



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

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

Number: **202052043**
Release Date: 12/24/2020

UIL: 501.03-00

Date: April 24, 2020

Taxpayer ID Number:

Form:

Tax Period(s) ended:

Person to Contact:

Identification

Number:

Telephone Number:

Fax Number:

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

Dear _____ :

This is a final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), effective December 7, 20XX. Your determination letter dated December 14, 20XX is revoked.

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

You have not established that you are organized exclusively for one or more exempt purposes as required by IRC Section 501(c)(3).

As such, you failed to meet the requirements of IRC Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(b), in that you have not established that you were organized exclusively for one or more exempt purposes.

Organizations that are not exempt under IRC Section 501 of the Code 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.

Contributions to your organization are no longer deductible under IRC Section 170.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 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 by referring to the enclosed Publication 892. 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., NW
Washington, DC 20001

We'll notify the appropriate state officials (as permitted by law) of our determination that you aren't an organization described in IRC Section 501(c)(3).

You may also 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 877-777-4778.

Taxpayer Advocate assistance can't be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

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

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 D. Hooke
Director, EO Examinations



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

Date:

March 6, 2019

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.

Letter 3618 (Rev. 9-2017)

Catalog Number 34809F

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,



for Maria Hooke
Director, Exempt Organizations Examinations

Enclosures:

Form 886-A

Form 6018

Form 4621-A Report of Examination

Publication 892

Publication 3498-A

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

Date of Notice: March 6, 20XX

Issues:

Whether the exempt status of (the Organization) under IRC § 501(c)(3) should be revoked, effective December 7, 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 December 8, 20XX and was granted tax-exempt status as a 501(c)(3) on December 14, 20XX, with an effective date of December 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 11, 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 Organization do not limit the purpose of the Organization to one or more exempt purposes and does not contain a proper dissolution clause.

Per the State of web-site, the Organization is not in good standing.
See copy attached from state web-site.

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

The organization has been unable to obtain sponsorships and their fundraising efforts have been unsuccessful per their response dated November 15, 20XX. Each year the organization ended in the negative. They have contacted the State of and were involuntarily dissolved. The organization has filed their final report with the Attorney General.

The agent made several attempts to contact the Organization to request that it conform its organizing documents. Specifically, the agent attempted to contact Organization by letter on five occasions. Some of the letters were returned/unclaimed.

- Telephone contact for the audit was as follows:
 - o September 19, 20XX, an officer of the organization, a secretary, called the 800 number on the Letter 3606 leaving a voice message stating she received the letter and would like a call back.
 - o Tax Compliance Officer (TCO) called the secretary of the organization. The secretary stated the organization had originally started to help kids with special needs and horses, but it never got off the ground so they want to terminate. TCO gave the secretary the information to terminate and what information the TCO needed.
 - o February 21, 20XX, called the secretary of the organization at and received the secretary's voice recording. TCO left a message for the secretary to return my phone call
 - o February 28, 20XX, Secretary of organization called back. TCO explained the organization's Articles of Incorporation (AOI) with a date filed stamp is required to determine if the organization meets the organizational test. Secretary stated she would fax me a copy. TCO received said copy of AOI. The organization's AOI were filed with the State of on 12-7-XX. The AOI does not have the required language including a purpose, power or dissolution clause.

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.

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

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 em

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 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

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

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 the organization has inquired about terminating the organization with the TCO. The organization has contacted the State of _____ and were involuntarily dissolved. The organization's fundraising and sponsorship efforts have not been successful. The organization has filed their final return with the Attorney General.

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, nor does the Organization have a proper dissolution clause that meet the organizational test under IRC section 501(c)(3), at the time of applying for tax exemption. For the State of _____, it requires a dissolution clause to be included in the Articles of Incorporation.

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, December 7, 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 December 7, 20XX.

Form 1120, *U.S. Corporation Income Tax Return*, should be filed for the tax periods after December 7, 20XX.