



DEPARTMENT OF THE TREASURY

Internal Revenue Service
TE/GE EO Examinations
1100 Commerce Street MC4920DAL
Dallas, TX 75424

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: MAY 10 2018

Release Number: **201834012**
Release Date: 8/24/2018
UIL Code: 501.03-00

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

LAST DATE FOR FILING A PETITION
WITH THE TAX COURT: AUG - 8 2018

CERTIFIED MAIL - Return Receipt Requested

Dear :

This is a Final Adverse Determination Letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. Your exemption from Federal income tax under section 501(c)(3) of the code is hereby revoked effective September 30, 20XX.

Our adverse determination was made for the following reasons:

Organizations described in I.R.C. § 501(c)(3) and exempt under section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to demonstrate that you are operated exclusively for exempt purposes within the meaning of section 501(c)(3) because you have ceased all operations.

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 June 30, 20XX 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, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: United States Tax Court, the United States Court of Federal Claims, or the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed before the 91st day after the date this determination was mailed to you if you wish to seek review of our determination. 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

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. We can offer help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your tax problem with the IRS. If you qualify for assistance, which is always free, we will do everything possible to help you. Visit taxpayer.advocate.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

Enclosures:
Publication 892



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

Date:
July 11, 2017
Taxpayer Identification Number:

Form: _____

Tax Year(s) Ended:
June 30, 20
Person to Contact / ID Number:

Employee ID:
Contact numbers:
Telephone:
Fax:
Manager's Name / ID Number:

Employee ID:

Manager's Contact Number:

Response Due Date:
August 10, 2017

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,

A handwritten signature in cursive script that reads "Maria Hooke".

Maria Hooke
Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended June 30, 20XX

Issues

Whether () continues to qualify for exemption as an organization described in the Internal Revenue Code Section 501(c)(3) because of no operation or activity.

Facts

was incorporated under the State of on October 17, 19XX. Article III purpose states, "The Corporation is organized to purchase, construct, and thereafter to own, maintain, and operate facilities to minister to the physical, emotional and spiritual requirements of ill, senile, aged and infirm persons". Amended Articles of Incorporation was filed September 13, 19XX, with Secretary of State office.

The Form 1023 *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code* was signed on June 28, 19XX. The purpose stated in the application is to provide a 0 bed nursing home serving the elderly with services to include physical therapy, pharmacy, and social services. Activities also include operating a 0-bed retirement apartments near the nursing home under HUD 202 project for the elderly. Per the application, revenue was expected to be from supporter donations, nursing home revenue, retirement apartment rents, and rent supplements (Section 8 HUD Housing Act). was granted exemption under 501(c)(3) and 509 (a)(2) on December 5, 19XX.

The Form 990 for tax year ended June 30, 20XX, was selected for examination. The Form 990 states in part "the organization leases a nursing home building and a related chapel to an unrelated company". Part VIII Statement of Revenue reports gross income in the following amounts: Contributions, Gifts and Grants \$0, Investment Income \$0, and Gross Rents \$0. Part I of the Form 990 reports total revenue less expenses in the amount of -\$0. The organization was included in the consolidated independent audited financial statements for and Subsidiaries.

During the examination, provided a copy of a Resolution of the Board of Trustees of adopted September 19, 20XX. Per the resolution, resolved to contribute their assets to , a nonprofit charitable limited liability company of which is the sole member. did not provide documentation of the actual distribution of its assets during the examination. The President/CEO and Executive Vice President acknowledge in the initial interview that the organization ceased operations on September 30, 20XX.

In Part IV of the Form 990, answered "Yes" to the question "Did the organization sell, exchange, dispose of or transfer more than 25% of its net assets." The Form 990 Balance Sheet reports an end of the year balance of zero for land, building and equipment. The Schedule N reports the land and buildings date of distribution as September 30, 20XX. The reported fair market value of assets distributed was \$0 to (single member LLC). was established December 20, 20XX per Secretary of State Certificate of Organization; and their former name was Per amended Certificate of Restated Articles, their name changed to on September 20, 20XX. The same Board of Directors including board officer/CEO, will govern

Schedule A Part VI of unaudited Form 990-EZ for the tax year ended June 30, 20XX, states, "The entity has ceased operations and will be dissolved in the next 12 months.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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Secretary of State website shows the organization was administratively dissolved with the state of on December 31, 20XX, for failure to file its annual registration since year 20XX.

Law

IRC § 501(c)(3) exempts from federal income tax organizations which are 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 (but only if no part of its activities involve the provision of athletic facilities or equipment), 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, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Tax Reg. § 1.501(c)(3)-1(d)(i) states that an organization may be exempt as an organization described in 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals,

Tax Reg. §1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Tax Reg. §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 of such exempt purposes specified in section 501(c)(3).

Revenue Procedure 90-27, 1990-1 CB 514, (April 30, 1990) states that a ruling or determination letter recognizing exemption may be revoked or modified by (1) a notice to the taxpayer to whom the ruling or determination letter originally was issued, (2) enactment of legislation or ratification of a tax treaty, (3) a decision of the United States Supreme Court, (4) issuance of temporary or final regulations, or (5) issuance of a revenue ruling, revenue procedure, or other statement published in the Internal Revenue Bulletin. The revocation or modification may be retroactive if the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or in the case of organizations to which section 503 applies, engaged in a prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purpose and such transaction involved a substantial part of the corpus or income of such organization. Where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change. In cases where a ruling or determination letter was issued in error or is no longer in accord with the holding of the Service, when section 7805(b) relief is granted (see sections 15 and 18 of Revenue Procedure 90-4), retroactivity of the revocation or modification ordinarily will be limited to a date not earlier than that on which the original ruling or determination letter is modified or revoked.

Revenue Ruling 58-617, 1958-2 CB 260, (January 1, 1958) Rulings and determinations letters granting exemption from federal income tax to an organization described in section 501(a) of the Internal Revenue

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended June 30, 20XX

Code of 1954, to which contributions are deductible by donors in computing their taxable income in the manner and to the extent provided by section 170 of the Code, are effective only so long as there are no material changes in the character of the organization, the purposes for which it was organized, or its methods of operation. The District Director of the Internal Revenue for the district in which the organization is located must be advised immediately of any such changes in order that a determination may be made as to the effect the changes may have upon the exempt status of the organization. See generally sections 1.501(a)-1 and 1.6033-1 of the Income Tax regulations. Failure to comply with this requirement may result in serious consequences to the organization for the reason that the ruling or determination letter holding the organization exempt may be revoked retroactively to the date of the changes affecting its exempt status, depending upon the circumstances involved, and subject to the limitations on retroactivity of revocation found in section 503 of the Code.

Taxpayer's Position

Unknown at this time

Government's Position and Conclusion

The Service position is that, the organization has been inactive since September 30, 20XX. Operations have ceased for this entity. As such, fails to meet the operational requirements to continue its exemption status under IRC 501(c)(3). The effective date of revocation will be July 1, 20XX.

If you agree to this conclusion, please sign the attached forms.

If you disagree, please submit a written statement of your position with supporting law.