any volunteers – traditional factors demonstrating support by and involvement of the public. While you are not in direct competition with any other entity due to the unique nature of your raffle and prize combination, you do have indirect competition since

organizations do exist that offer raffles for prizes or hunting excursions for a fee. Furthermore, you compare the price of your raffle tickets to that of a fair market rate. At over a hundred dollars a ticket the raffles are not priced in order to allow the most people to afford the tickets, but rather to more than recoup costs on the excursion and overhead. You stated that the amount earned from each raffle will often be greater than your costs and may be up to twice your costs. Given the projections you provided you anticipate earning a rate comparable to the commercial fair market value provided by you and twice the average cost of the excursion to you. In addition to these excursions you also raffle off and sell hunting equipment at commercial rates. The equipment cannot further any additional exempt purpose, such as educational, and serves no purpose other than the raising of funds. Your operation of the raffle sets prices in a commercial manner, does not receive donations, does not use volunteers, and uses commercial type promotion of your products by attending trade fairs geared toward hunting enthusiasts. Furthermore, your raffle is for the purpose of offering these excursions. Your excursions are not furthering an exempt purpose, *infra*, therefore your raffles cannot be in furtherance of an exempt purpose thus they are merely a commercial, non-exempt activity. Your raffle and selling activities are a commercial activity and do not further an exempt purpose.

The point of the raffles is to determine who will receive the excursion and at least half of your income is directed at providing these excursions. If these excursions are not for an exempt purpose then you cannot be exempt. You claim that the excursions serve an educational purpose whereby you will educate individuals in developing their capabilities in hunting and firearm safety as well as the ecological benefits of hunting and how to use hunting to create those benefits. You have stated, however, that there will be no "one-on-one" education during the excursions offered. Instead you will provide video clips on hunting safety and the importance of physical fitness, to name a few, on your website. These videos will have their own page separate from the excursion raffles. Additionally, amongst these videos will be videos of the excursion winners on their excursions. The videos of the winners will serve not only as keepsakes for the winners but as promotional material showing what can be won in the raffles. The excursions themselves make no extra effort to educate individuals and those entering the raffles are not doing so in order to win an educational experience. Your excursions are not educational. Given that the excursions constitute so much of your money and efforts you are conducting a substantial, non-exempt activity.

Furthermore, the provision of these excursions to a wider audience is not a charitable purpose. Section 1.501(c)(3)-1(d)(2) of the regulations defines charitable in its traditional legal sense as the relief of the poor and distressed, advancement of religion, advancement of education or science, erection or maintenance of public buildings, lessening the burdens of government, or promoting social welfare if its an organization designed to accomplish one of the above causes or to lessen neighborhood tensions, defend human and civil rights, or combat community deterioration and juvenile delinquency. Providing hunting excursions, even to an especially poor set of individuals, does not meet any of the items listed in the regulation, especially since such activities do nothing to alleviate the economic or distressed positions of those individuals. Furthermore, the form in which you choose to provide these excursions is through a raffle. The cost of the raffle ticket on the website is in excess of a hundred dollars. While the purchase of such tickets is limited in number, you do not limit who can purchase such tickets. You have no mechanism by which you determine the economically disadvantaged nature of purchasers, nor do you seek to restrict the purchase of tickets to such individuals. Your activities do not make any attempt to alleviate the economic conditions of individuals even to the extent of providing a non-essential recreation for such individuals.

Additionally, the benefit to the public must be more than incidental for wildlife protection to be an exempt purpose. Rev. Rul. 76-204, supra, provides that an organization that holds ecologically significant land in order to preserve and maintain such land is exempt as a charitable organization since its efforts to protect the environment serve the public. Rev. Rul. 78-384, supra, however, provides that a farm that holds land, which is not ecologically significant, and reserves such land only for farming or other purposes which will maintain the natural state of the land is not exempt under section 501(c)(3) of the Code since the benefits to the public of preserving the land are too incidental and insignificant. The presence of farming land that is not ecologically significant, however, does not necessarily destroy exemption. In Dumaine Farms, 73 T.C. 650, the court determined that a farm that practiced and researched economically sustainable farming techniques on land that resembled farming land in the area and provided information on such to the public was exempt as both educational and scientific. The farms growing and selling of crops was related activity as it demonstrated the economic viability of such farming techniques. Id.

Under the standards outlined in these rulings environmental protection that significantly benefits the public can be considered a charitable purpose. The holding and preserving of land can be charitable if that land is ecologically significant thus providing a public benefit. Additionally, Rev. Rul. 72-560, supra, provides that the reduction of pollution can be a charitable activity, especially if the organization is contributing directly to that reduction. Here, you are not directly contributing to the reduction of pollution or preserving ecologically significant land or animals. Your activities are directed at allowing individuals who would otherwise not be able to afford to do so to participate in hunting excursions that will preserve wildlife and the environment through controlling certain animal populations. The lands on which these excursions will occur are not represented to be ecologically significant in any way. Additionally, you claim these efforts will be in assistance to ranchers and will likely be on the property of these ranchers. The controlling of population to the benefit of a select group of ranchers is not an exempt purpose under § 501(c)(3).

CONCLUSION:

You do not meet the qualifications for exemption. You are not operated exclusively for an exempt purpose. Your purported exempt purposes are not recognized purposes for exemption, and you are operated for a substantial commercial purpose.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

Your protest statement should be accompanied by the following declaration:

Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney,

Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. For more information about representation, see Publication 947, *Practice before the IRS and Power of Attorney*. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not file a protest within 30 days, you will not be able to file a suit for declaratory judgment in court because the Internal Revenue Service (IRS) will consider the failure to protest as a failure to exhaust available administrative remedies. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted all of the administrative remedies available to it within the IRS.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to this address:

Internal Revenue Service
1111 Constitution Ave, N.W.
Washington, DC 20224

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

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

Sincerely,

Lois G. Lerner
Director, Exempt Organizations