



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
TEGE EO Examinations Mail Stop 4920 DAL  
1100 Commerce St.  
Dallas, Texas 75242

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Date: October 15, 2018

Release Number: 201906010

Release Date: 2/8/2019

UIL: 501.03-00

Tax Year Ending:  
December 31, 20XX  
Taxpayer Identification Number:

Person to Contact:

Employee Identification Number:

Employee Telephone Number:  
(Phone)

**CERTIFIED MAIL – RETURN RECEIPT**

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)(3) effective January 1, 20XX. Your determination letter dated September 29, 20XX is revoked.

The revocation of your exempt status was made for the following reason(s):

Organizations described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to establish that you are operated exclusively for exempt purposes. You do not meet the operational test requirements of Section 1.501(c)(3)-1(c)(1) of the Regulations because more than a substantial portion of your activities are directed toward accrediting your members to become certified medical interpreters. These activities are not in furtherance of an exempt purpose for an IRC Section 501(c)(3) organization.

Contributions to your organization are no longer deductible under IRC §170 after January 1, 20XX.

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](http://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. TAS 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 TAS assistance, which is always free, TAS will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://www.taxpayeradvocate.irs.gov) or call 1-877-777-4778.

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

Sincerely,

**Maria Hooke**  
Director, EO Examinations

Enclosure:  
Publication 892



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

Date:  
April 26, 2018  
Taxpayer Identification Number:

Form:  
990 Return  
Tax Year(s) Ended:  
December 31,  
20XX  
Person to Contact:

Employee ID:  
Telephone:  
Fax:  
Manager's Contact Information:

Employee ID:  
Telephone:  
Response Due Date:  
May 26, 2018

**CERTIFIED MAIL – Return Receipt Requested**

Dear :

**Why you're receiving this letter**

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(3).

**If you agree**

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

**If you disagree**

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the

IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

**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 adverse determination letter.

**Contacting the Taxpayer Advocate Office is a taxpayer right**

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS 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 TAS assistance, which is always free, TAS will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

**For additional information**

You can get any of the forms and publications mentioned in this letter by visiting our website at [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs) or by calling 800-TAX-FORM (800-829-3676).

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

*Denise Gonzalez for*

Maria Hooke  
Director, Exempt Organizations  
Examinations

Enclosures:  
Form 886-A  
Form 6018  
Pub 892  
Pub 3498

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

**Issue(s):**

Proposal of revocation of \_\_\_\_\_ (“EO”) for failing to meet the organizational and operational test under Internal Revenue Code Section 501(c)(3)?

**Facts:**

The EO was organized under the laws of the State of \_\_\_\_\_ in 19XX as a non-profit corporation per the original Articles of Incorporation. The EO filed a Form 1023: Application for Recognition of Exemption on December 30, 20XX which is enclosed as Exhibit 1 and 2.

Per the Letter 947 (the determination letter) dated September 29, 20XX reviewed, the EO received an IRC Section 501(c)(3) exemption with public charity status under IRC Section of 509(a)(2). The effective date of exemption is December 30, 20XX (Date F1023 filed). See Exhibit 3 attached to this report.

As part of the exemption determination, the EO amended its Articles of Incorporation on August 15, 20XX to satisfy the organizational requirements of an IRC Section 501(c)(3) organization. Per the amended Articles of Incorporation, the EO has the following purposes:

- Define educational requirements and qualification for \_\_\_\_\_
- B. Establish professional standards of practice and norms of \_\_\_\_\_
- C. Promote the establishment of professional i \_\_\_\_\_ within medical institutions and related agencies
- D. Act as a clearing house for the collection and dissemination of information about \_\_\_\_\_ and \_\_\_\_\_
- E. Promote research on issues of \_\_\_\_\_ in the healthcare setting

The EO amended Article IV of the Articles of Incorporation to contain a proper powers and dissolution clause required for an IRC Section 501(c)(3) organization. See Exhibit 4 and 5 attached to this report.

On January 13, 20XX, the EO merged with The \_\_\_\_\_. This entity is not registered in \_\_\_\_\_. A review of this entity’s website suggests that this organization provides credentials to \_\_\_\_\_.

Revenue Agent (RA) \_\_\_\_\_, conducted the initial interview with the EO on September 20, 20XX. The following assertions were made:

- There are no federal or state laws or regulations regulating the \_\_\_\_\_ profession. As a \_\_\_\_\_, an individual has the duty to assist patients to receive appropriate care and diagnostics. However, because of the lack of regulations, any hospital or health clinic can hire any individual who \_\_\_\_\_ and classify them as “\_\_\_\_\_”. This is concerning to the EO because \_\_\_\_\_ are problematic in many ways with respect to healthcare diagnostics. The EO wants to intervene and set a standard of high and trustworthy professionalism for \_\_\_\_\_. The EO believes every \_\_\_\_\_ should have the right training, the right mindset to help the patient, and the right level of continuing education to serve in the healthcare field. In short, knowing how to \_\_\_\_\_ alone is not adequate to assist patients.

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- The \_\_\_\_\_ (“National Board”) was established to oversee and supervise the \_\_\_\_\_. The National Board is solely responsible for all certification program policies and decisions related to certification and recertification of \_\_\_\_\_.
- Leadership Academy – provided by the EO
  - Zero-month program, monthly calls, and online sessions
  - Sample topics include:
    - Teambuilding, mentoring and coaching skills
    - Managing conflict
    - Presentation skills
    - Business case for \_\_\_\_\_
- In addition to the Leadership Academy, the EO provides educational content on its website through webinars. The website acts as a library that curates a lot of information for \_\_\_\_\_. Past webinars are not accessible to the public. The EO provided a copy of past seminars for review and here are some samples of the content:
  - July 27, 20XX – \_\_\_\_\_
  - March 23, 20XX – \_\_\_\_\_
  - February 24, 20XX – \_\_\_\_\_
- The EO asserted that the EO owns the content with respect to the ownership of the materials mentioned above. There are certain situations where the presenter may maintain ownership of the content. As such, the RA determined ownership of the content is on a case by case basis.
- \_\_\_\_\_ Education Registry is a detail list of available educational institutions training \_\_\_\_\_.
  - Disclaimer on the website: “The courses, workshops, and programs listed on the \_\_\_\_\_ Education Registry are not offered or facilitated by the \_\_\_\_\_. \_\_\_\_\_ cannot be held responsible for the content, delivery or outcome of these programs.”

An individual can obtain the \_\_\_\_\_ ( ) by passing the certification exams from the National Board. This is a committee within the National Board and not federally regulated as the name would suggest. The \_\_\_\_\_ credentials are available in \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_. To get the \_\_\_\_\_ badge, an individual is required to pass both a written and an oral exam demonstrating \_\_\_\_\_. In addition, the individuals are required to have continuing education credits to maintain the \_\_\_\_\_ badge. The \_\_\_\_\_ badge is helpful as it demonstrates competency for a potential employer.

The EO reported the following amounts on their filed Form 990 for the period ending December 31, 20XX. The RA accepted these figures as filed base on a review of the financial audit report prepared by a CPA firm that is in good standing.

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Membership Dues	\$ .00
Government grants	\$ .00
<b>Total:</b>	<b>\$ .00</b>
Accreditation Exams	\$ .00
Certification	\$ .00
CEU Credits	\$ .00
Conference	\$ .00
Symposium	\$ .00
<b>Tota</b>	<b>\$ .00</b>

Base on the financial review of the organization, Certification and Accreditation Exams (written and oral) made up approximately 0% [ (\$0k+\$0k) / \$0k] of total revenue for the organization. The intergradation of with the EO occurred after the exemption determination (Exhibit 3). This information was not included in the original Form 1023 (Exhibit 1&2). The income not related to accreditation generated by the organization results in approximately 0% (0% - 0%) of the total sources.

The EO's Bylaws (attached as Exhibit 6) lists four types of Membership available:

1. Active Members. Active members shall be professional \_\_\_\_\_ curtly engaged in the delivery of \_\_\_\_\_ in a medical setting. In addition, dues must be paid. Active members are eligible to vote, hold office, and chair committees.
2. Associate Members. Associate members shall be individuals other than \_\_\_\_\_ who support the mission of the organization. Associate members can participate in activities of the of the association and may serve on committees but are excluded from voting and holding office.
3. Corporate Members. Corporate members shall be representatives of all health care facilities and other organizations or corporations providing \_\_\_\_\_ and/or education and are interested in supporting the mission of the Association. Corporate members shall be excluded from voting and holding office. Corporate members may serve on committees.
4. Honorary Members. Honorary members shall be individuals who have received unanimous approval of the Executive Board in recognition of outstanding contributions in support of the mission of the Association. Honorary members shall not vote or hold office.

Dues is required for membership based on individual or corporate.

**Laws:**

Section 501(c)(3) of the Internal Revenue Code provides, in part, for the exemption from federal income tax of organizations organized and operated exclusively for charitable, religious or educational purposes and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 501(c)(6) of the Code provides for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues (whether or not administering a pension fund for football players), which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

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Section 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, an organization must be both organized and operated exclusively for one or more of the purposes specified in such sections. If any organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(1)(i) of the Regulations provides that an organization is organized exclusively for one or more exempt purposes only if its Articles of organization (a) limit the purposes of such organization to one or more exempt purposes; and (b) do not expressly empower the organization to engage otherwise than an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purpose.

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 of 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.

Section 1.501(c)(3)-1(d)(ii) of the Regulations states that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, to meet the requirements, an organization must establish that it is not organized or operated for the benefit of a private interest, such as designated individuals, the creator or his family, shareholders or the organization, or persons controlled, directly or indirectly, by such private interests.

Per Revenue Ruling 85-2, an organization is lessening the burdens of government only if: (a) its activities are activities that a governmental unit considers to be its burdens; and (b) the activities actually lessen such governmental burden. An organization must demonstrate that a government unit considers the organization to be acting on the government's behalf, thereby actually freeing up government assets. An activity is a burden of government only if there is an objective manifestation by a government unit that it considers the activities of the organization to be its burden (Revenue Ruling 85-1). The government must formally recognize the organization and its functions to be considered a governmental burden.

Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279 (1945), held that the presence of a single nonexempt purpose, if substantial in nature, will preclude tax exemption under section 501(c)(3) of the Code.

Rev. Rul. 70-187, A nonprofit organization formed by manufacturers of a particular product to conduct a program of testing and certification of the product to establish acceptable standards within the industry as a whole qualifies for exemption under Section 501(c)(6) of the Code.

Rev. Rul. 73-567 holds that a medical specialty board that devises and administers written examinations to physicians in a particular medical specialty and issues certificates to successful candidates is not organized and operated exclusively for charitable purposes. Although the examination and certification of physicians promotes better medical service for the public, these activities primarily serve the private interests of the medical profession by promoting and enhancing the status of a particular medical specialty. Thus, the organization is not exempt under IRC Section 501(c)(3) because it is not organized and operated exclusively for charitable purposes, but is exempt under IRC Section 501(c)(6) as an organization that promotes the common business interest of its members.



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In Rev. Rul. 71-504, 1971-2 C.B. 231, the Service holds that a city medical society, exempt under IRC Section 501(c)(6), does not qualify for exemption under IRC Section 501(c)(3). Because a substantial portion of the activities further the common business purpose of the society's members, the organization is not organized and operated exclusively for charitable purposes. Some of the organization's activities are charitable or educational, but activities such as providing a patient referral service, maintaining a grievance committee to hear complaints and settle disputes between member doctors, and conducting a public relations program to enhance and improve the public image of the medical profession, among others, are directed primarily at the promotion of the medical profession. Accordingly, the organization may not be reclassified as exempt under IRC Section 501(c)(3).

**Government's Position:**

Section 1.501(c)(3)-1(d)(3) of the IRS regulations interpret the term "educational" as used in IRC Section 501(c)(3) as including "(a) the instruction or training of the individual for the purpose of improving or developing his capabilities; or (b) the instruction of the public on subjects useful to the individual and beneficial to the community." Treas. Reg. §1.501(c)(3)- 1(d)(3).

The regulations acknowledge that there are many ways to conduct educational activities within the meaning of IRC Section 501(c)(3), including the operation of a traditional school with a regular faculty, regularly scheduled curriculum and onsite classroom instruction, and presentation of public discussion groups, forums, panels, lectures, or other similar programs. Treas. Reg. §1.501(c)(3)-1(d)(3)(ii).

Some of the EO's activities meet the definition "for the purpose of" education. Such as running the Leadership Academy, providing workshops, conferences, and webinars for the \_\_\_\_\_ and members. However, the EO does not meet the "operational test" requirements of Section 1.501(c)(3)-1(c)(1) of the Regulations because more than a substantial portion of the EO's activities are directed toward accrediting the EO's members to become certified \_\_\_\_\_. These activities are not in furtherance of an exempt purpose for an IRC Section 501(c)(3) organization.

The EO's Form 990 filed for year ending December 31, 20XX (attached as Exhibit 7) has books and records, that suggest at least 0% of the EO's income came from accrediting \_\_\_\_\_. Consequently, if more than an insubstantial part of the EO activities are not in furtherance of a qualified IRC Section 501(c)(3) exempt purpose, the EO won't meet the "exclusively operated" clause defined under Section 1.501(c)(3)-1(c)(1) of the Regulations.

The EO received exemption under IRC Section 501(c)(3) based on the application originally reviewed in 20XX. However, there was a substantial amount of activity changes since the EO received the exemption. Specifically speaking, the integration of the EO and the National Board in 20XX changed the way the EO operates. This merger altered the EO's operations from what the original application entailed. This fact should have been updated with the Internal Revenue Service and a review of the EO's exemption status was warranted. The National Board activity of accrediting \_\_\_\_\_ are substantial in nature.

Furthermore, the act of certifying \_\_\_\_\_ is deemed not to be in furtherance of education. Rather it is more of serving the private interests of the \_\_\_\_\_ profession by promoting and enhancing the status of \_\_\_\_\_ - Rev. Rul. 73-567. (Attached as Exhibit 8)

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Further, members paying dues is not a function of a IRC Section 501(c)(3) which is organized exclusively for religious, charitable, scientific, literary, and educational purposes, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code or the corresponding provision of any future United States Internal Revenue law. Rather, members paying dues is typically a function of a IRC Section 501(c)(6).

Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279 (1945), (attached as Exhibit 9) held that the presence of a single nonexempt purpose, if substantial in nature, will preclude tax exemption under Section 501(c)(3) of the Code. Following the Better Business case, the government has determined that the National Board activity is substantial in nature and a proposal to revoke the EO's IRC Section 501(c)(3) is warranted.

*Lessening the burdens of government:*

Lessening the burdens of government requires that an IRC Section 501(c)(3) organization demonstrates a very close connection to a governmental body. This is a difficult standard to prove, as many cases and rulings relating to certification demonstrate. In Quality Auditing Co., Inc., 114 TC 498 (2000), (attached as Exhibit 10) an IRC Section 501(c)(6) association developed standards to certify the fitness of structural steel fabrication. The association funded the startup of a separate IRC Section 501(c)(3) organization to carry out the certification program. The IRC Section 501(c)(3) argued that it had two legitimate exempt purposes— lessening the burdens of government and testing for public safety. The IRC Section 501(c)(6) association had originally developed its certification program at the behest of governmental agencies. The Tax Court held that while government agencies had originally asked the association to develop a certification program, there was no evidence that the government viewed auditing of steel fabrication as a governmental responsibility, nor was there any evidence that, but for the Association and subsequently the would-be charity, the government would have developed a similar program. As such, the IRC Section 501(c)(3)'s activities were deemed to be operated on behalf of private business interests.

Following the argument above, there needs to be evidence showing that \_\_\_\_\_ as a profession should be regulated by a federal agency in order to prove that the EO is lessening the burdens of the government. It is arguable that \_\_\_\_\_ are a sub class of healthcare provider and as such, should be regulated by an authorized government body. However, as of today, there is no federal law or state law showing that the government believes \_\_\_\_\_ should be certified. Furthermore, per Revenue Ruling 85-2, (attached as Exhibit 11) an organization is lessening the burdens of government only if (a) its activities are activities that a governmental unit considers to be its burdens; and (b) the activities actually lessen such governmental burden. It is in our position that the EO does not qualify for IRC Section 501(c)(3) status base on the lessening the burdens of government argument.

**Taxpayer's Position:**

No official position has been received.

**Conclusion:**

Proposal of revocation is appropriate for this organization with the effective date of revocation January 1, 20XX. The EO does not meet the operational requirements of an IRC Section 501(c)(3) organization as

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the EO derived 0% of their income from accrediting certifying . The act of examining and certifying promotes high professional standards. Although some public benefit may be derived from promoting high professional standards in , the activities are determined to be primarily serving the interest of the profession. The RA determine that the EO is not operating exclusively for IRC Section 501(c)(3) purposes. The EO's activities are designed to promote the common business interest of its members which is better described under IRC Section 501(c)(6) as exemplified by Revenue Ruling 73-567.