



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TEGE EO Examinations Mail Stop 4920 DAL
1100 Commerce St.
Dallas, Texas 75242

Date: June 10, 2016

Release Number: 201637016
Release Date: 9/9/2016
UIL Code: 501.03-00

Taxpayer Identification Number:

Person to Contact:

Employee Identification Number:

Employee Telephone Number:
(Phone)
(Fax)

UIL: 501.03-00

CERTIFIED MAIL – RETURN RECEIPT

Dear _____ :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code. Our favorable determination letter to you dated February 2003 is hereby revoked and you are no longer exempt under section 501(a) of the Code effective July 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 June 30, 20XX, it was determined that you have been inactive since 20XX, and there have been no regular exempt financial activities or operations conducted or planned since that time. Therefore, you are no longer operating exclusively for exempt purposes.

Contributions to you are no longer deductible under IRC §170 after July 1, 20XX.

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 the United States Tax Court at the following address:

United States Tax Court
400 Second Street, NW

Washington, DC 20217

You also have the right to contact the Office of the Taxpayer Advocate. 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 or call 1-877-777-4778. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Office of the 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,

Margaret Von Lienen
Director, EO Examinations

Enclosures:
Publication 892

Internal Revenue Service
Tax Exempt and Government Entities Division
Exempt Organizations: Examinations

Department of the Treasury

Date:

September 16, 2015

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

June 30, 20XX

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Manager's name/ID number:

Manager's contact number:

Telephone:

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 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended June 30, 20XX

ISSUE:

Whether _____ continues to qualify for exemption as an organization described in the Internal Revenue code (IRC) Section 501(c)(3) because it has not had any significant operations since 20XX, when it was incorporated.

FACTS:

_____ was incorporated under the laws of the State of _____ with an effective date of April 1, 20XX for the purpose of the following:

To provide _____ and _____ services to business, schools, non-profit organizations, churches, community groups, and the related.

To _____ for community and family development.

To promote _____

To provide _____

The Form 1023, *Application for Exemption*, states your purposes are to provide _____. You indicated you would identify _____, and provide _____. Your work was to be based on _____ of revenues would be from _____. You indicated the majority of revenues would be from _____ with a minimal amount of fees for _____.

On March 7, 20XX, _____ was recognized to be exempt from Federal income tax as an organization described in IRC Section 501(c)(3). This was an advance ruling of your Foundation Status which ended on December 31, 20XX.

_____ filed Form 990, *Return of Organization Exempt from Income Tax*, for the period ending December 31, 20XX and has not filed that return since.

At the end of your advanced ruling period, you were required to send financial information into the Internal Revenue Service in support of your foundation classification as a public charity. At the end of the advance ruling review process, your foundation status was changed to that of a Private Non-operating Foundation.

Upon the change of your foundation status, you were required to file Form 990-PF, *Return of Private Foundation* for the period ending December 31, 20XX. You failed to file this return. You filed Forms 990-PF for the following periods ending:

December 31, 20XX

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Name of Taxpayer		Year/Period Ended June 30, 20XX

December 31, 20XX
 June 30, 20XX ¹
 July 31, 20XX
 June 30, 20XX
 June 30, 20XX

During this audit, _____ represented the organization as the sole point of contact. _____ was held out as the Vice Chair during the application process which started in 20XX. _____ was the primary contact point during the application process; providing the two responses needed before it was recognized as an exempt organization. _____ also signed Articles of Amendment as the Vice President.

_____ is represented in the following positions related to the organization on the following Forms 990-PF:

	Vice Chair	Vice President	Interim Chair
Dec. 20XX			
Dec. 20XX			
Jun. 20XX			
Jul. 20XX			
Jun 20XX			
June 20XX			

On phone calls with the Agent, _____ stated activities of the organization included working with other organizations to put on events, shows, festivals, and seminars. _____ indicated that the organization has never received any income nor incurred any expense. _____ indicated that since the death of the prior President, _____, activities have been very limited. However, _____ has stated she wants to start operations again.

In our letter dated March 16, 20XX, we requested any documentation to substantiate activities conducted to further exempt purposes. While we emphasized activities from the past X years and any planned activities, we also asked for any other information to show _____ was operated for exempt purposes.

* * * *

¹ This heading of this return indicates it was for the period July 31, 20XX. It was processed by the IRS as being for the period ending June 30, 20XX. It is a carbon copy of the return for the period ending July 31, 20XX.

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Name of Taxpayer		Year/Period Ended June 30, 20XX

In support of past activities, we were provided XX pages of documents, most of which were undated. In regards to future activities, the sole comment was “
.”

LAW:

IRC § 501(c)(3) exempts from federal income tax organizations which are 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 subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

IRC § 6001 provides that every person liable for any tax imposed by the Code, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

Reg. § 1.501(c)(3)-1(d)(i) states that an organization may be exempt as an organization described in 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals.

Reg. § 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Reg. § 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 which accomplish one or more of such exempt purposes specified in section 501(c)(3).

Reg §1.6001-1(e) states that the books or records required by this section shall be

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Name of Taxpayer		Year/Period Ended June 30, 20XX

issued. The revocation or modification may be retroactive if the organization, in relevant part, operated in a manner materially different from that originally represented. 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.

Revenue Ruling 58-617, 1958-2 CB 260, (Jan. 01, 1958) Rulings and determinations letters granting exemption from Federal income tax to an organization described in section 501(a) of the Internal Revenue Code of 1954, to which contributions are deductible by donors in computing their taxable income in the manner and to the extent provided by section 170 of the Code, are effective only so long as there are no material changes in the character of the organization, the purposes for which it was organized, or its methods of operation. The District Director of Internal Revenue for the district in which the organization is located *must be* advised immediately of any such changes in order that a determination may be made as to the effect the changes may have upon the exempt status of the organization. See generally sections 1.501(a)-1 and 1.6033-1 of the Income Tax Regulations. Failure to comply with this requirement may result in serious consequences to the organization for the reason that the ruling or determination letter holding the organization exempt may be revoked retroactively to the date of the changes affecting its exempt status, depending upon the circumstances involved, and subject to the limitations on retroactivity of revocation found in section 503 of the Code.

Effective Date of Revocation

IRC § 7805(B) of the Internal Revenue Code stated that the Secretary may prescribe the extent, if any, to which any ruling or regulation, relating to the internal revenue laws, shall be applied without retroactive effect.

Rev. Proc. 2015-9 Section 12.01, in part, states the following:

The revocation or modification of a determination letter recognizing exemption may be retroactive if the organization omitted or misstated a material fact or operated in a manner materially different from that originally represented.

(1) 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.

TAXPAYER'S POSITION:

The organization's representative has stated the organization has no income or expense from any activities. After the first submission of documents, indicated that _____ was unable to produce any documentation of recent

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activities actually conducted by the organization and there were no concrete, specific, and current plans for the future.

The agent explained to _____ on July 14, 20XX that without further documentation or more detailed plans for the future, he would be recommending revocation. While _____ again indicated she would like to change the name of the entity and start operations again, _____ indicated a somewhat reluctant agreement to the revocation.

Because of _____ reluctance, the agent allowed _____ additional time to submit a plan to start operations. As of January 11, 20XX, no additional documentation has been provided and the agent has not been contacted by _____.

GOVERNMENT'S POSITION AND CONCLUSION:

_____ has been recognized as exempt since March of 20XX. While the organization has filed a Form 990 and several Forms 990-PF, it has never reported any revenues or expenses on the Forms.

_____ advance ruling period was from March 7, 20XX until December 31, 20XX. Its filing history suggests that it had no income or expenses during this period. _____ has confirmed it has never had income or expenses. This lack of earnings resulted in its reclassification as a Private Foundation.

When filing the Form 990-PF for 20XX, _____ provided a statement requesting abatement of late filing penalties. This statement included the comment, “ _____ ”.

The Form 990-PF for the period ending June 30, 20XX indicates, “ _____ ”. The penalty abatement request provided with this return states the following:

“ _____ ”.

The Form 990-PF for the period ending June 30, 20XX has an attachment that states, “ _____ ”.

The Form 990-PF for the period ending June 30, 20XX has an attachment with the same statement as the 20XX returns, except without the request for a penalty abatement.

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While _____ provided verbal testimony about _____ working with other organizations to put on events, shows, festivals, and seminars, the documents provided to support this were not conclusive. Most of the documents describe activities that could have been offered, but there is no evidence any were actually conducted.

The sole activity that appears to have been conducted was an event on May 19, 20XX. The event was “_____.” This event was a bookfest with a speaker. There was no information provided about how _____ was involved and no verbal testimony explained this in more detail. The event has a suggested donation of \$XX. Vendors and those wishing to place ads were given _____ as a contact. However, _____ has never reported any income.

Exempt organizations must maintain records to prove they are operated for exempt purposes. They must maintain these records for as long as they are material to the administration of any internal revenue law. The only records provided of actual activities conducted was an event that its _____ was involved in. _____ could have been volunteering for the other co-presenter. There were no records suggesting the board of directors of _____ were involved. Therefore, we are unable to consider this as a event.

This was the only event that _____ was able to document as occurring. It has thus documented one activity in XX years. Even, if this event was solely the activity of _____, and if it would have correctly reported the income and expenses for this event, it would not establish that _____ has operated for exempt purposes since 20XX.

The Service position is that, the organization has been inactive since inception, consistent with its Form 990 and 990-PF filing history. It is therefore determined that it is not operating for exempt purposes and fails to meet the operational requirements to continue its exemption status under IRC 501(c)(3).

It is the government's position _____ has never operated in a manner consistent with operations as described on its application for exemption, for which it was recognized as an exempt organization. Therefore, Section 7805(b) relief is not appropriate. The effective date of its revocation will be April 1, 20XX.