



**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
TE/GE EO Examinations

Date: NOV-6 2017

TAX EXEMPT AND GOVERNMENT ENTITIES  
DIVISION

Release Number: **201806008**  
Release Date: 2/9/2018  
UIL Code: 501.03-00

Person to Contact  
Identification Number:  
Contact Telephone Number:  
In Reply Refer to: TE/GE Review Staff

**LAST DATE FOR FILING A PETITION  
WITH THE TAX COURT:**

**CERTIFIED MAIL – Return Receipt Requested**

Dear

This is a final adverse 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 reasons:

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

Contributions to your organization are no longer 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 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,

Director, EO Examinations

Enclosures:  
Publication 892



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

Date:  
July 19, 2017  
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,

Acting Director, Exempt Organizations Examinations

Enclosures:  
Report of Examination  
Form 6018  
Publication 892  
Publication 3498

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

**Date of Notice:**

**Issues:**

Whether ("the organization") continues to qualify for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Facts:**

The organization filed Form 1023 for exemption on \_\_\_\_\_ and was granted exemption as a 501(c)(3) organization on \_\_\_\_\_, with an effective date of \_\_\_\_\_.

An organization that is exempt under 501(c)(3) needs to be both organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes and/or to foster national and amateur sports competition.

The organization was selected for audit to ensure that its activities and operations align with its approved exempt status.

Because the organization did not respond to our previous requests, as described below, the case closed, and forwarded to Mandatory Review for proposed revocation. The case returned in \_\_\_\_\_ from Internal Revenue Service Mandatory Review because the organization filed with \_\_\_\_\_ Secretary of State on \_\_\_\_\_ an updated listing on the organization's corporate officers and their address locations.

Internal Revenue Service mailed Letter 000 dated \_\_\_\_\_ to each of the organization's corporate officers. Internal Revenue Service received a response dated \_\_\_\_\_ from the organization's Executive Chief Officer/President, \_\_\_\_\_ agreed to sign Form 6018, Consent to Proposed Action-Section 7428 Revocation of Exemption, effective date \_\_\_\_\_.

**Attempts to or contact with the organization:**

- Letter 3606 with attachments mailed to the organization on \_\_\_\_\_ with a response date of \_\_\_\_\_.
- July 16, 20xx, Revenue Agent called the phone number listed on the Form 1023 application and left voice message. \_\_\_\_\_, Secretary, for the organization returned telephone call and said he did not receive IDR and requested it be faxed to him with a new due date July 30, 20xx.

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

- September 18, 20xx, \_\_\_\_\_, Secretary, telephoned and requested Revenue Agent grant another extension. The Revenue Agent granted an extension to October 2, 20xx.
- EOCA Request Letter 000, mailed to the organization on October 19, 20xx to address location at \_\_\_\_\_ with a response due date of November 18, 20xx.
- October 19, 20xx the case transferred to another Revenue Agent. Revenue Agent telephone \_\_\_\_\_, Secretary and Executive Director, answered the telephone at this number. He said is his aunt. I informed that the case transferred to me and that I am sending Letter 000 dated October 19, 20xx, along with previous correspondence Letter 3606 dated May 20, 20xx, with attached Information Document Request and Pub 1 (Your Rights as a Taxpayer) to his organization. He said his organization is no longer at the address \_\_\_\_\_. He gave me the new mailing address at location \_\_\_\_\_.
- November 24, 20xx, Revenue Agent, telephoned \_\_\_\_\_. He said he would provide response the week after Thanksgiving. He said organization the organization is inactive and does not plan to file return Form 990 for tax year \_\_\_\_\_, although the Revenue Agent recommended that he do so.
- January 13, 20xx, Revenue Agent, telephoned \_\_\_\_\_ and left voice message that he return the call. He did not return the telephone call.
- February 16, 20xx, Revenue Agent, telephoned \_\_\_\_\_ to confirm telephone number now belongs to a radio station advertising call number. No one knows of \_\_\_\_\_ or \_\_\_\_\_.
- EOCA 2nd Request Letter 000 dated February 16, 20xx mailed certified return receipt to address location \_\_\_\_\_. Envelope to this address stamped with a March 15, 20xx and returned as unclaimed and unable to forward.
- EOCA 2nd Request Letter 000 dated February 16, 20xx mailed certified return receipt to address location at \_\_\_\_\_.

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

- February 25, 20xx, Revenue Agent, telephoned . The telephone number belongs to a radio station and no one has knowledge of or
- April 1, 20xx, mailed Form 4759 Address Information Request – Postal Tracer mailed to Postmaster for organization at address location . On April 23, 20xx, US Postal Service returned form checked box 'Not Known at Address Given'.
- Mailed on April 1, 20xx Form 4759 (Rev. 12-2007) Address Information Request – Postal Tracer mailed to for organization at address . Postmaster did not respond to Postal Tracer.
- April 18, 20xx mailed certified Letter 1477 to organization at
- May 19, 20xx, Revenue Agent conducted research to attempt to locate individuals on board members and Corporate officers identified on Application Form 1023. Unable to locate or contact anyone from organization.
- May 26, 20xx mailed Form 4759 Address Information Request – Postal Tracer to Postmaster . No response from Postmaster.
- July 15, 20xx mailed Form 4759 Address Information Request – Postal Tracer certified mail receipt to Postmaster,
- May 4, 20xx mailed Letter 000 to with IDR request numbered 1 & 2 with attachments
- May 4, 20xx mailed Letter 000 to with IDR request numbered 1 & 2 with attachments
- May 4, 20xx mailed Letter 000 to with IDR request numbered 1 & 2 with attachments
- June 16, 20xx mailed Letter 3618 to Certified Mail Articles #
- Form 4564 Information Document Request #3 with attached Form 6018

**Law:**

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

**Internal Revenue Code (IRC) §1.61-1** of the regulations 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.

**IRC §501(c)(3)** of the Code 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 §6001** of the Code 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 §1.6001-1(c)** of the Code 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 section 6033. See section 6033 and §§ 1.6033-1 through 1.6033-3.

**IRC §1.6001-1(e)** of the Code provides that 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 as long as the contents thereof may be material in the administration of any internal revenue law.

**IRC §6033(a)(1)** of the Code 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.

**Federal Tax Regulations (FTR) §1.6033-1(h)(2)** of the regulations 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



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

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.

**Section 1.501(c)(3)-1(a)** In order to be exempt under §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).

**FTR §1.501(c)(3)-1(a)(1)** of the regulations 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.

**Section 1.501(c)(3)-1(c)(1)** of the regulations 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.

**Rev. Rul. 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.

### Organizations Position

Organization's Chief Executive Officer/President, \_\_\_\_\_ provided a partial response to Internal Revenue Service Letter 000, IDR # 1 & 2 dated May 4, 20xx dated May 20, 20xx. He did state \_\_\_\_\_ has had zero activity from start-up date in 20xx to the transfer of ownership in January, 20xx. \_\_\_\_\_ of the organization transferred \_\_\_\_\_ to him as a gift because \_\_\_\_\_ had no interest in the corporation. \_\_\_\_\_ has plans to distribute health supplement products. \_\_\_\_\_ has expressed, subsequently, a desire to terminate corporation. He affirmed this intention on June 16, 20xx. \_\_\_\_\_ agrees to sign Form 6018 Consent to Proposed Action – Section 7428 Revocation of Exemption, effective date January 17, 20xx on the proposed revocation of the organization's tax exemption status under IRC

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

section 501(c)(3). agreed on by telephone he would signed updated Form 6018 with corrected revocation date.

### Governments Position

Based on the above facts, the Internal Revenue Service agrees with the organization's position. The organization does not meet the organizational and operational test of IRC Section 501(c)(3) and has not been in operation since its formation date May 2, 20xx nor has the organization provided sufficient information that it would meet both the organizational and operational test under IRC section 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 Code and regulations under sections 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 return (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.

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

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

### Conclusion:

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

It is the IRS's position that the organization failed to meet the reporting requirements under sections 6001 and 6033 to be recognized as exempt from federal income tax under 501(c)(3) of the Internal Revenue Code. Accordingly, the organization's exempt status will be revoked date of corporation's formation date with an effective of .

Form 1120 returns should be filed for the tax periods after