



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

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

Release Number: 202004013
Release Date: 1/24/2020
Date: October 9, 2019
UIL: 501.03-00

EIN:
Person to Contact:
Identification Number:
Telephone Number

CERTIFIED MAIL – RETURN RECEIPT REQUESTED
LAST DAY FOR FILING A PETITION WITH THE TAX
COURT: January 7, 2020

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 October 1, 20XX. Your determination letter dated April 19XX is revoked.

Our adverse determination as to your exempt status was made for the following reasons:

You discontinued activities furthering charitable or educational purposes. 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 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). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of 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. § 501(c)(3) and Treasury Regulation §1.501(c)(3)-1(a), in that you have not established that you were organized and operated exclusively for exempt purposes and that no part of your earnings inured to the benefit of private shareholders or individuals.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

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 was mailed to you. Please contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment. Please refer to the enclosed Publication 892 for additional information. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

U.S. 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

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.

You may be eligible for help from the Taxpayer Advocate Service (TAS). 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 yours,

Maria Hooke

Enclosures:
Publication 892

Maria Hooke
Director, EO Examinations



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

Date:
12/06/2018
Taxpayer ID number:
Form:

990
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.

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 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,

Michelle Henson

Michelle Henson

FOR

Maria Hooke

Director, Exempt Organizations Examinations

Enclosures:

Form 886-A, Form 4621-A

Form 6018, Publications 3498 & 892

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit 2
Name of taxpayer	Tax Identification Number	Year/Period ended September 30, 20XX

ISSUE:

Should the tax-exempt status under IRC §501(c)(3) for _____ be revoked? _____

FACTS:

_____ (“the Hospital”) was incorporated in the State of _____ on March 17, 19XX. The Hospital applied for tax exempt status under IRC §501(c)(3) on February 3, 19XX and in April, 19XX the Hospital was determined to be exempt from taxation under IRC §501(c)(3) with a foundation classification under IRC §509(a)(1) and 170(b)(1)(A)(iii).

While the Hospital was a separately incorporated entity, it fell under the province of the government of _____. As an organization affiliated with a governmental agency, the Hospital received exemption from filing annual Forms 990.

On April 2, 20XX the Hospital and _____ entered into a purchase agreement with _____ (“_____”). The Hospital and _____ were the sellers and _____ was the purchaser.

The terms of the agreement included the purchase price of \$0.00 which was adjusted down to \$0.00 after post-closing adjustments were made.

Upon the sale of all assets and property from the Hospital to _____, the Hospital did not operate as a corporate entity and ceased to have an exempt purpose. However, the Hospital did not file Articles of Dissolution with the State of _____ and did not inform the Internal Revenue Service of its’ intent to dissolve and forfeit their tax-exempt status.

A search on the Secretary of State’s web site for _____ did not provide any record of Articles of Dissolution having ever been filed. A conformed copy of the Articles of Dissolution was requested from the Hospital, but the Hospital was unable to provide that document.

The Hospital was sold again in or around 20XX to the current owner, which is _____. The transfer of records from _____ to the current owner in or around 20XX was contentious, and all historical records were not transferred to the new owners.

LAW:

IRC §501(a) exempts organizations described in Section 501(c) of the Code from federal income taxation.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit 2
Name of taxpayer	Tax Identification Number	Year/Period ended September 30, 20XX

IRC §501(c)(3) exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Treas. Reg. §1.501(c)(3)-1(a)(1) 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. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Treas. Reg. §1.501(c)(3)-1(c)(1) 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) 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.

Treas. Reg. §1.501(c)(3)-1(d)(2) defines the term "charitable" for 501(c)(3) purposes, in part, as including relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; and lessening of the burdens of Government.

Treas. Reg. §1.6001-1(c) provides that for exempt organizations, in addition to such permanent books and records required by section 1.6001-1(a) with respect to the tax imposed by section 511 on the 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.

Treas. Reg. §1.6001-1(e) provides that 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 be material in the administration of any internal revenue law.

In Better Business Bureau v. United States, 326 U.S. 279 (1945), the court ruled that the existence of a single nonexempt purpose, if substantial in nature, will cause failure of the operational test, regardless of the number or importance of truly exempt purposes.

In United States v. Wells Fargo Bank, 485 U.S. 351, 108 S. Ct. 1179, 99 L. Ed. 2d 368 (1900) the Supreme Court held that an organization must prove unambiguously that it qualifies for a tax exemption.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit 2
Name of taxpayer	Tax Identification Number	Year/Period ended September 30, 20XX

TAXPAYER'S POSITION:

acknowledges that the corporate identity associated with this entity ceased to exist on April 2, 20XX when all assets were purchased by . The Hospital understands that without an exempt purpose after the transfer of assets to , they no longer qualified as a tax-exempt organization.

The Hospital also acknowledges that they did not correctly terminate their tax-exempt status in 20XX and they state that they are unable to determine if Articles of Dissolution were ever filed with the State of

The Hospital understands that without a conformed copy of the Articles of Dissolution, the only way to terminate an organization's tax-exempt status with the IRS is for the IRS to propose the revocation of that status.

GOVERNMENT'S POSITION:

The Hospital and the government of sold the assets associated with on April 2, 20XX. Once the transfer of assets to the new owner was completed, the hospital under Employer Identification Number (EIN) did not provide medical and other hospital related services. The physical hospital facilities remained, but the medical services were provided by the successor hospital organization.

After April 2, 20XX did not conduct any exempt function activities under their EIN, and in fact did not conduct any activities. Treas. Reg. §1.501(c)(3)-1(c)(1) 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) 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.

With a lack of activities conducted after the sale of all assets in 20XX, the Hospital could not have been considered to have operated exclusively for an exempt purpose because there was no primary activity. The Hospital failed to qualify for continued exemption under IRC §501(c)(3) once they terminated the operation of the hospital under their EIN.

In 20XX the Board of Trustees for failed to file Articles of Dissolution with the state of to dissolve their corporate identity and they failed to provide a conformed copy of the Articles of Dissolution to the IRS to terminate the tax-exempt status of the Hospital.

Consequently, we are revoking the Hospital's section 501(c)(3) status.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit 2
Name of taxpayer	Tax Identification Number	Year/Period ended September 30, 20XX

CONCLUSION:

ceased being a viable tax-exempt organization upon the sale of their assets in 20XX. The Hospital failed to terminate their tax-exempt status properly after the sale of their assets in 20XX and since 20XX they have not operated exclusively for a tax-exempt purpose as required to maintain exemption under IRC §501(c)(3). As a result, the Hospital's section 501(c)(3) tax-exempt status is being revoked, with an effective date of October 1, 20XX.