



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TEGE:EO Examinations
1100 Commerce Street MC 4920
Dallas, TX 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: **MAR 26 2015**

Number: **201534016**
Release Date: 8/21/2015

Person to Contact:

Identification Number:

Contact Telephone Number:
Telephone:

EIN:

501.03-00

CERTIFIED MAIL-Return Receipt Requested

Dear _____ :

This is a final revocation letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. Our favorable determination letter to you dated September 30, 19XX recognizing you as an organization described in section 501(c)(3), is hereby revoked effective January 1, 20XX.

The revocation of your exempt status was made for the following reasons:

Treas. Reg. section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not operated exclusively for exempt purposes unless it serves a public rather than a private interest. You are operated for the benefit of private interests of a particular and specified individual.

As such, you failed to meet the requirements of I.R.C. Section 501(c)(3) and Treasury Regulation Section 1.501(c)(3)-1(d)(1)(ii) in that you have not demonstrated that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3).

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code, effective January 1, 20XX.

You are required to file Federal income tax returns on Form 1120. Because you are a private foundation as of the effective date of revocation, you are considered to be a 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.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

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 Claim Court or the District Court of the United States for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment. Please contact the clerk of the respective court for rules and the appropriate forms regarding filing petitions for declaratory judgment by referring to the enclosed Publication 892. Please note that the United States Tax Court is the only one of these courts where a declaratory judgment action can be pursued without the services of a lawyer. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20005

U.S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

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 your tax information and can help you get answers. Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax 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 877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Local Taxpayer Advocate

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

Sincerely yours,

Enclosures:
Publication 892
Envelope

Margaret Von Lienen
Director, EO Examinations

Internal Revenue Service
Tax Exempt and Government Entities Division
Exempt Organizations: Examinations
1122 Town & Country Commons, Room 128
Chesterfield, MO 63017-8293

Department of the Treasury

Date: 10/28/2014

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Manager's name/ID number:

Manager's contact number:

Response due date:

Certified Mail – Return Receipt Requested

Dear _____ :

Why you are receiving this letter

We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action – Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Effect of revocation status

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't 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:

Internal Revenue Service
Office of the Taxpayer Advocate

For additional information

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,

Stephen A. Martin
Acting Director, EO Examinations

Enclosures:
Report of Examination Form 886
Form 6018
Publication 892
Publication 3498

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

ISSUE

Should the _____ continue to be exempt from federal income tax under Internal Revenue Code 501(c)(3) as a public charity?

FACTS

The _____ exempt organization is recognized as a section 501(c)(3) and receiving support from governmental unit or general public as a Public Charity Status 170(b)(1)(A)(vi).

The exempt organization's primary exempt purpose listed on their 20XX, Form 990 tax return, and is to provide child care for low income families.

Form 1023, application the corporation was formed for the following purpose, as an independent child care center committed to serving children ages six weeks through five year of age. _____ also indicated that organization was a child care organization and it did not provide or administer any scholarship benefits, student aid, etc.

The _____ website mission is to help provide high quality early childhood care and education, help prepare children to succeed in school and in life, and to help families achieve goals.

In reviewing _____ books and records for 20XX the exempt organization had closed their child care facility, sold, and distributed their physical assets to other exempt organizations. The organization had not terminated the organization.

In review, _____, subsequent 20XX tax year, was no longer providing child care for low income families and to help raise funds to support its mission and goals, The resale store was opened in April 20XX. The _____, a nonprofit consignment resale store offering upscale home furnishings to the public to support the organization's mission.

LAW

Section 501(c)(3) of the Internal Revenue Code defines, as an organization exempt from taxation under section 501(a) as corporations, and any community chest, fund, or foundation, 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 (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in

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subsection (h)), and which does not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Section 1.501(c)(3)-1(a) of the Regulations prescribes the requirements for exempt under § 501(c)(3) of the Internal Revenue Code: In order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt. The term "exempt purpose or purposes", as used in this section, means any purpose or purposes specified in section 501(c)(3) of the Internal Revenue Code, as defined and elaborated in paragraph (d) of this section.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

Section 1.501(c)(3)-1(c)(3) of the Regulations provides 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.

Revenue Procedure 90-27, 1990-1 CB 514, (Apr. 30, 1990) provides that a ruling or determination letter recognizing exemption may be revoked or modified by (1) a notice to the Trust to whom the ruling or determination letter originally was issued, (2) enactment of legislation or ratification of a tax treaty, (3) a decision of the United States Supreme Court, (4) issuance of temporary or final regulations, or (5) issuance of a revenue ruling, revenue procedure, or other statement published in the Internal Revenue Bulletin. The revocation or modification may be retroactive if the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, in the case of organizations to which section 503 applies, engaged in a prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purpose and such transaction involved a substantial part of the corpus or income of such organization. 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. In cases where a ruling or determination letter was issued in error or is no longer in accord with the holding of the Service, when section 7805(b) relief is granted (see sections 15 and 18 of Rev. Proc. 90-4), retroactivity of the revocation or modification ordinarily will be limited to a date not earlier than that on which the original ruling or determination letter is modified or revoked.

TAXPAYER'S POSITION

The taxpayer is being presented with this report at this time and their position is unknown at this time on the issue.

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

GOVERNMENT'S POSITION

Should _____ continue to be exempt from federal income tax under the Internal Revenue Code ("Code") § 501(c)(3) as public charity.

_____ no longer qualifies for exemption from federal income tax under Code § 501(c)(3). Organization is not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

_____ no longer provides child care for low income families and longer operates a child care facility in which it was given exempt status.

_____ is now doing business as _____, a nonprofit consignment resale store offering upscale home furnishings to the public.

CONCLUSION

The _____ was granted exemption in 19XX as a 501(c)(3) public charity as a child care facility.

The _____ now doing business as _____, a resale store accepting donations and consignments.

The government contends in its position that the _____ exemption from federal Income Tax should be revoked back to the tax period January 1, 20XX.

The correction the organization needs to file Form 1120, U.S. Corporation Income Tax Return, should be filed for the tax periods ending December 31, 20XX, and December 31, 20XX.