



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: JUL 20, 2017

Number: **201751018**
Release Date: 12/22/2017

Person to Contact:

Identification Number:

Contact Telephone Number:

Telephone Number:

Fax:

EIN:

UIL: 501.03-00

CERTIFIED MAIL - Return Receipt Requested

Dear _____ :

This is a final determination that your exempt status under section 501(c)(3) of the Internal Revenue Code is revoked. Recognition of your exemption under Internal Revenue Code section 501(c)(3) is revoked effective _____ for the following reason(s):

You did not respond to our requests for information about your financial records and activities necessary to complete our examination. Therefore, you have not demonstrated that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3).

As such, you failed to meet the requirements of internal Revenue Code section 501(c)(3) and Treasury Regulation Section 1.501(c)(3)-1(d), in that you failed to establish that you were operated exclusively for an exempt purpose.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code effective _____.

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 _____, and for all subsequent years.

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. Please contact the clerk of the respective court for rules and the appropriate forms regarding filing petitions for declaratory judgment by referring to the enclosed Publication 892. Please note that the United States Tax Court is the only one of these courts where a declaratory judgment action can be pursued without the services of a lawyer. 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

You may call the IRS telephone number listed in your local directory. An IRS employee there may be able to help you, but the contact person at the address shown on this letter is most familiar with your case. You may also call the Internal Revenue Service Taxpayer Advocate.

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.

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

Sincerely yours,

Enclosures:

Publication 892

Director, EO Examinations

**Department of the Treasury
Internal Revenue Service
Exempt Organizations Examinations**

Date:
August 5, 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:

Certified Mail-Return Receipt Requested

Response due date:

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:

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, /

Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498
Administrative Record

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| Form 886A | Department of the Treasury - Internal Revenue Service Explanation of Items | Schedule No. or Exhibit |
| Name of Taxpayer | | Year/Period Ended |

Issues:

Whether the Taxpayer continues to qualify for exemption from Federal income tax under §501(c)(3) of the Internal Revenue Code (IRC).

Facts:

The Taxpayer filed Form 1023 on March 28, 20xx, and was granted tax exemption under IRC §501(c)(3) on July 21, 20xx, with an effective date of exemption of .

An organization exempt under IRC §501(c)(3) needs to be 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.

The Taxpayer was selected for audit to ensure that the Taxpayer's examined activities and operations align with their approved tax exempt status.

The Taxpayer failed to respond to the Internal Revenue Service attempts to obtain information to perform an audit of Form 990-N for the above mentioned tax period.

- Correspondence for the audit was as follows:
 - Letter 3606 (Rev. 6-2012) with attachments was mailed to the Taxpayer on December 7, 20xx, with a response date of January 4, 20xx. The letter was mailed to the Taxpayer's addresses of record and to the address provided by , the Taxpayer's sole officer:
 - Letter 0000 (with copies of prior correspondence and form 4564) was mailed to the Taxpayer on February 26, 20xx, with a response date of March 11, 20xx. A copy of the letter was mailed to the following addresses:
 - A letter dated March 29, 20xx, was submitted by the Taxpayer in response to letter 3606 dated December 7, 20xx. The response included a copy of form 8879-EO and did not address the questions posed in form 4564.
 - Revised form 4564 was mailed to the Taxpayer on March 29, 20xx, with a response date of April 18, 20xx. The form 4564 was mailed to the following

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addresses:

- Letter 0000 (with copies of prior correspondence and form 4564) was mailed to the Taxpayer on May 20, 20xx, with a response date of June 3, 20xx. This letter was mailed to the address provided by . He indicated that they are closing the P.O. Box and that the mailing address for the Taxpayer should be permanently changed to:

- Form 4759 was mailed to the Postmaster on June 3, 20xx, to verify the Taxpayer's mailing address at . The form 4759 was returned to the IRS office on June 17, 20xx, verifying that mail for the Taxpayer is delivered to the address provided.

- Letter 0000 (with copies of prior correspondence and form 4564) was mailed certified to the Taxpayer on June 6, 20xx, with a response date of July 5, 20xx. The letter and attachments were sent to the following addresses:

Two of the letters were returned undeliverable. The letter sent to , was the only one that was successfully delivered to the Taxpayer, but, there was no one available to sign for the document. The letter remained at the local post office and no one claimed it. As a result, it was returned to the IRS office in on July 19, 20xx.

- A second copy of Letter 0000 dated June 6, 20xx, (with copies of prior correspondence and form 4564) was mailed certified to the Taxpayer on July 8, 20xx. The letter was sent to the following address: . The letter was delivered to the Taxpayer on July 11, 20xx, however, no one was available to sign for the documents. The letter was returned to the IRS office in on August 4, 20xx, because no one claimed it.
- Telephone contact for the audit was as follows:
 - December 7, 20xx, Agent called the phone number listed on the Form 1023 application for . asked that a copy of the letter 3606 and form 4564 be sent to his home address: in addition to the other mailing addresses listed for the Taxpayer. Agent went over

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Letter 3606, form 4564 and Publication 1 and let _____ know that the response due date on the letter was January 4, 20xx.

- February 9, 20xx, Agent contacted _____ to follow-up on the response to letter 3606. _____ explained that he thought his accountant had prepared and mailed in the response. He said he would check with the accountant and call Agent back in a few days.
- February 18, 20xx, Agent contacted _____ to follow-up on the response to letter 3606. _____ explained that he would fax the response next week.
- March 16, 20xx, Agent contacted _____ and left a voicemail message.
- March 22, 20xx, Agent contacted _____ to follow-up on the response to the Letter 0000 dated February 26, 20xx. _____ explained that he filed the 990-N and that he was filing Articles of Dissolution this week. Agent informed _____ that since he is dissolving the corporation, an updated form 4564 would be issued.
- May 10, 20xx, Agent contacted _____ to follow-up on the response to the form 4564 which was due on April 18, 20xx. _____ explained that he had been having health issues. He said that he was working on the response and would have the response mailed in to me no later than May 19, 20xx.
- May 20, 20xx, Agent contacted _____ to follow-up on the response to form 4564 issued March 28, 20xx. Agent left a voicemail message for _____.
- May 27, 20xx, Agent contacted _____ to follow-up on the response to form 4564 issued March 28, 20xx. Agent left a voicemail message for _____.
- June 6, 20xx, Agent had not received a return phone call or correspondence from the Taxpayer. Agent contacted _____ . He answered and said he needed to call the Agent right back. _____ did not return the call.
- July 7, 20xx, _____ called the Agent and left voicemail message.
- July 8, 20xx, Agent returned _____ call. _____ explained that he had been in the hospital and he requested that the Agent send him another copy of all correspondence. He indicated that he wanted to change the mailing address for the Taxpayer to: _____ . Agent mailed a copy of the requested correspondence via certified mail to _____.

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agreed to contact the Agent no later than July 12, 20xx, to let the Agent know when the response would be submitted.

- July 15, 20xx, Agent contacted [redacted] had not contacted the Agent on July 12, 20xx. [redacted] explained that the agent had called at an inopportune time and that he would contact the Agent on July 18, 20xx, between the hours of 11:00a.m. and 2:00 p.m. He said he would have all of the information relating to his response prepared at that time.
- July 22, 20xx, Agent contacted [redacted] as he had failed to contact the Agent on July 18, 20xx. Agent explained that not responding to IRS letters may result in the examination ending in an adverse action. [redacted] explained that he has a new accountant. He said that the Taxpayer received a total of \$ [redacted] in revenues and that all of it was spent on advertising. Per [redacted], the Taxpayer never got the housing program off the ground.

Law:

IRC §501(c)(3) provides that an organization organized and operated exclusively for charitable or educational purposes is exempt from Federal income tax, provided no part of its net earnings inures to the benefit of any private shareholder or individual.

IRC §511 imposes a tax at corporate rates under section 11 on the unrelated business taxable income of certain tax-exempt organizations, including those described in section 501(c)(3).

IRC §6001 provides that every person liable for any tax imposed by this title, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules and regulations as the Secretary may from time to time prescribe. Whenever in the judgment of the Secretary it is necessary, he may require any person, by notice served upon such person or by regulations, to make such returns, render such statements, or keep such records, as the Secretary deems sufficient to show whether or not such person is liable for tax under this title.

IRC §6033 (a)(1) provides, except as provided in section 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

Income Tax Regulation (ITR) §1.501(c)(3)-1(a) states in order to be exempt under IRC §501(c)(3) the organization must be both organized and operated exclusively for one or more of the purposes specified in the section. (religious, charitable, scientific, testing for public safety, literary or educational).

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ITR §1.501(c)(3)-1(a)(1) states that 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.

ITR §1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as "operated exclusively" for one or more exempt purposes described in Section 501(c)(3) of the Code if more than an insubstantial part of its activities is not in furtherance of a 501(c)(3) purpose. Accordingly, the organization does not qualify for exemption under Section 501(c)(3) of the Code.

ITR §1.61-1 provides that Gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in money, property, or services. Income may be realized, therefore, in the form of services, meals, accommodations, stock, or other property, as well as in cash.

ITR §1.6001-1(c) provides that such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under 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 IRC Section 6033. See IRC Section 6033 and Regulation §1.6033-1 through 1.6033-3.

ITR §1.6001-1(e) provides that the books or records required by this section shall be kept at all time available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

ITR §6033(a)(1) provides, except as provided in section 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

ITR §1.6033-1(h)(2) provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of Subchapter F (section 501 and the following), chapter 1 of the Code and section 6033.

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Revenue Ruling 59-95, 1959-1 C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of section 6033 of the Code and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

Taxpayer's Position

The Taxpayer has failed to respond to almost all attempts to contact them. The Taxpayer has refused to return numerous phone calls placed by the Agent. In addition, the Taxpayer has refused to claim two certified letters that were delivered to their address by the U.S. Postal Service. During the audit, the only correspondence received from the Taxpayer was a letter dated March 29, 20xx, which did not include a response to any of the questions posed in form 4564.

Government's Position

Based on the above facts, the Taxpayer did not respond to verify that it is organized and operated exclusively for one or more of the purposes specified in IRC § 501(c)(3). If an organization fails to meet either the organizational test or the operational test, it is not exempt.

In accordance with the above-cited provisions of the Internal Revenue Code and Income Tax Regulations under §'s 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

Regulations Section 1.6033-1(h)(2) specifically states that exempt organizations shall submit additional information for the purpose of enabling the Internal Revenue Service to inquire further into its tax exempt status.

Using the rationale that was developed in Revenue Ruling 59-95, the Taxpayer's failure to provide requested information should result in the termination of tax exempt status

Conclusion:

Based on the foregoing reasons, the Taxpayer does not qualify for exemption under IRC §501(c)(3) and its tax-exempt status should be revoked.

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It is the Service's position that the Taxpayer failed to meet the reporting requirements under IRC §'s 6001 and 6033 to be recognized as exempt from federal income tax under IRC §501(c)(3) of the Internal Revenue Code. Accordingly, the Taxpayer's tax exempt status is revoked effective

Form 1120 returns should be filed for the tax periods after