



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Attn: Mandatory Review, MC 4920 DAL  
1100 Commerce St.  
Dallas, TX 75242**

**Date: April 12, 2016**

Release Number: **201631015**

Release Date: 7/29/2016

UIL Code: 501.06-00

**Employer Identification Number:**

**Person to Contact/ID Number:**

**Contact Numbers:**

Dear \_\_\_\_\_ :

This is a final adverse determination regarding your exempt status under section 501(c)(6) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated January 28, 19XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

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

As a result of our examination for the tax year ended December 31, 20XX, it was determined that your organization became inactive since January 1, 20XX and that there have been no operations or regular financial activities conducted or planned. As such, you failed to meet the requirements for continued exemption under IRC 501(c)(6) and Regs. 1.501(c)(6)-1.

You are required to file Form 1120 U. S. Corporation Income Tax Return for year ending December 31, 20XX with the \_\_\_\_\_ Service Center. In addition, for future periods, you are required to file Form 1120 with the appropriate service center indicated in the instructions for 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 91<sup>st</sup> 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 TAS assistance, which is always free, TAS will do everything possible to help you. Visit [taxpayeradvocate.irs.gov](http://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 at the beginning of this letter.

Thank you for your cooperation.

Sincerely,

Paul A. Marmolejo  
Acting Director, EO Examinations

Enclosure:  
Publication 892





Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities Division  
1100 Commerce St.  
Dallas, TX 75242

Date:  
05/14/2015  
Taxpayer identification number:

Form:

Tax year(s) ended:  
December 31, 20XX

Person to contact / ID number:

Contact numbers:

Manager's name / ID number:

Manager's contact number:

Response due date:  
06/15/20XX

### Certified Mail - Return Receipt Requested

Dear :

#### Why you are receiving this letter

Enclosed is a copy of our report of examination explaining why revocation of your organization's tax-exempt status is necessary.

#### What you need to do if you agree

If you agree with our findings, please sign the enclosed Form 6018-A, *Consent to Proposed Action*, and return it to the contact at the address listed above. We'll send you a final letter revoking your exempt status.

#### If we don't hear from you

If we don't hear from you within 30 calendar days from the date of this letter, we'll process your case based on the recommendations shown in the report of examination and this letter will become final.

#### Effects of revocation

In the event of revocation, you'll be required to file federal income tax returns for the tax year(s) shown above. File these returns with the contact at the address listed above within 30 calendar days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

#### What you need to do if you disagree with our findings

If you disagree with our position, you may request a meeting or telephone conference with the supervisor of the 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.

If you and Appeals don't agree on some or all of the issues after your Appeals conference, or if you don't request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court after satisfying procedural and jurisdictional requirements.

You may also request that we refer this matter for technical advice as explained in Publication 892. Please contact the person identified in the heading of this letter if you're considering requesting technical advice. If we send a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, then 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 Service (TAS). **TAS is your voice at the IRS. This service helps taxpayers whose problems with the IRS are causing financial difficulties; who have tried but haven't been able to resolve their problems with the IRS; and those who believe an IRS system or procedure is not working as it should. If you believe you are eligible for TAS assistance, you can call the toll-free number 1-877-777-4778 or TTY/TDD 1-800-829-4059. For more information, go to [www.irs.gov/advocate](http://www.irs.gov/advocate).** 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 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-A  
Publication 892  
Publication 3498



Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended  December 31, 20XX

**ISSUES:**

Whether (EO) is qualified to be exempt under Internal Revenue Code (IRC) section 501(c)(6) since it ceased activities starting January 1, 20XX.

**FACTS:**

EO was incorporated in the state of on June 19, 19XX. On January 28, 19XX determination was made that organization is exempt from Federal Income Tax as an organization described in section 501(c)(6).

The EO provided death benefits of \$ to the families of slain troopers.

The Attorney General was investigating the EO because there were indication that an officer/key employee of the EO was utilizing exempt organization funds for personal benefit and inurement. The AG completed their examination with the issuance of Probate Court of County, "Agreed Final Judgment and Permanent Injunction".

The "Agreed Final Judgment and Permanent Injunction":

- The individual officers/key employees were to turn any EO assets in their possession over to the court appointed receiver.
- The receiver was to sell all EO assets and turn over all money and to the Department of Public Safety Foundation and the Department of Public Safety
- The officer/employee mentioned above is to pay \$ to the State of representing attorney fees, and \$ for penalties.

The AG's office seized control of the EO and an attorney, , was appointed by the courts to act as receiver for the dissolution of the EO as of December of 20XX. EO has not been conducting any exempt activities since January 1, 20XX. has closed down the EO but had failed to file the final return. The Comptroller website shows the EO as "Involuntarily Terminated".

The EO currently has no assets of liabilities.

**LAW:**

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.



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Section 1.501(c)(6)-1 of the regulations defines a business league as an association of persons having a common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. That regulation also states that a business league's activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Section 1.501(c)(6)-1 of the regulations definitions of "persons" include legal entities such as trusts and corporations.

To meet the requirements of IRC 501(c)(6) and Reg. 1.501(c)(6)-1, an organization must possess the following characteristics:

1. It must be an association of persons having some common business interest and its purpose must be to promote this common business interest;
2. It must be a membership organization and have a meaningful extent of membership support;
3. It must not be organized for profit;
4. No part of its net earnings may inure to the benefit of any private shareholder or individual;
5. Its activities must be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons;
6. Its primary activity does not consist of performing particular services for individual persons; and
7. Its purpose must not be to engage in a regular business of a kind ordinarily carried on for profit, even if the business is operated on a cooperative basis or produces only sufficient income to be self-sustaining.

**TAXPAYER'S POSITION:**

Taxpayer has agreed to the revocation.

**GOVERNMENT'S POSITION:**

Based on the fact and circumstances of this organization, we have come to the conclusion that EO does not qualify to be exempt as an organization described in IRC

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
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section 501(c)(6) because it is not performing activities in furtherance of its exempt purpose.

**CONCLUSION:**

As stated above, EO does not qualify to be exempt under IRC section 501(c)6) or any other section of the Code.

The service will not secure form 1120-H from the EO because all the proceeds have been donated to bona fide charities as per instructions of the court.