



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TE/GE: EO Examinations
1100 Commerce Street, MC 4920 DAL
Dallas, TX 75242

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

October 16, 2015

Release Number: **201603038**
Release Date: 1/15/2016
UIL Code: 501.03-00

Taxpayer Identification Number:

Person to Contact:

Identification Number:

Contact Telephone Number:

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). Our favorable determination letter to you dated October 1993 is hereby revoked and you are no longer exempt under section 501(a) of the Code effective November 1, 20XX.

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

You are not operating for any charitable, religious, educational, or other exempt purpose. Our examination, for the tax years ended December 31, 20XX and December 31, 20XX, reveals that you are not engaged primarily in activities which accomplish religious, charitable, educational or other exempt purposes as required by Treas. Reg. section 1.501(c)(3)-1(c)(1). Moreover, you failed the organizational test for exemption because your corporate status has been suspended; therefore, you are not a corporation, community chest, fund, or foundation as required by I.R.C. section 501(c)(3).

Contributions to your organization are no longer deductible under IRC §170 after November 1, 20XX.

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

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 Internal Revenue Code.

If you decide to contest this determination under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91st Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to these courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, D.C. 20217

United States Court of Federal Claims
717 Madison Place, NW
Washington, D.C. 20005

United States District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, D.C. 20001

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for our assistance, which is always free, TAS will do everything possible to help you. Visit taxpayeradvocate.irs.gov or call 1-877-777-4778.

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

Sincerely,

Margaret Von Lienen
Director, EO Examinations

Enclosure:
Publication 892

Internal Revenue Service
Tax Exempt and Government Entities Division
Exempt Organizations: Examinations
1100 Commerce Street MS 4900-DAL
Dallas, TX 75242-1027

Department of the Treasury

Date:

April 23, 2015

Taxpayer Identification Number:

Form:

990 & 990EZ

Tax Year(s) Ended:

December 31, 20XX and 20XX

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,

Margaret Von Lienen
Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886-A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule number or exhibit
Name of Organization/Taxpayer	Tax Identification Number	Year/Period ended December 31, 20XX and 20XX

Issue:

Whether the tax exempt status of _____ (“ ”) should be revoked as of November 1, 20XX, for failing to comply with the operational test within the meaning of Section 501(c)(3) of the Internal Revenue Code (“Code”) and the regulations thereunder.

Facts:

Organizational information:

_____ was incorporated in the State of _____ on August 7, 19XX. _____ no longer has any governing instruments: Articles of Incorporation, bylaws, application form for recognition of exemption, and the determination letter. We were unable to obtain the archived copies of these documents from the IRS’s Records Unit. Nevertheless, IRS records indicate that _____ received its exempt status under Sections 501(c)(3) and 170(b)(1)(A)(ii) of the Code in October 19XX.

The name shown on all returns that _____ filed are slightly different from the name within IRS records. The Form 990, *Return of Organization Exempt From Income Tax*, _____ filed for the year ending December 31, 20XX had the name “

_____”. The unabbreviated version of this name is _____, d.b.a. _____ . The State of _____ website indicated _____ name as “ _____ ” However, _____ full name within the IRS records is _____, without “ _____ ” or doing business as name. Without governing instruments, and without any records indicating _____ requested a name change, we were not able to determine the cause of these differences. To indicate all these variations of names represent the same entity, we included them all in the header of this report.

Operational information:

We audited the Form 990 for the year ending December 31, 20XX, Form 990-EZ, *Short Form, Return of Organization Exempt From Income Tax*, for the year ending December 31, 20XX, and the activities of _____.

The mission was “*Education of children from kindergarten through Grade 8*” on both returns. In 20XX, _____ reported \$ _____ program service expenses and stated its accomplishment as “*During the year the organization served approximately 22 students in its academic, extracurricular and other programs and activities.*” In 20XX, _____ reported \$ _____ program service fee and stated that “*During the spring semester the Organization served approximately 12 students. School closed in June 20XX.*”

Agent _____ interviewed the chief financial officer (“CFO”) on July 29, 20XX. The CFO started working for _____ in October 20XX as a bookkeeper, but she did the books at home. Therefore, she was not familiar with _____ activities and operations. According to her, _____ was a regular Pre-K through 8th grade private

Form 886-A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule number or exhibit
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school that offered academic programs to students. It might have operated after-school programs, but she was not sure. experienced financial difficulties since 20XX due to lack of enrolled students.

According to the financial statements, generated income from donations, tuitions, material fees, summer school, and fundraising events.

 filed its final return for the year ending December 31, 20XX, and checked the box "Terminated." Bank statements showed that closed all its bank accounts in October 20XX.

However, had not officially terminated its status. hadn't filed the Articles of Dissolution. The CFO stated that had some difficulties in filing the Articles of Dissolution without providing specific reasons.

LAW

Organizational and Operational Requirements for Exemption:

Section 501(c)(3) of the Code provides that an organization must be organized and operated exclusively for a "charitable" or other exempt purpose. For an entity to be organized for an exempt purpose, it must be a corporation, community chest, fund or foundation.

Section 1.501(c)(3)-1(a)(1) of Federal Tax Regulations ("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. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

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 that 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 an exempt purpose. The existence of a substantial nonexempt purpose, regardless of the number or importance of exempt purposes, will cause failure of the operational test.

Section 1.501(c)(3)-1(d)(1)(i) of the Regulations provides that an organization may be exempt as an organization described in Section 501(c)(3) of the Code if it is organized and operated exclusively for one or more of the following purposes:

- (a) Religious,
- (b) Charitable
- (c) Scientific,
- (d) Testing for public safety,
- (e) Literary
- (f) Educational, or

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(g) Prevention of cruelty to children or animals.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations provides, in part, that the organization must establish 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."

Government's Position

For an organization to maintain its exempt status, it must meet both organizational and operational tests under Section 501(c)(3) of the Code and Section 1.501(c)(3)-1(a)(1) of the Regulations. The operational test generally requires that an organization operates consistently within the requirements of the Code. Otherwise, the organization is not operated exclusively for charitable purposes, and will lose its tax exempt status.

stopped its operation in June 20XX. completed winding down all matters in October 20XX when it closed all its bank accounts. The documents we observed confirmed these statements. has not carried on any exempt activity since October 20XX. Accordingly, stopped meeting the operational test since October 20XX within the meaning of the Regulations Section 1.501(c)(3)-1(d). Nevertheless, failed to complete its termination process, because it did not officially dissolve its status with the State of . Therefore, we propose to revoke its exempt status under Sections 501(c)(3) and 170(b)(1)(A)(vi) of the Code, effective November 1, 20XX.

To indicate that name variations represent the same entity, we will be using " " on the revocation agreement Form 6018, *Consent to Proposed Action-Section 7428*.

Taxpayer's Position

The CFO orally agreed with the revocation to exempt status.

Conclusion:

failed the operational test because it stopped operating in October 20XX. The exempt status of should be revoked effective November 1, 20XX.

is required to file Forms 1120, *U.S. Corporation Income Tax Return*, from November 1, 20XX and all the subsequent years, if applicable.