



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

Date: DEC 01 2016

Release Number: 201710032
Release Date: 3/10/2017
UIL Code: 501.03-00

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

LAST DATE FOR FILING A PETITION
WITH THE TAX COURT: March 1, 20XX

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 January 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 December 31, 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 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.

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 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,

for,

Mary A. Epps
Acting Director, Exempt Organizations Examinations

Enclosure:
Publication 892



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

Date:
June 9, 2016
Taxpayer Identification Number:

Form:

Tax year(s) ended:
December 31, 20XX
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:
July 9, 20XX

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

Phone Number:

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 Leinen
Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit Exhibit 1
Name of taxpayer	Tax Identification Number	Year/Period ended 12/31/20XX

Issue

Whether tax exempt status under section 501(c)(3) of the Internal Revenue Code should be revoked.

Facts

Organizational Information

was incorporated on September 22, 20XX. The organization originally received exemption under section 501(c)(4) of the Internal Revenue Code in 20XX. The organization's original bylaws indicated that its purpose was to promote and preserve the use and knowledge of firearms and related skills, and the preservation of the Second Amendment.

On January 21, 20XX, the organization amended its Articles of Incorporation, and indicated that its purpose has and will continue to offer educational and comprehensive

On February 28, 20XX, the organization submitted Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. Exemption was granted on July 23, 20XX.

Operational Information

During the course of examination, the organization provided that it holds six to seven meetings in the months of May through November that totals about seven hours, offers approximately five educational classes one hour long during the months of May through August that consist of classes to its members and the public in conjunction with the , that totals five hours. It also provides the exchange of information and cooperation among persons interested in ownership which totals about five hours. Its , which is open to its members and the public, provides from May to August. In September and November the organization offers . The organization also provides a small private for nonmembers. All equipment except the are provided. All activities are approximately XX hours. The organization's spent approximately XX hours out of a total of XX hours on educational activities, which is about XX percent.

Financial Information

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit Exhibit 1
Name of taxpayer	Tax Identification Number	Year/Period ended 12/31/20XX

The organization filed Form 990-N.

Treasurer's Report for the year 20XX reports the following revenue and expenses:

Income

Fundraising Events:

Annual Raffle Ticket Sales	\$X,XXX.XX
Donation	XX.XX
Membership Dues	XXX.XX
Promotional Materials Sales	
Hats	XX.XX
Patches	XX.XX
Use Fees	XX.XX
Total Revenues	<u>\$X,XXX.XX</u>

Expenses

Administrative	\$ XX.XX
State fee IRS/	XXX.XX
Post Master box rental	XX.XX
Facilities:	
Maintenance & Tools	X.XX
	XX.XX
Rental (meeting place)	XX.XX
Porta Potti clean out	XX.XX
Fundraising Costs:	
Raffle Prizes	XXX.XX
Table Cost to Sell Tickets	XX.XX
Insurance	XXX.XX
Entertainment/Appreciation Awards	XX.XX
Safety Supplies	X.XX
Total Expenses:	<u>\$X,XXX.XX</u>

Net Income: **\$X,XXX.XX**

The organization did not have any expenses related to educational activities.

Law

Section 501(c)(3) of the Internal Revenue Code provides for exemption from Federal income tax of organizations organized and operated exclusively for educational, charitable, and/or religious purposes.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit Exhibit 1
Name of taxpayer	Tax Identification Number	Year/Period ended 12/31/20XX

Section 1.501(c)(3)-1(d)(3)(i)(a) of the Income Tax Regulations defines the term "educational as including the instruction or training of the individual for the purpose of improving or developing his capabilities.

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

Effective Date of Revocation

An organization may ordinarily rely on a favorable determination letter received from the Internal Revenue Service. Treas. Reg. §1.501(a)-1(a)(2); Rev. Proc. 2003-4, §14.01 (cross-referencing §13.01 et seq.), 2003-1 C.B. 123. An organization may not rely on a favorable determination letter, however, if the organization omitted or misstated a material fact in its application or in supporting documents. In addition, an organization may not rely on a favorable determination if there is a material change, inconsistent with exemption, in the organization's character, purposes, or methods of operation after the determination letter is issued. Treas. Reg. § 601.201(n)(3)(ii); Rev. Proc. 90-27, §13.02, 1990-1 C.B. 514.

The Commissioner may revoke a favorable determination letter for good cause. Treas. Reg. §1.501(a)-1(a)(2). Revocation of a determination letter may be retroactive if the organization omitted or misstated a material fact or operated in a manner materially different from that originally represented. Treas. Reg. § 601.201(n)(6)(i), § 14.01; Rev. Proc. 2003-4, § 14.01 (cross-referencing § 13.01 et seq.).

Taxpayer's Position

The Taxpayer has indicated that they might agree to the revocation of exempt status.

Government's Position

In order for an organization to retain its exempt status under section 501(c)(3) of the Internal Revenue Code it must demonstrate to the Internal Revenue Service that it meets both the organizational and the operational tests. The facts stated above indicate that failed the operational test under section 501(c)(3) of the Internal Revenue Code.

An organization's activities that meet the operational test under section 501(c)(3) of the Code, must be exclusively educational, charitable, or religious. activities are not exclusively educational since they are operating a . See Sections 1.501(c)(3)-1(d)(3)(i)(a) and 1.501(c)(3)-1(a) of the Income Tax Regulations.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit Exhibit 1
Name of taxpayer	Tax Identification Number	Year/Period ended 12/31/20XX

Conclusion

Since _____ is not operating exclusively for the exempt purpose under section 501(c)(3) of the Code, its Federal tax exempt status under such section should be revoked effective January 1, 20XX. _____ is liable for filing Form, *1120 U.S. Corporation Tax Return*, for the tax year ended December 31, 20XX and all years thereafter.