



**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
TE/GE EO Examinations  
1100 Commerce Street M/C 4920 DAL  
Dallas, TX 75242

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Date: **JUN 16 2016**

Number: **201640023**  
Release Date: 9/30/2016

Person to Contact:  
Identification Number:  
Telephone Number:  
In Reply Refer to:

LAST DATE FOR FILING A PETITION  
WITH THE TAX COURT:

UIL: 501.03-00

CERTIFIED MAIL- Return Receipt Requested

Dear :

This is a Final Adverse Determination Letter that your exempt status under section 501(c)(3) of the Internal Revenue Code (IRC) is revoked. Recognition of your exemption under IRC section 501(c)(3) is revoked effective July 1, 20XX.

Our adverse determination was made for the following reason(s):

You have not established that you are operated exclusively for an exempt purpose or that you have been engaged primarily in activities that accomplish one or more exempt purposes within the meaning of IRC section 501(c)(3).

Contributions to your organization are not deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending June 30, 20XX and for all years thereafter.

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 91<sup>st</sup> 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.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. We 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, we will do everything possible to help you. Visit [taxpayeradvocate.irs.gov](http://taxpayeradvocate.irs.gov) or call 1-877-777-4778.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

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

Sincerely yours,

Margaret Von Lienen  
Director, EO Examinations

Enclosures:  
Publication 892

**Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities Division**

Date: January 11, 2016  
Taxpayer Identification Number:

Form:

Tax year(s) ended:

Person to contact / ID number:

Contact numbers:  
Phone Number:  
Fax Number:

Manager's name / ID number:

Manager's contact number:  
Phone 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,

Paul A. Marmolejo  
Acting Director, EO Examinations

Enclosures:  
Report of Examination  
Form 6018  
Publication 892  
Publication 3498

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

**Issues 1:**

Does \_\_\_\_\_ continue to qualify for exemption from Federal income tax under Internal Revenue Code section 501(c)(3)?

**Issues 2:**

Does \_\_\_\_\_ continue to qualify a private foundation as described in Internal Revenue Code section 509(a)?

**Facts:**

\_\_\_\_\_ incorporated on November 30, 19XX in \_\_\_\_\_, At that time the name was \_\_\_\_\_ and changed in 20XX.

Article X of the \_\_\_\_\_ Articles of Incorporation states the is organized exclusively for \_\_\_\_\_ within the meaning of Internal Revenue Code (Code) section 501(c)(3).

The \_\_\_\_\_ submitted Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3)*, to the Internal Revenue Service (IRS) on December 2, 19XX. The narrative description in Part II, *Activities and Operational Information*, (attached) provides in part:

The IRS issued Letter 1045, dated January 28, 19XX, recognizing the \_\_\_\_\_ as an exempt organization under Code section 501(c)(3) and that it was likely to qualify as a public charity under Code section 509(a)(2).

The IRS issued Internal Revenue Bulletin 20XX-X, dated February 21, 20XX, providing a list of organizations that failed to establish or were unable to maintain their status as a public charity or as operating foundations; the \_\_\_\_\_ is listed on the \_\_\_\_\_ page. The listing on the Bulletin does not indicate the organizations lost their tax exempt status under Code section 501(c)(3).

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Current IRS records show the \_\_\_\_\_ is recognized as a tax exempt organization under Code section 501(c)(3) and as a private non-operating \_\_\_\_\_.

The \_\_\_\_\_ Form 990-PF, *Return of Private Foundation*, Part I for the period ending June 30, 20XX shows the \_\_\_\_\_ did not receive any revenue or incur any expenses. Part II shows the \_\_\_\_\_ does not have any assets.

The \_\_\_\_\_ Form 990-PF, Part I for the period ending June 30, 20XX shows the \_\_\_\_\_ did not receive any revenue or incur any expenses. Part II shows the \_\_\_\_\_ does not have any assets.

The \_\_\_\_\_ Form 990-PF, Part I for the period ending June 30, 20XX shows the \_\_\_\_\_ did not receive any revenue or incur any expenses. Part II shows the \_\_\_\_\_ does not have any assets.

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**Law:**

Code section 509(a) provides in part, the term "private foundation" means a domestic or foreign organization described in Code section 501(c)(3) other than,

Code section 509(a)(1) an organization described in Code section 170(b)(1)(A) (other than in clauses (vii) and (viii)),

Code section 509(a)(2) an organization which normally receives more than one-third of its support in each taxable year from any combination of gifts, grants, contributions, or membership fees, and gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities, in an activity which is not an unrelated trade or business (within the meaning of Code section 513), not including such receipts from any person, or from any bureau or similar agency of a governmental unit,

Code section 509(a)(3)(A) an organization that is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations described in paragraph (1) or (2), is operated, supervised, or controlled by one or more organizations described in paragraph (1) or (2), supervised or controlled in connection with one or more such organizations, or operated in connection with one or more such organizations, and is not controlled directly or indirectly by one or more disqualified persons (as defined in Code section 4946) other

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than foundation managers and other than one or more organizations described in paragraph (1) or (2); and

Code section 509(a)(4) an organization which is organized and operated exclusively for testing for public safety.

Code section 509(b) provides in part if an organization is a private foundation (within the meaning of subsection (a)) on October 9, 1969, or becomes a private foundation on any subsequent date, such organization shall be treated as a private foundation for all periods after October 9, 1969, or after such subsequent date, unless its status as such is terminated under Code section 507.

Code section 507(a) provides in part except as provided in subsection (b), the status of any organization as a private foundation shall be terminated only if,

Code section 507(a)(1) such organization notifies the Secretary (at such time and in such manner as the Secretary may by regulations prescribe) of its intent to accomplish such termination, or

Code section 507(a)(2)(A) with respect to such organization, there have been either willful repeated acts (or failures to act), or a willful and flagrant act (or failure to act), giving rise to liability for tax under chapter 42, and

Code section 507(a)(2)(B) the Secretary notifies such organization that, by reason of subparagraph (A), such organization is liable for the tax imposed by subsection (c), and either such organization pays the tax imposed by subsection (c) (or any portion not abated under subsection (g)) or the entire amount of such tax is abated under subsection (g).

Code section 170(b)(1)(A)(i) describes a church or a convention or association of churches.

Code section 170(b)(1)(A)(ii) describes an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

Code section 170(b)(1)(A)(iii) describes an organization the principal purpose or functions of which are the providing of medical or hospital care or medical education or medical research.

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Code section 170(b)(1)(A)(iv) describes an organization which normally receives a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under Code section 501(a)) from the United States or any State or political subdivision thereof or from direct or indirect contributions from the general public, and which is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of a college or university which is an organization referred to in clause (ii) of this subparagraph and which is an agency or instrumentality of a State or political subdivision thereof, or which is owned or operated by a State or political subdivision thereof or by an agency or instrumentality of one or more States or political subdivisions.

Code section 170(b)(1)(A)(v) describes a governmental unit referred to in subsection (c)(1).

Code section 170(b)(1)(A)(vi) describes an organization referred to in subsection (c)(2) which normally receives a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under Code section 501(a)) from a governmental unit referred to in subsection (c)(1) or from direct or indirect contributions from the general public.

Code section 501(c)(3) exempts from Federal income tax 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 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.

### **Federal Tax Regulations:**

Regulations section 1.501(c)(3)-1(a) states in part that in order to be exempt as an organization described in Code section 501(c)(3), the 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 Code section 501(c)(3).



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Regulations section 1.501(c)(3)-1(c)(1) 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.

Regulations section 1.501(c)(3)-1(b)(4) states in part that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

Regulations section 1.6001-1 state in part except as provided in paragraph (b) of this section, any person subject to tax under subtitle A of the Code (including a qualified State individual income tax which is treated pursuant to section 6361(a) as if it were imposed by chapter 1 of subtitle A), or any person required to file a return of information with respect to income, shall keep such permanent books of account or records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by such person in any return of such tax or information. In addition to such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by Code section 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under Code section 501(a) shall keep such permanent books of account or records, including inventories, as are sufficient to show specifically the items of gross income, receipts and disbursements. Such organizations shall also keep such books and records as are required to substantiate the information required by Code section 6033. The books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained so long as the contents thereof may become material in the administration of any internal revenue law.

**Taxpayer's Position:**

The \_\_\_\_\_ has not provided a definitive position at this time.

The representative provided written response stating the \_\_\_\_\_ has not commenced operations, although it is actively searching for opportunities to acquire within its tax exempt purpose. The representative did not provide any supporting documentation to show the \_\_\_\_\_ search efforts.

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**Government's Position:**

**Issue 1:**

The \_\_\_\_\_ does not continue to qualify for exemption under Code section 501(c)(3) because it did not demonstrate that it is operated exclusively for a charitable purpose as required by the Code section 501(c)(3) and Regulations 1.501(c)(3).

The \_\_\_\_\_ is not an organization described in Code sections 509(a)(1), (2), (3), or (4) and therefore does not qualify for exemption as a public charity.

**Issue 2:**

The \_\_\_\_\_ does not meet the definition of a private foundation as described in Code sections 509(a) because it is not an organization described in Code section 501(c)(3).

The \_\_\_\_\_ is not an organization described in Code section 501(c)(3) because it is not organized or operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition.

The \_\_\_\_\_ should not be treated \_\_\_\_\_ for subsequent periods because it does not meet the meaning of a private foundation as provided in Code section 509(a).

The \_\_\_\_\_ was afforded an opportunity to provide support to demonstrate it currently carries on a charitable activity but none was not provide.

**Conclusion:**

The \_\_\_\_\_ does not continue to qualify for exemption under Code section 501(c)(3) because it did not demonstrate that it carries on a charitable activity and does not meet the definition of a private foundation under Code section 509(a).

EIN: pending

ATTACHMENT 2 TO IRS FORM 1023  
Information Required in Item 1 of Part II

The Applicant is a newly formed created for the purpose of  
Through these the Applicant may also provide  
The Applicant currently does not own any but plans to seek appropriate  
for acquisition or construction and to commence operations upon a determination of its tax-  
exempt status. All will be owned and operated on a non-profit basis. Each  
will have appropriate staff on duty to provide for the

While it is anticipated that the primary source of Each  
will be self-supporting in that its operating funds will be derived principally from  
Because of the

whether directly or through such as or  
However, once individuals are the Applicant will make  
efforts to assist such individuals in obtaining whatever support may be available under  
should they need such This charitable policy will be  
effectuated either by maintaining such individuals our established for that purpose  
to the extent possible; by seeking whatever support may be available; under programs;  
or by some combination of those means.

Once the Applicant has acquired several and cash flow has stabilized, the  
Applicant is interested in engaging in research and other activities related to  
For example, the Applicant is interested in Particularly, in

EIN:pending

should , thus giving the meaningful work to do, creating and  
maintaining a sense of community both within and between the and the  
in which are located, and offering opportunities for interaction between .  
The Applicant hopes to utilize the resources of various relating to to  
further its tax-exempt purposes.