



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: **JAN 16 2018**

Number: **201829015**
Release Date: **7/20/2018**

Person to Contact:
Identification Number:
Contact Telephone Number:

UIL: 501.03-00

EIN:

CERTIFIED MAIL – Return Receipt Requested

Dear :

This is a final revocation letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service's recognition of your organization as an organization described in section 501(c)(3) is hereby revoked effective July 1,

We have made this determination for the following reasons:

Your activities include promoting businesses and tourism in the area, and improving the conditions of the tourism business environment. You have not demonstrated that you are operated exclusively for charitable, educational, or other exempt purposes within the meaning of I.R.C. section 501(c)(3). Organizations described in I.R.C. section 501(c)(3) and exempt under section 501(a) must be organized and operated exclusively for an exempt purpose. You have not established that you have operated exclusively for an exempt purpose.

As such, you failed to meet the requirements of I.R.C. section 501(c)(3) and Treas. Reg. 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 July 1, 20 .

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 June 30, 20 , 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. 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,



Maria Hooke
Director, EO Examinations

Enclosure:
Publication 892



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

Date:
June 16, 2017
Taxpayer Identification Number:

Form:

Tax year(s) ended:

Person to contact/ ID number:

Contact numbers:

Toll Free

Long Distance

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 may also 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

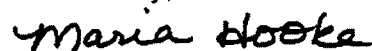
Phone Number:

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,



Maria Hooke

Director, Exempt Organizations Examinations

Enclosures:

Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended June 30, 20XX

Date of Notice: 6-16-XX

Issue

Does the _____ qualify for exemption under IRC 501(c)(3)?

Facts

On August 11, 20XX _____ submitted the Form 1023-EZ, Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

_____ attested that they were incorporated on May 2, 20XX in the state of _____. _____ attested that they have the necessary organizing document, and the organizing document limits their purposes to one or more exempt purposes within the meaning of Section 501(c)(3), that their organizing document does not expressly empower the organization to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that _____ organizing document contains the dissolution provision required under Section 501(c)(3).

_____ attested that it was organized and operated exclusively to further charitable purposes. _____ attested that they have not conducted and will not conduct prohibited activities under Section 501(c)(3). Specifically, they attested that they would:

- Refrain from supporting or opposing candidates in political campaigns in any way
- Ensure that net earnings do not inure in whole or in part to the benefit of private shareholders or individuals
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially
- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s)
- Not devote more than an insubstantial part of its activities attempting to influence legislation or, if it made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h)
- Not provide commercial-type insurance as a substantial part of its activities

() activities include the following:

- Internet marketing efforts to increase awareness and optimize internet presence;
- Print ads in magazines and newspapers targeted at potential visitors
- Television ads targeted at potential visitors
- Attendance at trade shows
- Sales blitzes
- Familiarization tours
- Preparation and production of collateral promotional materials, such as brochures, flyers and maps
- Attendance at professional industry conferences and affiliation events
- Lead generation activities designed to attract tourist and group events to the _____ and the _____ ().

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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The district sales and the General Manager of the meet regularly to plan and coordinate tourism promotion efforts, as well as for the education of hospitality staff on service and safety (related to alcohol and food) designed to create a visitor experience that will bring repeat visits; and
The Director of Sales and the General Manager also provide education of lodging business management and the owners' association on marketing strategies best suited to meet needs.

The organization's website WWW. .org indicates it promotes the services and products of businesses located in the area of . The website states "The is the official destination marketing organization for the cities of , to visitors nationally and internationally. With support from the hospitality industry, the implemented a and adopted an aggressive zero-year strategic plan focusing on marketing initiatives to bring visitors to the region, build brand and destination awareness while enhancing the local economy".

Membership in offers various benefits and opportunities. The organization lists the names, addresses, phone numbers and websites of area businesses identifying their activities as shops, accommodations or restaurants. The website also provides a visitor's guide that individuals can download, and make referrals to potential customers and clients with information about the members' businesses. The website also provides itineraries for visitors to tour the city in different ways.

Law

Section 501(c)(3) of the Internal Revenue Code (Code) exempts from federal income tax corporations, and any community chest, fund or foundation, organized and operated for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Reg. Section 1.501(c)(3)-1(a)(1) states that in order to qualify under section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) states 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) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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Section 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 such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg 1.501(c)(3)-a(d)2 states one purpose that qualifies as a charitable purpose is the lessening of the burdens of government. An organization may be considered to lessen the burdens of government if a government unit (1) has accepted as its responsibility the activities conducted by the organization and (2) recognizes that the organization is acting on the government's behalf

In *B.S.W. Group, Inc. v. Commissioner*, 70 T.C. 352 (1978), the Tax Court held that an organization did not qualify for exemption under section 501(c)(3) of the Code because it was primarily engaged in an activity that was characteristic of a trade or business and ordinarily carried on by for-profit commercial businesses. The Tax court Stated: We must agree with the Commissioner that petitioner's activities constitutes the conduct of a consulting business of the sort which is ordinarily carried on by commercial ventures organized for profit. In *Universal Life Church v. United States*, 372 F. Supp. 770 (E.D. Cal. 1974), the court concluded that "one seeking a tax exemption has the burden of establishing his right to a tax-exempt status."

In *Better Business Bureau of Washington v. United States*, 326 U.S. 278 (1945), the court held that an organization is not operated exclusively for charitable purposes, and thus will not qualify for exemption under section 501(c)(3), if it has a single non-charitable purpose that is substantial in nature. This is true regardless of the number or importance of the organization's charitable purposes.

In *Asmark Institute, Inc. v. Commissioner of Internal Revenue*, 486 Fed. Appx. 566. T.C. Memo 2011-20, the appeals court upheld the tax court decision that Asmark Institute is not entitled to exempt status under section 501(c)(3) of the Code because the institute's operations were commercial rather than charitable. Its activities consist mainly of services for a fee from member assessments, being the members are all for- profit corporations. and

promotes the services of businesses located in the area of .
failed the operational test because they did not satisfying the operational test. First, the organization must engage primarily in activities which accomplish one or more of the exempt purposes specified in § 501(c)(3). Second, they must serve a valid purpose and confer a public benefit. failed the operational test.

Taxpayer's Position

The taxpayer agreed to the revocation and signed the Form 6018 on August 2, 20XX.

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended June 30, 20XX

Government Position

is not described in Section 501(c)(3) of the Internal Revenue Code because they are not operated exclusively for exempt purposes according to Treas. Reg. Section 1.501(c)(3)-1(a)(1). does not meet the operational test under Section 501(c)(3) because, as stated in Treas. Reg. Section 1.501(c)(3)-1(c)(1), they are not operated exclusively for one or more Section 501(c)(3) purposes such as religious, educational, charitable, scientific or testing for public safety.

Its activities include promoting businesses, promoting tourism in the area, and improving the conditions of the tourism business environment. Promoting the interests of local business is typical of Chamber of Commerce. Since all of your activities are directed to the promotion of business, you are not operating exclusively for charitable purposes.

The facts and circumstances in this case are very similar to the facts and circumstances noted in the Asmark Institute, Inc. v. Commissioner of Internal Revenue case. In the Asmark case, the court ruled that the organization failed to meet the requirements of Sect. 501(c)(3) because they did not meet the organizational and operational test. This court case is relevant because , because substantially all of the income is assessments from local business that are all for profit corporations.

failed the operational test because they did not satisfying the operational test. First, the organization must engage primarily in activities which accomplish one or more of the exempt purposes specified in § 501(c)(3) such as educational, religious, charitable, scientific, testing for public safety, or literary. Second, they must serve a valid purpose and confer a public benefit. does not have any 501(c) 3 activities or purpose. failed the operational test.

Conclusion

Based on our review of all facts and analysis above, it is the government's position that exempt status should be revoked due to its failure to meet the operational tests required by IRC Section 501(c)(3).

Accordingly, the organization's exempt status should be revoked effective July 1, 20XX.

Form 1120, US Corporation Income Tax Return, should be filed for the tax periods ending on and after July 1, 20XX.