



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**

December 21, 2016

Number: **201717041**
Release Date: 4/28/2017

Taxpayer Identification Number:

Person to Contact:

Identification Number:

UIL: 501.03-00

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 September 18, 2014 is hereby revoked and you are no longer exempt under section 501(a) of the Code effective September 18, 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 during 20XX and that there have been no operations or regular financial activities conducted or planned. As such, you failed to meet the operational requirements for continued exemption under IRC 501(c)(3).

Contributions to your organization are no longer deductible under IRC §170 after September 18, 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 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 have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Mary Epps
Acting Director, EO Examinations

Enclosure:
Publication 892

IRS Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
Exempt Organizations Examinations

Date: October 18, 2016
Taxpayer Identification Number:
Form:
Tax Year(s) Ended:
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)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended December 31, 20XX

Issue:

Whether _____ qualifies for exemption under Section 501(c)(3) of the Internal Revenue Code (IRC)?

Facts:

_____ was incorporated in the state of _____ on January 05, 20XX. The purposes of per the Article of Incorporation are as follows:

- A. _____ ;
- B. _____ ;
- C. _____ ;
- D. _____ ;
- E. _____ ;

According to Exempt Organization's auto revocation website, _____ was auto revoked for failure to file Form 990 for three consecutive years. The revocation date is May 15, 20XX. Revocation posting date is June 09, 20XX.

_____ was reinstated in 20XX and the ruling date is September of 20XX. _____ was recognized to be exempt from federal income tax as an organization described in IRC Section 501(c)(3).

_____ was selected for examination for tax year ended 20XX. _____ sole financial activities for 20XX as follows:

Source of income received:

Interest
Income

01/15/XX	-X.XX
02/14/XX	-X.XX
05/15/XX	-X.XX
06/13/XX	-X.XX
07/15/XX	-X.XX
08/15/XX	-X.XX
09/15/XX	-X.XX

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Name of taxpayer	Tax Identification Number	Year/Period ended December 31, 20XX

		10/15/XX	-X.XX	
		11/14/XX	-X.XX	
		12/15/XX	-X.XX	
Total Interest Income			-X.XX	
Expenditures:				
Bank Service Charges				
	Check	01/29/XX	Fees	XX.XX
	Check	02/14/XX	Annual Inactive Acct. Fee	XXX.XX
Total Bank Service Charges				XXX.XX
Supplies				
	Check	XX	01/21/XX	Prospects
		X		x,xxx.xx
Total Supplies				x,xxx.xx
Computer and Internet Expenses				
	Check	XX	01/13/14	XXX.XX
		X		XXX.XX
Total Computer and Internet Expenses				XXX.XX
Sponsorship				
	Check	XX	01/02/14	XXX.XX
		X		XXX.XX
Total Sponsorship				XXX.XX

amended 20XX Form 990-EZ stating in Part I that did not receive any source of income or incurred any expenses.

According to Form 990-EZ for tax year ended 20XX, organization's sole source of income is from gross sales of inventory, less returns and allowances in amount of \$XX,XXX. And the sole expense is from professional fees and other payments to independent contractors in amount of \$XXX.

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

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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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.

Tax 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.

Tax 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.

Tax 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)

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. 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.

Government's Position:

Failure to Meet the Operational Test

has failed to show us that meets the operational test for a § 501(c)(3) organization for the year under examination. In order to meet the operational test, must show that engages primarily in activities which accomplish one or more of such exempt purposes specified in section § 501(c)(3). We will not regard an

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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organization as having met this test if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

As evidence of failure to operate for exempt purposes, we reviewed Form 990-EZ filings and found little or no support for exempt operations. originally filed Form 990-EZ for tax year ended 20XX; Form 990-EZ does not state the exempt purpose or describe the activities in Part III. The subsequent year return also does not show any exempt purpose activities. Clearly, has not been performing exempt purpose activities since 20XX, which is required for a §501(c)(3) organization to keep their tax-exempt status. Accordingly, we are proposing revocation because does not operate for exempt purposes.

Taxpayer's Position:

Taxpayer's position is unknown at this time.

Conclusion:

It is the IRS's position that does not qualify for exemption from federal income tax under IRC §501(c)(3), because failed to show any evidence of their exempt activities and failed to operated primarily for exempt purposes. As such, fails to meet the operational requirements to continue its exemption status under IRC 501(c)(3). Accordingly, the organization's exempt status is revoked effective September 18, 20XX.

If you agree to this conclusion please sign the attached Form 6018.

If you disagree please submit a statement of your position.