



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Date: February 19, 2019

Number: **201925014**
Release Date: 6/21/2019

Tax Year Ending:

Taxpayer Identification Number:

Person to Contact:

Employee Identification Number:

Employee Telephone Number:

UIL: 501.03-00

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 produce documents or otherwise establish that you are organized exclusively for exempt purposes or that you have the proper dissolution clause in your organizing document.

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.

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 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 Division
Exempt Organizations Examination

Date:
06/29/2018
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Employee ID number:
Telephone number:
Fax:
Address:
Manager's contact information:

Employee ID number:
Telephone number:
Response due date:

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.

Letter 3618 (Rev. 9-2017)
Catalog Number 34809F

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 or call 877-777-4778.

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 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,



for Maria Hooke
Director, Exempt Organizations Examinations

Enclosures:

Form 6018

Form 4621-A Report of Examination

Form 886-A

Publication 892

Publication 3498-A

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

Date of Notice: June 29, 20XX

Issues:

Whether the exempt status of _____ (the Organization) under IRC § 501 (c)(3) should be revoked, effective January 1, 20XX because it is not organized exclusively for exempt purposes within the meaning of section 501 (c)(3) and Treas. Reg. § 1.501 (c)(3)-1 (b)?

Facts:

_____ applied for tax-exempt status by filing the Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501 (c)(3) of the Internal Revenue Code*, on September 8, 20XX, and was granted tax-exempt status as a 501(c)(3) on September 29, 20XX, with an effective date of August 7, 20XX.

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

The organization attested on Form 1023-EZ, part II, box 2 that they have the organizing document necessary for their organizational structure, which they marked that they are a corporation.

Section 501 (c)(3) requires that an organizing document must limit your purposes to one or more exempt purposes within section 501 (c)(3). The organization attested that their organizing document contains this limitation.

They also attested that their organizing document does not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

The organization attested that their organizing document contains the dissolution provision required under section 501 (c)(3) or that they did not need an express dissolution provision in your organizing document because they rely on the operation of state law in the state in which you are formed for your dissolution provision.

The organizing documents that the agent obtained from _____ on January 26, 20XX contains a vague purpose and does not contain a dissolution clause. The certificate of incorporation refers to bylaws. There were some bylaws included but there were not enough details or information provided to know if the bylaws were submitted to the state.

_____ did send some more bylaws on March 08, 20XX. There was nothing included in response to show that these bylaws were filed with the state at the time of

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being incorporated or even filed later. The bylaws received on March 08, 20XX were also unsigned.

Organization filed a certificate of dissolution with State of _____ on May 09, 20XX.

The agent made several attempts to contact the Organization to request a complete copy of their organizing documents that was filed with the state. Due to them filing certificate of dissolution there were also attempts to secure information to finalize termination.

- Correspondence for the audit was as follows:
 - Letter 3606 (Rev. 6-2012) with attachments, was mailed to the organization on October 31, 20XX, with a response date of December 1, 20XX. This letter was not returned by the post office as being undeliverable.
 - Three separate faxes were received from organization on January 26, 20XX.
 - Letter 3844-B (Rev. 11-2015) with attachments, was mailed certified to the organization on February 06, 20XX, with a response date of March 08, 20XX. This letter was requesting additional information and missing information This letter was not returned by the post office as being undeliverable.
 - Response to Letter 3844-B from organization was received on March 08, 20XX.
 - Form 4564, *Information Document Request*, was mailed on April 24, 20XX with a response date of May 04, 20XX. Form 4564 contained the updated contact information of the new agent assigned and also listed what information was still needed to complete the examination. Article Number _____ . Received PS Form 3811 back and it is showing signed by _____ .
 - May 17 and 18, 20XX, received Certificate of Dissolution that was filed with the State of _____ on May 09, 20XX.
 - Letter 5077-B (Rev. 01-2017), *TE/GE IDR Delinquency Notice*, was mailed to the organization, on June 11, 20XX, with a response date of June 25, 20XX. Included updated contact information along with missing items still needed to conclude the examination. Article Number _____ . Per USPS tracking this was delivered on June 14, 20XX at 5:21 pm.

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- Telephone contact for the audit was as follows:
 - November 13, 20XX, Agent called _____, President, at _____ and received VMS. Left a message for an officer of the organization to return the phone call.
 - December 01, 20XX, received a phone from _____, President, he advised misread the due date and also that the organization was in the process of dissolving. Agent went over information needed for dissolving an organization and negotiated a new due date of January 05, 20XX.
 - January 05, 20XX, Agent received voice mail from the President advising that the requested information is being put in the mail today. Called president back and advised message was received and will forward to response next week.
 - January 23, 20XX, Agent called President and left a voice message advising that the response has not been received.
 - February 02, 20XX, Called the President and received voice mail, so left a message that Letter 3844-B is being mailed with attachments for additional information needed. Left a brief overview the additional information that was being requested.
 - February 28, 20XX, Agent called the President and received voice mail, so left message about case reassignment and contact information.
 - April 03, 20XX, Agent called the President and discussed the issue with the organizing documents and what is needed in order to dissolve the organization.
 - April 17, 20XX, Agent called the President at _____ and the number has been disconnected.
 - April 18, 20XX, researched and found _____ as a potential number for the President. Called the number and it is was busy. Tried calling a bit later and got a message that the number has been disconnected.
 - April 18, 20XX, Agent called _____, Secretary, at _____ and left voice message.
 - April 18, 20XX, Agent called _____, Chairman of the Board, at _____ thought organization was terminated. Advised it appeared to be in process and was trying to follow up with the President and now the number _____

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has been disconnected. is going to try to get hold him.

- o May 07, 20XX, Agent called and and left messages.
- o May 08, 20XX, , Chairman of the Board, called back and left voice mail leaving a phone number of of .
- o May 09, 20XX, Agent called , President, at No one picked up and mailbox was not set up to leave voice message.
- o May 10, 20XX, Agent called , President, at No one picked up and mailbox was not set up to leave voice message.
- o May 14, 20XX, , President, called and left a voice message apologizing for not getting back sooner due to personal reasons. He advised that he was waiting for the attorney to get the state dissolution document.
- o May 31, 20XX, Agent called , President, at No one picked up and mailbox was not set up to leave voice message.

Law:

Internal Revenue Code (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.

Treasury Regulations (Regulation) 1.501(c)(3)-1 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).

Regulation §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.

Regulation §1.501(c)(3)-1(b)(1)(i) 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

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organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Regulation 1.501(c)(3)-1(b)(4) An organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal Government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

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.

Rev. Proc. 2018-5, Sec 11.02 (3) Inaccurate information on request. A determination letter issued to an organization that submitted a request in accordance with this revenue procedure may not be relied upon by the organization submitting the request if it was based on any inaccurate material information submitted by the organization. Inaccurate material information includes an incorrect representation or attestation as to the organization's organizational documents, the organization's exempt purpose, the organization's conduct of prohibited and restricted activities, or the organization's eligibility to file Form 1023-EZ.

Organization's Position

Taxpayer's position is unknown at this time.

Government's Position

Based on the above facts, the Organization has not established that it had organizing documents limiting the purpose of the organization to one or more exempt purposes, or a

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proper dissolution clause that meet the organizational test under IRC section 501(c)(3), at the time of applying for tax exemption.

If an organization fails to meet either the organizational test or the operational test, it is not exempt.

The Organization fails the organizational test because it did not establish that it had an organizing document that complied with section 501(c)(3) at the time of applying for tax exemption. Because it never had an organizing document that meets the requirements of section 501(c)(3), and because it misrepresented that fact in its Form 1023-EZ, the revocation is effective as of January 1, 20XX.

Conclusion:

Based on the foregoing reasons, it is the IRS's position that the organization failed to establish that it meets the organizational test as required IRC §§ 501(c)(3) for it to be exempt from federal income tax under IRC § 501(c)(3). Accordingly, the organization's exempt status is revoked effective January 1, 20XX.

Form 1120, *U.S. Corporation Income Tax Return*, should be filed for the tax periods after December 31, 20XX.