

**Internal Revenue Service  
Appeals Office**

**Department of the Treasury**

**Employer Identification Number:**

Release Number: 201744019

Release Date: 11/3/2017

Date: August 7, 2017

**Person to Contact:**

Employee ID Number:

Tel:

Fax:

ORG  
ADDRESS

**UIL: 0501.03-11**

**Certified Mail**

Dear :

This is a final adverse determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code (the "Code") section 501(a) as an organization described in Code section 501(c)(3).

The favorable determination letter to you dated June 15, 1989 is hereby revoked and you are no longer exempt under section 501(a) of the Code effective February 1, 2011

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

You failed the operational test because your resources were not devoted to purposes that qualify as exclusively charitable within the meaning of section 501(c)(3) of the Code and the applicable regulations.

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

You are required to file Federal income tax returns on Forms 1120. File your return with the appropriate Internal Revenue Service Center per the instructions of the return. For further instructions, forms, and information please visit [www.irs.gov](http://www.irs.gov).

We will make this letter and the proposed adverse determination letter available for public inspection under Code section 6110 after deleting certain identifying information. We have provided to you, in a separate mailing, Notice 437, *Notice of Intention to Disclose*. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination letter was mailed to you. Please contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment by referring to the enclosed Publication 892. You may write to the courts at the following addresses:

United States Tax Court  
400 Second Street, NW  
Washington, DC 20217

US Court of Federal Claims  
717 Madison Place, NW  
Washington, DC 20005

U. S. District Court for the District of Columbia  
333 Constitution Ave., N.W.  
Washington, DC 20001

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 Code.

You also have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels get prompt and proper handling. If you want Taxpayer Advocate assistance, please contact the Taxpayer Advocate for the IRS office that issued this letter. You may call toll-free, 1-877-777-4778, for the Taxpayer Advocate or visit [www.irs.gov/advocate](http://www.irs.gov/advocate) for more information.

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

Sincerely Yours,

Appeals Team Manager

cc:

Enclosure: Publication 892



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

Date:  
July 14, 2016  
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:  
January 31, 20xx  
Person to Contact/ID Number:

ORG  
ADDRESS

Contact Numbers:

Manager's Name/ID Number:

Manager's Contact Number:

Response due date:  
August 15, 2016

**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,

for

Director, EO Examinations

Enclosures:

Report of Examination

Form 6018

Publication 892

Publication 3498

Form <b>886-A</b> (Rev. January 1994)	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
Name of taxpayer  ORG	Tax Identification Number	Year/Period ended  January 31, 20XX

**This supersedes the report issued September 28, 20xx and also withdraws Form 6018 signed October 27, 20xx.**

ISSUES:

Whether ORG is operated exclusively for exempt purposes described within Internal Revenue Code section 501(c)(3)?

Whether ORG is engaged primarily in activities that accomplish exempt purpose?

FACTS:

ORG ( ) is a general acute care hospital located in . It is the only hospital located within a xx mile radius of the community. The facility is licensed for xx beds and offers acute medical/surgical care, ICU, rehabilitation, geriatric psychiatric care, surgery and emergency care.

The hospital was founded in the xxs as a community hospital. Beginning in 19xx, it was operated by , an IRC 501(c)(3) hospital system. (now ORG ) filed Form 1023, *Application for Recognition of Exemption under section 501(c)(3) of the Internal Revenue Code* ("IRC"), with the Internal Revenue Service on February 27, 19xx. The Form 1023 stated that the organization was incorporated August 22, 19xx. The Restated Articles of Incorporation provided that its purpose is to acquire, establish, maintain and operate a general hospital in the vicinity of the city of , at which the corporation and its employees will administer medical care for the sick, infirm and helpless, the maimed and the afflicted of all creeds and nations, regardless of their ability to pay. The bulk of its revenue would be derived from patients. In a letter dated June 15, 19xx, the Internal Revenue Service granted ORG exemption under IRC section 501(c)(3).

By 19xx, however, the hospital was not financially viable. On November 26, 19xx, ORG submitted documentation to the Internal Revenue Service to inform them that ( ) was transferring control of ORG to the local board (for nominal consideration) and the local board would assume and be fully responsible for all operations of the hospital. All real property, fixtures, and equipment used in the operation of the general acute care hospital located in would be transferred from to ORG . The documentation also stated that ORG was considering entering into an agreement for consulting and management services with . The terms of the agreement stated shall be the contract manager and responsible for the day to day operations of the hospital beginning on the transfer date.

From 19xx until 19xx, ORG continued to operate a hospital and had a for-profit management, , conducting all of the day to day activities on their behalf. ORG still maintained control and reported patient revenues and all other revenues generated from hospital services on their Form 990, *Return of Organization Exempt from Income Tax*.

ORG entered an agreement with (for-profit) on April 24, 19xx, to lease the acute care facility: ORG ADDRESS