

Internal Revenue Service  
Appeals Office  
4330 Watt Avenue SA 7890  
Sacramento, CA 95821-7012

Department of the Treasury

Employer Identification Number:

Date: MAR 17 2020

Person to Contact:

Employee ID No:

Tel:

Fax:

Number: 202024015

Release Date: 6/12/2020

UIL: 0501.0-00

**Certified Mail**

Dear :

This is a final adverse 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 Section 501(c)(3) of the Code. It is determined that you do not qualify as exempt from Federal income tax under section 501(c)(3) of the Code, effective October 1, 20

We made the adverse determination 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 operating for exempt purposes. Moreover, to satisfy the operational test an organization must engage primarily in activities which accomplish one or more of the exempt purposes specified in section 501(c)(3) of the Code. You are not operated exclusively for charitable or other exempt purposes as required by section 501(c)(3) of the Code.

Contributions to your organization are not deductible under section 170 of the Code.

You're required to file Federal income tax returns on Forms 1120, U.S. Corporation Income Tax Return. Mail your form to the appropriate Internal Revenue Service Center per the form's instructions. You can get forms and instructions 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).

We'll make this letter and the proposed adverse determination letter available for public inspection under Code section 6110 after deleting certain identifying information. We have provided to you, in a separate mailing, Notice 437, *Notice of Intention to Disclose*. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

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 either:

- United States Tax Court,
- The United States Court of Federal Claims,
- The United States District Court for the District of Columbia.

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. Contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment. You can 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

Note: We will not delay processing income tax returns and assessing any taxes due even if you file petition for declaratory judgment under section 7428 of the Code.

Please refer to the enclosed Publication 892, How to Appeals an IRS Determination on Tax -Exempt Status, for more information about the Appeals process.

You also have the right to contact 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. Advocate assistance, please contact the Taxpayer Advocate for the IRS office that issued this letter. You If you qualify for TAS assistance, which is always free. TAX will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

TAS assistance is not a substitute for established IRS procedures, such as the formal appeals process. TAS cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court.

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

Sincerely,

Appeals Team Manager

Enclosure: Publication 892

cc:



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

Date:  
June 14, 2019  
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact:

Manager's Contact Information:

Response Due Date:  
July 15, 2019

**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,

Maria Hooke  
Director, Exempt Organizations  
Examinations

Enclosures:  
Form 886-A  
Form 6018

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended 20XX

**Issue:**

Whether the \_\_\_\_\_, (hereafter EO) should be revoked for failure to meet the operational test under I. R.C. 501 (c)(3) due to inactivity, no concrete plans to operate and no reasonable steps or acts to begin operations.

**Facts:**

The EO was incorporated as a not for profit corporation under the laws of the State of \_\_\_\_\_ and was organized to promote unity and patriotism and \_\_\_\_\_. The EO was recognized as an I.R.C. § 501(c)(3) organization and classified as a non-private foundation under section 509(a)(2) per Letter 1045 dated February 5, 20XX. The Internal Revenue Service, (hereafter Service) conducted a correspondence audit commencing with the mailing of Letter 3606 and Information Document Request, (hereafter IDR) 01 on March 19, 20XX.

On IDR 01, the Service requested from the EO explanations and details regarding its current exempt activity. The Service also requested on IDR 01 the loan approval process used by the EO and the board of directors' involvement in obtaining these loans; as well as the loan contracts, copies of cancelled checks, receipts or other documentation to verify the total monies provided to the EO. Per the last item requested on IDR 01, the Service requested an explanation of why the 20XX Form 990EZ balance sheet and Schedule O recorded the loaned monies as \$0 from the directors and details about the Schedule L which stated \_\_\_\_\_ (hereafter T/P 1) was the person who loaned the funds to the EO in the amount of \$0.

The Service conducted a phone conversation on May 9, 20XX, with \_\_\_\_\_, (hereafter POA). The Service learned from the POA that the EO conducted a kick-off campaign in \_\_\_\_\_ on Labor Day 20XX. The kick off event was introduced by \_\_\_\_\_ who was the EO's guest of honor. \_\_\_\_\_ explained the idea and introduced the \_\_\_\_\_ to those in attendance. \_\_\_\_\_ even started the event countdown clock, which was set to expire at 9:00 pm EST, on July 4, 20XX. The \_\_\_\_\_, which is the waving of the \_\_\_\_\_, was going to be conducted for 0 minutes on July 4, 20XX commencing at 9:00 pm EST. The concept for the event was to bring the nation together, showing unity, by having people \_\_\_\_\_ at a precise time on a designated day. The POA also stated to the Service in that phone conversation that the event did not take place on July 4, 20XX. The POA did not provide any additional details to the Service as to why the event was not conducted.

The Service reviewed their filed Form 1023 and the attached supplemental documents, which were received by the Service on October 2, 20XX. The EO detailed that it had obtained a trademark for the \_\_\_\_\_ and for the \_\_\_\_\_. The supplemental document stated that royalty fees would be charged on an item by item basis involving use of the trademarked \_\_\_\_\_ and \_\_\_\_\_. The EO further stated, that promotional items could also raise funds through royalty fees. The Service confirmed this intangible asset (valued at \$0) during the review of its filed Form 990EZ for 20XX. The balance sheet recorded the intangible asset as "other assets" in the amount of \$0. The Schedule O filed with the 20XX return, stated that these assets consisted of a patent and copyrights.

The supplemental document attached to its original Form 1023 application, stated that the EO intended to purchase promotional items from a closely related corporation. The supplemental document detailed the related parties as T/P 1 and \_\_\_\_\_, (hereafter T/P 2). The supplemental document stated that the EO would be able to purchase these promotional items at competitive prices. The supplemental document further stated that no promotional items had been purchased at that time. The EO also contracted with a marketing company to attract sponsorships for the event. The marketing company is an independent contractor that had no relationship to the EO. The EO sent a letter dated January 29, 20XX to the Service in which it stated that it needed a quick exemption approval because sponsorships and contributors were available only once the EO had exempt status.

The POA stated to the Service on May 9, 20XX, that the EO had not conducted the \_\_\_\_\_ event. Due to this statement the Service reviewed the EO's prior filed Form 990 returns to determine if the EO conducted any exempt activity since receiving its exempt determination letter dated February 5, 20XX.

The filed 20XX Form 990, Part I, reported that the EO received \$0 from fundraising and \$0 from direct public support. The EO reported \$0 as direct expenses related to its fundraising activities in 20XX. The total deficit to the EO for the 20XX year is (\$0).

The balance sheet from the 20XX Form 990 return stated \$0 cash and \$0 patents and copyrights as the end of year asset balance. The 20XX Form 990 return listed a detailed explanation of EO's special events and activities which included the \_\_\_\_\_. The filed 20XX Form 990 return stated gross receipts \$0, less contributions \$0, gross revenue \$0, less direct fundraising expenses of \$0 for a net loss of (\$0). The 20XX Form 990 end of year balance showing its liabilities stated loans from officers, directors, trustees and key employees in the amount of \$0. Included with the filed return the EO listed 0 individuals who loaned monies to the organization. T/P 1 who is the director of the organization provided \$0 to the organization. \_\_\_\_\_, (hereafter T/P 3) (no title is listed for him) provided \$0 to the organization. \_\_\_\_\_, (hereafter T/P 4) (no title for them is listed) provided \$0 to the organization. \_\_\_\_\_, (hereafter T/P 5) (no title is listed for him) provided \$0 to the organization. T/P 2 (no title is listed for him) provided \$0 to the organization. \_\_\_\_\_, (hereafter T/P 6) (no title is listed for him) provided \$0 to the organization.

The EO did not file a return for tax year ending 20XX. This was the year the \_\_\_\_\_ event was scheduled to be conducted.

The filed 20XX Form 990, Part I, shows that no revenues were reported as being received by the EO for that year. The return did report a (\$0) cost of goods sold as well as \$0 in expenses for the organization. The total deficit to the EO for the 20XX year is (\$0).

The balance sheet from the filed 20XX Form 990EZ return stated \$0 cash and \$0 patents and copyrights as the EO's end of year asset balance. The end of year balance for its liabilities stated notes payable to the directors in the amount of \$0. The loan from the directors increased \$0 from the amount stated on the Form 990 20XX. No explanation was provided on the 20XX Form 990EZ for this loan increase. The 20XX Form 990EZ return stated, "Notes payable directors". The return shows no contributions or fundraising funds were received in the 20XX-tax year. Since no additional monies was received by the EO in this year, the \$0 had to have been received in the 20XX-tax year, which no Form 990 return was filed.

The filed 20XX Form 990EZ, Part I, shows that no revenues were reported being received by the EO for that year. The return did report a \$0 printing, publications, postage and shipping expense.

The filed 20XX, 20XX, 20XX and 20XX Form 990, Part I, lists no revenues or expenses recorded for the EO.

The balance sheets from the filed 20XX, 20XX, 20XX, 20XX and 20XX Form 990EZ returns, record \$0 cash and \$0 for patents and copyrights as the EO's end of year asset balances for each respective year. Under the liabilities section, it was reported that the total liabilities were \$0 for each respective year. The Schedule O provided the explanation of Notes payable – directors. The Service does not have a record of the EO filing a return for tax year ending 20XX.

The Service received three separate responses to IDR 01 from the EO. The first response was received on June 7, 20XX, which provided 16 copies of promissory notes issued to T/P 1, 8 copies of promissory notes issued to T/P 5, 6 copies of promissory notes issued to T/P 4, 2 copies of promissory notes issued to T/P 3, 1 promissory note issued to T/P 6 and 1 promissory note issued to T/P 2. These promissory notes stated amounts received by the EO. The promissory notes had no designated interest rate or established repayment date. Furthermore, some of the copies of the promissory notes provided with response to IDR 01 had "Paid, date and amount" hand written on them. It appears that the EO tried to repay some of the promissory notes, but since the EO did not include any copies of bank statements, copies of bank deposits or copies of canceled checks, to confirm that any monies were received by or repaid to the appropriate individual referenced on the promissory notes.

The second response to IDR 01 was received on June 28, 20XX. This response included an activity log and annual meeting minute notes. The activity log started with dates from July 12, 20XX through to June 6, 20XX. There were 0 annual meeting minutes notes included in this response. The activity log discloses activity that was conducted by the officers for the EO either in person or by phone. The meeting minutes were from June 19, 20XX, February 11, 20XX, December 17, 20XX, December 18, 20XX, November 17, 20XX, December 17, 20XX, November 30, 20XX, December 18, 20XX and February 12, 20XX. The first meeting on June 20XX was attended by T/P 1, T/P 6 and POA. All other meetings were attended by T/P 1 and POA. Seven of the annual meetings lasted 15 minutes, 1 annual meeting lasted 0 minutes and 0 annual meeting lasted 0 minutes. The full detail of the activity log can be found in spreadsheet exhibit 1 under meeting tab.

The third response to IDR 01 was received on September 4, 20XX. In this response the EO provided better copies of specific dated promissory notes that were illegible in the June 7, 20XX response. The EO also provided projections for revenues and outside organizations that the EO contacted. The outside organizations are listed in the spreadsheet exhibit 1 under contact tab.

The Service created three individually tab excel spreadsheets within exhibit 1 for the promissory note detail, meeting detail and outside contact that the Service reviewed. The Service used this spreadsheet detail to analyze the loan issue during the audit process, time applied to EO's exempt activity and who was contacted regarding its exempt activity. The table below is a snapshot of the promissory notes totals and the balance from the liabilities balance sheet for the year under audit.

Promissory Note Detail from IDR 01		
<u>Name</u>	<u>Amount</u>	<u>Payments made to Individual</u>
	\$0.00	\$0.00
	\$ 0.00	.00
	\$ 0.00	.00
	\$ 0.00	.00
	\$ 0.00	.00
	\$ 0.00	.00
<b>Total without paybacks applied</b>	<b>\$0.00</b>	
<b>Total with payback applied</b>		<b>\$0.00</b>
<b>Liabilities Balance Sheet 20XX</b>		
<b>Notes Payable Directors</b>	<b>\$0.00</b>	

The filed 20XX Form 990 return disclosed loans from six individuals totaling \$0. In 20XX, the Service was provided 5 promissory notes from T/P 5 who loaned the EO \$0. The Service does not have a record of the EO filing a return for tax year 20XX.

The EO did file 20XX Form 990EZ return, recording loans from directors totaling \$0. The EO did not provide any promissory notes detailing the additional loaned funds for that year. The filed 20XX Form 990EZ return had a beginning loan balance of \$0 and an ending loan balance of \$0. Again, no promissory notes were provided to the Service to detail these additional funds received by the EO in 20XX. All filed returns from 20XX through to 20XX state "Notes Payable Directors" on the Other Liabilities Schedule filed with each return. The balance sheet liabilities loan balance recorded on the EO's filed Form 990 returns from 20XX through to 20XX carried forward the outstanding loan balance in the amount of \$0.

Starting with the 20XX-tax year the EO started filing a Form 990N postcard return. The Service has confirmed Form 990N filings for tax years 20XX and 20XX. No return has been filed for the 20XX-tax year.

The IDR 01 documents received on June 28, 20XX from the EO included meeting minutes of its annual director's meeting and, an activity log from 20XX through 20XX. The Service reviewed the activity log which started on 7/12/20XX detailing length of time for discussion and participants who were present at these meetings. The

Service totaled the contacts recorded for each year: For a quick snapshot the Service has consolidated the time conducted by the directors over the past 0 year.

Meeting Detail total hours per year		
Date	Total Hours	
7/12-12/20/20XX	0.00	
1/11-10/23/20X	0.00	
X 1/17-8/8/20XX	0.00	
2/4/20XX	0.00	
2/11/XX/12/20XX	0.00	
2/17/20XX & 12/17/20XX	0.00	
1/19/20XX & 12/18/20XX	0.00	
1/30/20XX & 11/17/20XX	0.00	
1/2/20XX & 12/17/20XX	0.00	
1/14/20XX, 11/6/20XX & 11/30/20XX	0.00	
1/22/20XX & 12/18/20XX	0.00	
1/16/20XX	0.00	
1/11/20XX, 2/12/20XX & 6/6/20XX	0.00	
<b>Total hours for 0 years</b>	<b>0 hours and 0 minutes</b>	

The Service has calculated the total meetings per year. That snapshot detail is below:

- 20XX – 0 meetings – duration of meetings between 0 minutes to 0 hours 0 minutes;
- 20XX – 0 meetings – duration of meetings between 0 minutes to 0 hours 0 minutes;
- 20XX – 0 meetings – duration of meetings between 0 minutes and 0 hours;
- 20XX – 0 meeting – duration of meeting 0 hours 0 minutes;
- 20XX – 0 meetings – duration of meetings between 0 minutes to 0 hours;
- 20XX – 0 meetings – duration of meetings between 0 minutes to 0 hour 0 minutes;
- 20XX – 0 meetings – duration of meetings between 0 minutes to 0 hours 0 minutes;
- 20XX – 0 meetings – duration of meetings between 0 minutes to 0 hour;
- 20XX – 0 meetings – duration of meeting between 0 minutes to 0 hour 0 minutes; 20XX
- 0 meetings – duration of meetings between 0 minutes to 0 hour 0 minutes; 20XX – 2
- meetings – duration of meetings between 0 minutes to 0 hour 0 minutes; 20XX – 1
- meeting – duration of meeting 0 hour 0 minutes;
- 20XX – 0 meetings – duration of meetings between 0 minutes to 0 hour 0 minutes.

The Service reviewed the minutes from the EO's annual meetings. The snapshot below shows the annual meeting dates and who attended.

- June 19, 20XX – attendees T/P 1, (hereafter T/P 7) and
- POA February 11, 20XX – attendees T/P 1 and CPA
- December 17, 20XX – attendees T/P 1 and CPA
- December 18, 20XX – attendees T/P 1 and
- CPA November 17, 20XX – attendees T/P 1 and
- CPA December 17, 20XX – attendees T/P 1
- and CPA November 30, 20XX – attendees T/P 1
- and CPA December 18, 20XX – attendees T/P
- 1 and CPA February 12, 20XX – attendees T/P
- 1 and CPA

From the documents provided for the annual meeting minutes, the Service learned that each annual meeting lasted 0 minutes except two meetings, one of which lasted 0 minutes and the other 0 minutes.



The EO provided the Service with the names of organizations and persons it contacted through the years seeking support in its attempts to conduct exempt activities. The contact information listed each entity contacted; type of contact made either by sending a letter and towel, an email or phone conversation, as well as the date contact was made and person the EO contacted. The Service included this contact information from the EO on the spreadsheet detail of exhibit 1 under tab Contact.

The Service issued IDR 02 on March 18, 20XX. This IDR requested supporting detail to substantiate the loaned amount of \$0, which is reported on the EO's balance sheet. The Service also requested in IDR 02, a response to IDR 01 questions that were not answered previously by the EO. In these unanswered questions the Service was trying to verify if the EO conducted activities in furtherance of its exempt purpose. The Service sought to establish whether the board members were aware of the loans being made to the EO and to determine if there were any established loan agreements secured to confirm that these loaned monies were received by the organization. The EO had a response date for IDR 02 of 4-1-20XX, which it did not meet.

The Service issued a second request for IDR 02 on 4-8-20XX. The response date to provide the documents to the Service was 4-19-20XX. Again, the EO did not answer any of the question nor did the EO provide any supporting documentation requested in IDR 02.

#### **Law:**

Section 501(c)(3) of the Internal Revenue Code (Code) exempts from Federal income tax organizations that are organized and operated exclusively for religious, charitable, scientific, or educational purposes. No part of the net earnings may inure to the benefit of any private shareholder or individual. Further, no substantial part of an organization's activities may consist of carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and it is prohibited from participating in, or intervening in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Treasury Regulation § 1.501(c)(3)-1(a)(1) provides that 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. These purposes include religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals. Treas. Reg § 1.501(c)(3)-1(d)(i).

Treasury Regulations § 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). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

In the case of Community Education Foundation v. Commissioner, T.C. Memo 2016-223, it was determined that petitioner, Community Education Foundation, no longer qualified for exemption from Federal income tax under section 501(a) because it did not meet the operational test requirements for a section 501(c)(3) organization. Specifically, the organization in that case over time did not meaningfully organize or allocate resources to any of its activities. Community Education Foundation admitted to a significant period of inactivity and failed to demonstrate that it engaged in activities furthering exempt purposes described in section 501(c)(3).

Internal Revenue Code 6001 provides that every person liable for any tax imposed by the Code, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

Treasury Regulation § 1.6001-1(c) states that in addition to such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on 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. Such organizations shall also keep such books and records as are required to substantiate the information required by section 6033. See section 6033 and §§ 1.6033-1 through -3. Treasury Regulations § 1.6001-1(e) states that the books or records required by this section shall always be kept available for inspection by authorized Internal Revenue Service officers or employees and shall be retained if the

contents thereof may be material in the administration of any Internal Revenue law.

Internal Revenue Code 6033(a)(1) in general, except as provided in Internal Revenue Code 6033(a)(2), every organization exempt from taxation under section 501(a) shall file an annual return, stating specifically the items or gross income, receipts and disbursements, and such other information for the purpose of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and shall keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

In accordance with the above cited provisions of the Code and Regulations under IRC § 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status.

### **Taxpayer Position:**

The EO admitted that it has not conducted any exempt purpose activity as described in its organizing documents. The EO stated that it has tried to organize and conduct events by assisting other tax-exempt organizations achieve their exempt purpose. The EO has stated that it has held meetings and discussions with various organizations.

### **Government Position:**

The Service previously determined that the EO qualified as a tax-exempt organization. The EO was recognized as an organization described in section 501(c)(3) and was exempt from tax under section 501(a) but was not a private foundation as defined by section 509(a). The EO has failed to demonstrate that it was actively conducting exempt activities from 20XX to present. Its organizing documents state that its exempt purpose is to "Nationally promote patriotism and unity in all 50 states and US territories and possessions". The Service reviewed its activity log and noted that conducting brief meetings throughout the years and holding one annual meeting per year is not enough to meet the operational test.

The EO had stated that it has held meetings and discussions with various other organizations. The Service had requested that the EO provide supporting documents detailing how helping these various organizations enabled the organization to conduct carry out its exempt purpose. The EO has provided only a brief statement referencing who it contacted, how the contact was made either by phone or mail but no further follow up or follow through with information showing an exempt purpose activity.

The EO has failed to demonstrate that it meets the operational test of section 501(c)(3) for the year under examination or any prior or subsequent year. To meet the operational test, it must show that it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3).

The Form 990 returns filed for tax year ended September 30, 20XX through September 30, 20XX by the EO evidences its failure to operate for exempt purposes. The Service found only one tax year, taxable year 20XX, where contributions were received, and fundraising activities were conducted. Furthermore, the filed returns confirm that no exempt purpose activities were conducted by the EO. Per their filed returns, from tax year ending 20XX to 20XX, the only change to its returns has been an increase in the loans from officers.

The organization has failed to provide records as is required by Code 6033(a)(1) to substantiate that it meets the operational test by operating for exempt purposes.

### **Conclusion:**

To continue to be qualified as a I.R.C. 501(c)(3) organization, the EO must meet the organizational and

operational test.

The EO received its exempt status in 20XX per Letter 1045 dated February 5, 20XX. The EO has not conducted any exempt activity during the period 20XX through 20XX. Furthermore, by not supplying the pertinent information required by Internal Revenue Code section 6001 and 6033 the Service is unable to determine whether the EO operated for exempt purposes. The EO has not demonstrated that they have a concrete plan to conduct any exempt activity. The EO has shown no reasonable acts or steps to begin operations resulting in conducting any exempt activity. EO is like the organization in the Community Education Foundation v Commissioner case wherein the court concluded that revocation was appropriate due to the organization's inactivity.

The Service proposes to revoke this 501(c)(3) organization as of October 1, 20XX due to its failure to meet the operational test.