

**Internal Revenue Service  
Appeals**

Number: **201414033**  
Release Date: 4/4/2014

Date: January 8, 2014

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**Department of the Treasury**

**Address any reply to:**  
Pennsylvania Appeals Office  
1000 Liberty Avenue  
Room 816  
Pittsburgh, PA 15222  
**Employer Identification Number:**  
\*\*\*\*\*

**Person to Contact:**  
\*\*\*\*\*, ID # \*\*\*\*\*

**Contact Telephone Number:**  
\*\*\*\*\*

**Fax Number:**  
\*\*\*\*\*

UIL: 501.03-30

**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"). It is determined that you do not qualify as exempt from Federal income tax under section 501(c)(3) of the Code effective January 1, 20XX.

Our revocation was made for the following reasons:

1. You have not demonstrated that you are operated exclusively for exempt purposes within the meaning of Code section 501(c)(3) and Treasury Regulations section 1.501(c)(3)-1(d). You did not engage primarily in activities that accomplish one or more of the exempt purposes specified in section 501(c)(3). You are operated for a substantial non-exempt purpose, which is not an exempt purpose.
2. Your net earnings inure to the benefit of private shareholders and individuals, which is prohibited by Code section 501(c)(3).
3. You are operated for a substantial private purpose rather than a public purpose, which is prohibited by Code section 501(c)(3) and Treasury Regulations section 1.501(c)(3)-1(d)(1)(ii).

Contributions to your organization are no longer deductible under section 170 of the Code.

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

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 Code.

We will make this letter and the proposed adverse determination letter available for public inspection under Code section 6110 after deleting certain identifying information. We have provided to you, in a separate mailing, Notice 437, *Notice of Intention to Disclose*. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination letter was mailed to you. Please contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment. To secure a petition form from the United States Tax Court, write to the United States Tax Court, 400 Second Street, N.W., Washington, D.C. 20217. See also Publication 892.

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 matters that may not have been resolved through normal channels get prompt and proper handling. If you want Taxpayer Advocate assistance, please contact the Taxpayer Advocate for the IRS office that issued this letter. You may call toll-free, 1-877-777-4778, for the Taxpayer Advocate or visit [www.irs.gov/advocate](http://www.irs.gov/advocate) for more information.

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

Sincerely yours,

/s/  
Appeals Team Manager

Enc: Publication 892

cc: \*\*\*\*\*



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
MC 4926 DSM TEGE: 7935  
210 Walnut Street  
Des Moines, Iowa 50309

March 10, 2010

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  
Acting Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Report of Examination

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or <b>Exhibits A-1, A-2</b>
<b>Name of Taxpayer</b> <b>ORG</b>		<b>Year/Period Ended</b> <b>20XX-20XX</b>

**LEGEND**

ORG Organization name      XX - Date      Address - address      City - city  
 State - state      BM-1 & Bm-2 - 1<sup>st</sup> & 2<sup>nd</sup> BM      CO-1 through CO-5 - 1<sup>st</sup> through  
 5<sup>th</sup> COMPANIES      RA-1 THROUGH RA-6 - 1<sup>st</sup> THROUGH 6<sup>th</sup> RA

**ISSUE:**

Does the non-profit (NP), ORG (ORG.) qualify to be exempt under Internal Revenue Code (IRC) §501(c)(3), where it operates for the purpose of serving a private benefit, rather than public interest.

**FACTS:**

The (NP) ORG. filed Articles of Incorporation with the State of      as a non-profit (NP) corporation on May 2, 19XX. In 20XX, ORG. was set up by the board of directors: BM-1 and BM-2, who are also the owners of a for-profit (FP) --"CO-1 - BM-1" (CO-1).

The (NP) ORG. was set up to process the debt management plans (hereinafter DMPs) for its clients, and BM-1 went through all licensing/bonding requirements for the NP to become a CO-2. BM-1 has over 34 years of financial counseling experience, assisting folks from all walks of life, while BM-2 has 29 years of similar experience.

On May 5, 19XX, the Service determined the (NP)ORG. exempt from federal income tax as an organization described in IRC § 501(c)(3), with its foundation status classification as a 509(a)(2) of the Internal Revenue Code.

The owners (BM-2 and BM-1) of the (FP) CO-1 set up the (NP) ORG., so the credit card companies would give the client's reduced interest rates and reduced monthly payments on debt management plans (DMPs). Negotiation of interest rates with the creditors is automatic. As a Non-Profit, they were also eligible to receive 'Fair Shares' payments from the creditors, which are not availed to them, as a For-Profit entity.

The (NP) ORG. is generating leads for the (FP) CO-1 entity at the front-end of the intake process, as a 'front-end' lead generator. There are no lines of distinction of the Non-Profit entity, working alongside the For-Profit entity. The Non-Profit is a conduit for the For-Profit in this side by side operation. Leads are generated for the (FP) CO-1 through the operating of the Non-Profit entity. With the overlap of customer service attributable from both entities, the For-Profit reaps the benefits of new customers, through the (NP) ORG.'s existence.

In addition, there is considerable overlap in the usage in each of the business names, where the Non-Profit is identified as "ORG" and the For-Profit as "CO-1." The client readily identifies they are only doing service with a Non-Profit entity, when the For-Profit's name is actually disguised, alluding customers into thinking it's all one Non-Profit commingled business activity doing budgeting and tax services that are the activities of the (FP)CO-1 business, as described on page 2.

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or <b>Exhibits A-1, A-2</b>
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In addition to processing DMPs, the NP acts as a social security representative (rep) payee, and does pay-day loans and convenience bill paying (full-service) allowables. They did not begin doing payee rep services with Social Security Administration (SSA), until 20XX (at least three years following their determination letter).

A DMP is a tool used to restructure unsecured debt. Restructuring debt through a DMP allows a client to consolidate unsecured debt, ostensibly lower his/her interest rates and monthly payments, obtain regain of his/her debts, and/or curtail collections calls, penalties and over-limit fees. Typically under a DMP, a client signs a contract agreeing to make monthly payments to the (NP)ORG., which then makes arrangements with the consumer's end-creditors and distributes payments to them. The (NP)ORG. charges clients a monthly processing fee.

The (NP)ORG.'s business depends primarily on DMPs that are provided to clients by credit counseling agencies such as (NP)ORG. that have been recognized by the Internal Revenue Service as a section 501(c)(3) exempt organization.

ORG.'s board of directors (BOD)/ (officers) include BM-1 and BM-2, occupying the board positions of president and vice-president. BM-1 & BM-2 make most of the day to day decisions for (NP) ORG, as they are also the owners of the (FP) CO-1. During 20XX-20XX, there were eleven (11) directors, or nine (9) other board members besides the **married couple, BM-1 and BM-2**, with five (5) (former) board members related to BM-1 & BM-2. In a memo dated October 6, 20XX with a grant application, the BOD's were explained as **"RA-1 & RA-2, BM-2's parents; RA-3 & RA-4 as BM-1's sister and brother-in-law; and BM-1 and BM-2 are married to each other..."** While in documentation dated September 20, 20XX, it was described that **RA-4 & RA-6, are a niece and nephew of BM-1 & BM-2**, while RA-3 [both a former employee and director] is **BM-1's sister**.

From review of the "Notes with Board Members" during 20XX minutes that documented an approval to pay mileage on July 7<sup>th</sup>, with a verbal okay on July 12, 20XX. It was noted that the board approved with phone calls of June 6 - 7, 20XX, with documentation signed by BM-1.

From review of the Annual Meeting for the Board of Directors (BOD's) on January 10, 20XX, with eleven (11) board members present, the meeting recorded had brevity. The minutes were signed solely by BM-1, with no other directors giving any approval, on any items discussed. The meeting was silent on the approval of any of the officers' salary packages, which was never approved by the BOD's, prior to this examination.

Key elements of good governance, management, and disclosure, for a charity to possess are missing, through the loosely structured Non-Profit organization. There were no formal voting's held during any of the Annual Board Meetings. The charity has an overall board composition of

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too many related board members, which was not corrected until the onset of the examination. There was no active participation, or documentation of any major decisions that were made by the board, other than minutes of brevity, signed solely by BM-1. There was no recusal of the primary officers/directors, during any formal voting process regarding the officers' salaries, other than the regular discussion of the employees' hourly wage increases.

The (NP) ORG. lacks good governance. The charity has no clear knowledgeable and committed governing body and management team, along with sound management practices in place, important for the charity to be thoughtful about the governance practices that are most appropriate for the charity in assuring sound operations and compliance with the tax law.

Advertising and website for both the (NP) ORG. and the (FP) CO-1 are done jointly. The ad in the CO-3 was shown in bold letters vertically as "ORG", with the name horizontally at bottom of ad as ORG. The ad states "*owned and operated by BM-1 and BM-2, area's oldest credit counseling agency since 19XX, tax preparation since 19XX, and representative payee for Social Security Beneficiaries since 20XX, etc.*" The same phone listing is listed in the yellow pages for both the FP and NP under "ORG". Every NP account receives a booklet called "Out of Hock & Out of Debt...Nine Ways to Get a Handle on Your Bills". They also have various brochures on budgeting and finance, with one article on bankruptcy, although the NP does not handle any pre or post-bankruptcy certifications.

The (FP) CO-1 and the (NP) ORG. share employees and office space, where they have dually occupied their current location (Address, City, State), since November 9, 20XX. The (FP)CO-1 that is owned by BM-1 & BM-2, and operates alongside the (NP)ORG. The (FP) CO-1 performs "financial counseling and tax preparation", while the (NP)ORG. is doing 1)credit counseling for DMP's; 2) social security rep payee duties; 3)pay day loans; and, 4)convenience bill paying(full service) allowables. The (NP) ORG. was prepared to make mortgage loans to prospective customers, with BM-1's credentialing. As a result of the current examination, this activity was halted, as it was in direct conflict of future compliance under IRC § 501(q). There were no actual loans that had been made to any Non-Profit clients.

The office staff assists in scheduling both the FP or NP clients for appointments, primarily with BM-1. There is no written contract between the two organizations: (NP) ORG. and (FP) CO-1. At the time of the audit of the books/records, there were no invoices from the (FP) CO-1 to the (NP) ORG. Thus, in both 20XX and 20XX years, there was no allocation of expenses being done by the (FP)CO-1 to the (NP)ORG. for shared expenses relating to occupancy, supplies, DSL/internet, and software.

Only after the agent came out to do the examination, did the (NP) ORG. receive reimbursement from the (FP) CO-1 for those expenses in 20XX that were allocated between them. Furthermore, a repayment of \$ was shown to the agent to represent reimbursed shared expenses in later year (20XX) that included \$ made directly to the landlord for shared occupancy for two full months of

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rent. For the years 20XX and 20XX, there was no allocation of expenses, where it was not until the agent's visits that the nonallocation of shared expenses was discovered. During the examination during the 3<sup>rd</sup> quarter of 20XX, the (FP) CO-1 made two reimbursements back to the (NP) ORG., where \$ was reimbursed back from the (FP) CO-1 to (NP) ORG. for 20XX, and \$ reimbursed for 20XX for same.

The ledger books for the NP and FP accounts were commingled on the same large hand-written (green-lined) tablets. It was difficult to identify where one account was reported for the (NP) ORG., and where other transactions began for the (FP) CO-1, as there was no true separation of accounts. During the examination, the officers could not make a determination whether the amounts tabulated on the combined large ledger book, with the commingled columns were correct, for either the Non-Profit and For-Profit categories. There was considerable overlap of the records in the hand-written ledger books, and it was difficult to distinguish each of the separate entries of the For-Profit and Non-Profit accounts.

The expenses every year totaled exactly the same as the revenues (see Exhibits A-1, A-2). When the agent asked BM-1 & BM-2 why this was reported in this manner, they were under the assumption that they had to spend down most all of the income. Much of the remaining expenses at year-end were written to the officers, with no clear reasoning in the disbursements for these wage payments.

The officers' salaries are shown on attached schedules (Exhibits: A-1 for 20XX, A-2 for 20XX). In relation to the overall gross receipts for the (NP)ORG, the two officers' salaries, during 20XX, comprised approximately % of the (NP)ORG's total expenses, while in 20XX, the total officers' wages comprised approximately % of the (NP)ORG's total expenses.

The officers' salaries, with health insurance, was more than one-half, or %, of the total gross receipts taken in by the (NP) ORG for the individual tax years in 20XX and 20XX.

In documentation further provided during the examination, it stated that for 20XX the BOD's approved an hourly rate of forty dollars (\$) per hr. for **BM-1** working forty-one (41) hrs per week, or \$ x 41 hrs. x 52 weeks = \$ **salary**. For **BM-2**, it stated they approved twenty-five dollars (\$) per hour, for her working twenty-three (23) hrs per week (on average), or \$ x 23 hrs. x 52 weeks = \$ **salary**.

**Activity Description-** NP) ORG. takes care of approximately 446 clients in both Trust Accounts (Non-Profit Trust), and Representative Payee for Social Security (SS) Beneficiary clients, further explained in the SS Rep Payee section. Of the 446 clients serviced in 20XX, there were 238 SS Clients, 3 Dedicated Educational/Medical Accounts, 5 Convenience Bill Paying (Full-Service) Allowables, and 200 DMPs.



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First the client calls in to set-up an appointment with the counselor, BM-1. The appointment is scheduled with BM-1, while the office staff answers any questions the clients may have. It is not known at the inception of the interview, whether the client is going to be put into the NP or the FP accounts, until after the client(s) have had their credit counseling interview with BM-1. He then determines where they will be entered. In 20XX, both the FP and NP accounts were commingled, while they separated them in 20XX.

The prospective clients may either come into the office as either a "walk-in" or, "phone scheduled" appointment. The fee for the initial consultation with BM-1 is (\$). If the client signs up under the NP program, the set-up fee is (\$). In 20XX, there were approximately fifteen (15) existing (FP)CO-1 clients, and taxes were paid on them. In 20XX, the (FP) CO-1 side had three (3) remaining clients that were pulled over from the (NP) ORG. account. The fee is (\$) for the consultation fee on the FP side, should the client determine they want the (FP) CO-1 -"CO-1" to help them with their existing debt. The clients in the FP side generally have no credit card payments owed, or any other revolving accounts, or pay-day loans. Under the For-Profit account, the monthly maintenance fees are usually higher than the Non-Profit's monthly fees.

At the conclusion of the interview, BM-1 has a better idea where to categorize the client. He then prepares the deposit slip for the (FP)CO-1 account, in the event the client is one specifically with no credit card debts, or other revolving accounts, with no potential for any reimbursement of 'Fair Shares' payments. The (NP) ORG. generally does not waive the consulting fee for new clients taken on; however this has been done on some occasions, where it's provided to those with an extreme financial hardship to pay. These accounts are not recorded, nor do they keep a list of records of any waived set-up fees of any new clients.

BM-2 or one of the other office staff members logs the entries for the payments to be made onto a client's card, with a control number assigned at the top of the card. If proposals are accepted by the creditors, they mail letters to them, regarding any 'Fair Shares' payments to be received. If the rates change throughout the duration a client is in the program, the credit card companies generally notify the (NP) ORG. of the anticipated percentage change.

Beginning in 20XX there were 240 (NP) ORG. DMP clients, and at the end of 20XX there were 196 (NP) ORG. DMP clients. Beginning in 20XX there were 21 (FP) CO-1 clients, and at the end of 20XX there were 15 (FP) CO-1 clients. Beginning in 20XX there were 205 (NP)ORG. DMP clients, and at the end of 20XX there were 200 clients in the (NP)ORG. clients.

There were four (4) 'Fair Shares' payments from CO-4, totaling \$ made during 20XX, and none made in 20XX, where these amounts were made by direct deposit into the (NP) ORG.

Some of the DMP clients are billed out monthly, while some clients may not be billed out, but are deducted from the client's monthly payments into the TRUST account. The client's check

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibits A-1, A-2
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may electronically or by mailing in the check, goes into the TRUST account, but the monthly maintenance fees get transferred into (NP) ORG.'s general checking account.

The (NP) ORG. performs all the work of soliciting and enrolling clients in DMPs, but BM-1 also determines whether this is appropriate for the client. He educates each client during the counseling session that lasts anywhere from an hour to two hours. He is very thorough in his analysis with each client. If bankruptcy is the last alternative, then it may be briefly mentioned. But, BM-1 tries everything possible to help the client with their current debt situation.

*Social Security Representative Payee Program (SS Rep Payee Program) -*

Currently, the (NP) ORG. is a payee for approximately 195 SS/SSI clients/beneficiaries. They are a payee for both adults and children, who live within their servicing area. The (NP) ORG. works with each beneficiary, as well as local agencies, to ensure that the needs of each individual are met. In this program the client has been deemed unable to handle his/her own money by SS or some other agency. The rep payee receives the monthly check for the client and has to pay all of their bills and give the client an allowance. To qualify as a fee-for-service, payee representative, an organization must be a community based, nonprofit social service agency, or organization which is bonded and licensed (providing licensing is available) in the state in which the payee serves; or be a state or local government agency with responsibility for income maintenance, social services, health care, or fiduciary duties. All monies received by the (NP) ORG. are direct deposited into a collective 'Government Trust' checking account. The accounts are balanced online through an online site with the Non-Profit's bank, called CO-5.

*Pay-Day Loans and Convenience Bill Paying (Full-Service) Allowables -* BM-1 has saved clients from paying percent (%) interest on pay-day loans. The NP is no longer doing this activity. During 20XX, the (NP) did approximately four (4) to five (5) pay-day loans, with three (3) remaining pay-day loan clients in 20XX. The (NP) ORG. will continue to service those DMPs, until their current contract expires, with only one (1) remaining in the program, with other monthly debt payments to consumers. As for convenience bill paying clients, there were approximately sixteen (16) clients in 20XX. This number *sizably decreased* in 20XX, where only five (5) clients remained at the end of 20XX for the bill paying allowable activity. Now the handful of convenience bill paying (full-service) clients has been removed from the (NP) ORG.'s inventory, where they are strictly being serviced out of the (FP) CO-1 account.

**LAW:**

IRC § 501(c)(3) provides that an organization that is organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, as long as no part of the net earnings of which inures to the benefit of any private shareholder or individual, or carries on substantial lobbying or intervenes in any political campaigns is an exempt organization.

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Treas. Reg. § 1.501(c)(3)-(c)(1) provides that an organization is regarded as operating exclusively for one or more exempt purposes if it engages primarily in activities which accomplish one or more such exempt purposes. If further states that an organization will not so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. § 1.501(c)(3)-(d)(1)(ii) states 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 this requirement it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests. Private interests include the creator or his/her family, designated individuals, shareholders of the organization, or persons controlled by the private interests.

Treas. Reg. § 1.501(c)(3)-(d)(3) defines educational as the instruction or training of the individuals for the purpose of improving or developing his capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.

In order to meet "substantial nonexempt purpose" criterion for charitable tax-exempt status, taxpayer must not be organized and operated for benefit of private interests. 26 U.S.C.A. § 501(c)(3); 26 C.F.R. § 1.501(c)(3)-1(d)(1)(ii).

#### **GOVERNMENT'S POSITION:**

There is private benefit because the (NP) ORG. is generating leads for the (FP)CO-1 entity at the front-end of the intake process, or as a 'front-end' lead generator. There are no lines of distinction, and the Non-Profit is a conduit for the For-Profit in this side by side operation of the two entities. Leads are generated for the (FP)CO-1 through the operating of the (NP)ORG., where clients can enroll into the full-services offered by the (FP)CO-1, when there are no more credit card accounts, or 'Fair Shares' payments.

As described above, as provided in Regulation 1.501(c)(3)-1(d)(1)(ii) an organization must serve a public rather than a private interest. The organization must demonstrate that it is not operated for the benefit of private interests of the founder, owner or shareholders. In this case the organization has not demonstrated that criteria. As a lead generator for the (FP)CO-1, it is serving the private interests of BM-1 and BM-2, owners of the (FP)CO-1, rather than the public.

Because of the organization's exempt status, it is able to set up DMPs for the For-Profit's clients. The large credit card companies only will deal with exempt organizations in setting up DMPs. The DMPs give the clients lower interest rates and lower monthly payments, and without these benefits the (FP)CO-1 would not attract as many customers.

Appeal rights are fully covered in Publication 892.

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**TAXPAYER'S POSITION:**

The taxpayer disagrees with the findings. It feels that with regard to the credit counseling activity, the (NP) ORG. is operating similar to the court case: *Consumer Credit Counseling Serv. Of Ala., Inc. v. United States*, 44 AFTR 2d 79-5122, 78-2 USTC par. 9660 (D.D.C.1978).

In addition, it feels the amount of resources and time that benefits the (FP) CO-1 is small in comparison to education of clients and helping the social security recipients. The organization feels it is educating clients on how to handle their money and is performing a 501(c) (3) purposes by performing the services of a social security rep payee.

It feels it has made adequate changes in their books and records in handling their credit counseling clients, sufficiently segregating the books, where they have changed their method of bookkeeping by segregating the Non-Profit accounts from the For-Profit, as well as, changed their recordation with 4-5 summarized header categories of expenses for the Non-Profit.

**CONCLUSION:**

The organization's exempt status should be revoked based on private benefit. It needs to file Forms 1120 for the years ending December 31, 20XX, 20XX, and 20XX. These should be sent to the revenue agent at:

Internal Revenue Service