



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
1100 Commerce Street, MC 4920 DAL
Dallas, TX 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: APR 10 2018

Release Number: 201830016

Release Date: 7/27/2018

UIL Code: 501.03-00

Person to Contact:
Identification Number:
Employee Telephone Number:
In Reply Refer to:
EIN:

LAST DAY FOR FILING A PETITION
WITH THE TAX COURT:

CERTIFIED MAIL – Return Receipt Requested

Dear :

This is a final 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)(4) for the tax period(s) above. Your exempt status is hereby-revoked effective January 1, 20 .

Our adverse determination as to your exempt status was made for the following reason(s):

You have not demonstrated that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code § 501(c)(4) and Treasury Regulations 1.501(c)(4)-1. Exempt social welfare organizations should primarily promote the common good and general welfare of the people of the community as a whole. An organization that primarily benefits a private group of citizens cannot qualify for exemption. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. Your activities are not directed primarily in promoting in some way the common good and general welfare of the people of the community. Additionally, you have failed to produce documents or otherwise establish that you are operated exclusively for exempt purposes and that no part of your net earnings inures to the benefit of private shareholders or individuals. You failed to respond to repeated reasonable requests to allow the Internal Revenue Service to examine your records regarding your receipts, expenditures, or activities as required by I.R.C. § 6001, 6033(a)(1) and Rev. Rul. 59-95, 1959-1 C.B. 627.

Organizations that are not exempt under section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms, and information please visit www.irs.gov.

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, N.W.
Washington, D.C. 20217

U.S. Court of Federal Claims
717 Madison Place, N.W.
Washington, D.C. 20439

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

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under section 7428 of the Internal Revenue Code.

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

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	

Date of this Report: March 15, 20XX

Issues:

Whether _____ (the “_____”) continues to qualify for exemption from Federal income tax under Section 501(c)(4) of the Internal Revenue Code (the “Code”).

Facts:

Organizational facts:

The _____ filed a Form 1024, *Application for Recognition of Exemption Under Section 501(a)*, on December 6, 20XX. The _____ received an exemption as a social welfare organization described under Section 501(c)(4) of the Code on June 09, 20XX, with an effective date of May 15, 20XX.

The _____ describes its activities as follows in its Form 1024:

1. To promote and foster cooperation and fraternalism among members and fellow emergency service workers, every May we sponsor and host an annual awards banquet. This past May was our _____ annual banquet. This banquet allows our members to gather and fraternize outside of the work environment. It also allows us to recognize and award those who stand out as exemplary health care providers. The work done to prepare for this banquet by the committee takes about 0% of our time.

2. To promote the profession of _____, and provide an opportunity that a young person may not have had, the _____ raises funds for an annual scholarship to a graduating high school senior. The Scholarship Committee raises funds for the scholarship through merchandise sales, a _____ run, and a golf tournament. The scholarship has been awarded and distributed for five years, with plans to continue awarding scholarships in May of each year. This takes about 0% of our time.

3. To promote fraternalism the paramedic _____ hosts several social events throughout the year that are open to all employees of _____ and their families. Annually we host a Summer outing, normally held at a water park over Weekend. These events are organized by the Board of Directors and account for approximately 0% of our time.

4. To promote our organization and our profession in the community, we make donations and support other charitable organizations throughout the year. These include annual donations to the Food Bank of _____ during the Christmas season,

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The _____ in September, and the _____ each May. Our Board of Directors coordinate the charitable donations. This accounts for about 0% of our time.

In addition, it stated, "The _____ applied for recognition of exemption under Section 501 in 20XX. The _____ has lost its status as a result of failure to file tax Form 990 for multiple, consecutive years. The failure was an oversight, which the _____ wishes to rectify."

The _____ filed its Articles of Incorporation in the State of _____, and the stated purpose was "to engage in any lawful act or activity for which corporation may be organized under the General Corporation Law of _____. This corporation shall be a nonprofit corporation, is organized as and at all times shall be operated exclusively for charitable, education and scientific programs within the meaning of Section 501(c)(3)..." The State of _____ date stamped the Articles on December 8, 20XX. See Attachment 1 for a complete copy of the Form 1024 and Articles of Incorporation.

The _____ did not file Forms 990, *Return of Organization Exempt From Income Tax*, since 20XX.

Operational facts:

We initiated an audit of the tax year ended December 31, 20XX, to ensure that the activities and operations align with its approved exempt status.

We contacted the _____ three times as follows. However, we did not receive any response from the _____:

September 27, 20XX: We mailed a Letter 3606 with attachments requesting records to review the activities and operation. The due date was October 27, 20XX.

November 7, 20XX: We mailed a Letter 3844-A, via certified with return receipt, to follow up on our prior request. The response due date was November 21, 20XX. Although we did not receive the return receipt indicating the letter was delivered, the Post Office did not return the letter to us either.

Law:

Section 501(a) of the Code provides exemption from taxation to organizations described in subsection (c).

Section 501(c) of the Code provides a list of organizations that can qualify for exemption from taxation.

EXPLANATIONS OF ITEMS

Name of taxpayer

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Section 501(c)(4)(A) of the Code states, "Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of the designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes."

Section 6001 of the Code states in part, "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."

Section 6033(a)(1) states in part, "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."

Section 1.501(c)(4)-1(a) of Federal Tax Regulations (the "Regulations") elaborates on requirements to be exempt as a civic organization as follows:

(1) In general. — A civic league or organization may be exempt as an organization described in section 501(c)(4) if:

- (i) It is not organized or operated for profit; and
- (ii) It is operated exclusively for the promotion of social welfare.

(2) Promotion of social welfare

(i) In general. — An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. A "social welfare" organization will qualify for exemption as a charitable organization if it falls within the definition of "charitable" set forth in paragraph (d)(2) of §1.501(c)(3)-1 and is not an "action" organization as set forth in paragraph (c)(3) of §1.501(c)(3)-1.

(ii) Political or social activities. — The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. Nor is an organization operated primarily for the promotion of social welfare if its primary

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activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit. ...

Section 1.6001-1(c) of the "Regulations" defines "records" for exempt organizations as "in addition to 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."

Section 1.6001-1(e) of the Regulations describes retention of records as "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 become material in the administration of any internal revenue law."

Section 1.6033-1(h)(2) of the Regulations states in part 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."

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. IRS 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.

Organization's Position:

The position is unknown at the time of this this report.

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Government's Position:

An organization exempt under Section 501(c)(4) of the Code needs to be organized and operated exclusively to promote the common good and general welfare of its community, such as bringing about civic betterment and social improvements.

Since the _____ did not respond to our requests, it fails to meet the requirements set forth in Section 1.6033-1(h)(2) of the Regulations. We are unable to verify that the _____ is organized and operated exclusively for one or more of the purposes specified in Section 501(c)(4) of the Code.

The _____ exempt status under Section 501(c)(4) of the Code should be revoked, because it failed to demonstrate to us that it is operating in accordance with the rules and regulations cited in the Law section above.

Conclusion:

Based on the foregoing reasons, the _____ does not qualify for exemption under section 501(c)(4), and its tax-exempt status should be revoked.

It is our position that the _____ fails to meet the substantiation requirements under Sections 6001 and 6033 of the Code to be recognized as exempt from federal income tax under Section 501(c)(4) of the Code. Accordingly, the _____ exempt status is revoked effective January 1, 20XX.

The _____ is required to file Forms 1120, *U.S. Corporation Income Tax Return*, for the tax periods ending December 31, 20XX, and after.