



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: OCT 23 2019

Number: **202007018**
Release Date: 2/14/2020

EIN:
Person to Contact:

Identification Number:

Telephone Number:

Fax:

UIL: 501.03-00

CERTIFIED MAIL - Return Receipt Requested
LAST DAY FOR FILING A PETITION WITH THE TAX COURT:

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 May 31, 20XX. Your determination letter dated June 4, 20XX is revoked.

Our adverse determination as to your exempt status 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 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,



Enclosures:
Publication 892

Maria Hooke
Director, EO Examinations



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

Date:
May 22, 2019
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact:

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

Employee ID:
Telephone:
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.

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.

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 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,

Kristopher Raper

for Maria Hooke
Director, Exempt Organizations
Examinations

Enclosures:
Form 886-A
Form 6018
Form 4621-A
Pub 892
Pub 3498

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

Date of Notice: May 22, 20XX

Issues:

Whether the exempt status of _____ (the Organization) under IRC § 501(c)(3) should be revoked, effective June 4, 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 May 31, 20XX, and was granted tax-exempt status as a 501(c)(3) on June 4, 20XX, with an effective date of May 31, 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.

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 _____ do not contain a proper dissolution clause.

The agent made several attempts to contact the organization to request that it conform its organizing documents. Specifically, the agent attempted to contact the organization by letter on 4 occasions. The letters were claimed, and inadequate responses were received

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

September 10, 20XX the organization indicates the _____ does not contend that it should be classified under Code Section 501(c)(3) and would like to be classified correctly under Code Section 501(c)(4).

November 16, 20XX the organization responded indicating;

The _____ is incorporated as a non-stock corporation under _____ law. A copy of the Articles of Incorporation of _____ is attached to this letter. As discussed during our several telephone conversations, the _____ is intended to be organized and operated as a social welfare organization under Code Section 501(c)(4). Accordingly, the provisions contained in the Articles of Incorporation are consistent with the requirements of Code Section 501(c)(4) for an organization that is organized and operated for the benefit of the community. Because the _____ is not intended to be organized and operated as a charitable organization under Code Section 501(c)(3), the Articles of Incorporation do not contain the provisions referenced on the second page of the Form 14564, Information Document Request, which must be included in articles of incorporation for a Code Section 501(c)(3) organization.

Following revocation of the _____ exempt status under Code Section 501(c)(4), the secretary of the _____ at that time inadvertently submitted a Form 1023-EZ requesting recognition of exempt status for the _____ under Code Section 501(c)(3), which status was granted. The secretary did not understand that the _____ should have filed a Form 1024 to request reinstatement of the exempt status under Code Section 501(c)(4).

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.

Name of Taxpayer

Year Period Ended

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 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 of legal government, for a public purpose or would be distributed by a court will be accomplish the general purposes for which the dissolved organization was organized. However, an organization des not meet the organizational lest 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.

Re v. Ru/. 5 9 -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

The _____ is incorporated as a non-stock corporation under _____ law. the _____ is intended to be organized and operated as a social welfare organization under Code Section 501(c)(4). Accordingly, the provisions contained in the Articles of _____

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

Incorporation are consistent with the requirements of Code Section 501(c)(4) for an organization that is organized and operated for the benefit of the community. Because the is not intended to be organized and operated as a charitable organization under Code Section 501(c)(3), the Articles of Incorporation do not contain the provisions for a Code Section 501(c)(3) organization.

Following revocation of the exempt status under Code Section 501(c)(4), the secretary of the at that time inadvertently submitted a Form 1023-EZ requesting recognition of exempt status for the under Code Section 501(c)(3), which status was granted. The secretary did not understand that the should have filed a Form 1024 to request reinstatement of the exempt status under Code Section 501(c)(4).

The organization agrees that they are meeting the operational test for a 501(c)(3) and agrees to the revocation based on not meeting the organizational test.

The organization would like the exemption revoked under Section 501(c)(3).

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 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 the date of exemption, June 4, 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 June 4, 20XX.

Form 1120, U.S. Corporation Income Tax Return, should be filed for the tax periods after September 30, 20XX.