



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

TAX EXEMPT AND
 GOVERNMENT ENTITIES
 DIVISION

Number: **202149011**
 Release Date: 12/10/2021

Date: May 8, 2020

Taxpayer ID Number:

Form:

Tax Period(s) Ended:

Person to Contact:

Identification Number:

Telephone Number:

Fax Number:

UIL. 501.19 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 (IRC) Section 501(a) as an organization described in IRC Section 501(c)(19) for the tax period above. Your exemption under group exemption number _____ is revoked.

This letter isn't a determination of your exempt status for any period(s) other than the tax period(s) listed above. In the future, if you believe your organization qualifies for tax-exempt status and would like to establish its status, you may request a determination from the Internal Revenue Service by filing Form 1024, *Application for Recognition of Exemption Under Section 501(a)*, or Form 1024-A, *Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code* (as applicable) or Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code* and paying the required user fee.

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

You do not meet the membership requirements for exemption under IRC Section 501(c)(19) and you are not an organization of cadets. Therefore, revocation of your exemption under Section 501(c)(19) needs to occur, and you must be removed from the group exemption of your central organization,

Organizations that are not exempt IRC 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 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., 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 IRC Section 7428.

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.

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.

Enclosures:
Publication 892

Sincerely,



Maria D. Hooke
Director, EO Examinations



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

Date:
August 8, 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) (19).

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) (19) for the period 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,



Maria Hooke
Director, Exempt Organizations
Examinations

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

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

ISSUE

Whether the auxiliary unit is to be removed from the central organization's group ruling because the unit does not meet the membership requirements for exemption under IRC section 501(c) (19) and is not an organization of cadets.

FACTS

() is tax exempt under IRC section 501(c) (19) as an auxiliary unit under group exemption number () of the central organization. Internal Revenue Service ("IRS") reports central organization's ruling date is March, 19XX and reports establishment date is August, 19XX.

is a separate legal entity, with its own Employer Identification Number (EIN) and filed its Articles of Incorporation on 9/15/20XX with the State of , and of , and under the legal name, . The organizational purposes stated in their Articles of Incorporation are "to provide financial and logistical support for the Baseball Team. Additional youth sports and scholarships may also be provided dependent on available funds." There are no amended Articles of Incorporation, and did not adopt bylaws. The organization's primary operational activity is to run a community youth baseball team called the ' / Baseball' but is also known as the ' (" ").

is sponsored by a tax exempt IRC section 501(c) (19) local post (" ") The local post is an corporation formed on January 27, 19XX. Vice President, , has acknowledged his organization uses the local post location for their mail drop and did not want IRS to change address because it is a central location where mail can be gathered.

does conduct gaming activities with the intent hopefully to provide income for the operation of the team other than funding from funding. (received \$0 from for tax year ending December 31, 20XX.) uses the gaming permit the post secured from The Dept. of Revenue Gaming. Because gaming income is not enough requires additional funding from sponsorships, players fees, etc.

members are team participants who are under the age of eighteen and are the team's baseball players. does not have members from the local post, , who are members of local post within two degrees of consanguinity. This includes parents, grandparents, brothers, sister and grandchildren, but does not include nieces or nephews of the member, and is not an organization of cadets as defined in Treasury Regulations, "Cadets

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Name of taxpayer	Tax Identification Number 92-0142459	Year/Period ended 20XX

(including only students in college or university ROTC programs or at Armed Services academies)".

As stated runs a community youth baseball team called the is Vice President and he is also the head baseball coach and manager of the . The participants are comprised of high school players from , and and team members play during months of June and July in a statewide league with teams from , , (0 learns), , and . The schedule involves extensive travel, meals, equipment, fees, and many more related expenses.

states the 20XX season cost the Program \$0 per player, and the Form 990 return reports the 20XX season Program cost \$0 (\$0 / 0 players) per player.

Form 990 return for tax year end 12/31/20XX reports received income from baseball players' membership dues totaling \$0 and received \$0 in other donations. As mentioned \$0 of the \$0 in donations are donations received from tax-exempt IRC section 501(c)(19) local post, , who sponsors as an auxiliary unit youth organization.

Form 990 return for tax year end 12/31/20XX reflects primary source of income is from gaming. reported total gross income of \$0 from gaming less \$0 in direct expenses and reported net gaming income of \$0. Of the total gross receipts from gaming, received \$0 from self-directed pull-tab ticket sales to the public, \$0 reported from both bingo and pull-tab sales conducted by , an operator/Multiple-Beneficiary Permit (MBP) agreement (which is a member receiving 0% of net bingo proceeds), and \$0 from vendor activity. Direct-gaming of pull-tab ticket sales are carried-on solely with compensated persons, who are employees for two months each calendar year. has no employees for any other months in the calendar year. does not use the local post to conduct its gaming activities. conducts its self-directed pull-tab gaming activities at a local hockey association facility The hockey facility donates this space to to sell their pull-tab tickets to the public.

Gaming activities carried on by is an unrelated business income (UBI) but UBI becomes irrelevant if tax-exempt status is removed from the group ruling of . did not provide a written response to Delinquency Notice letter 5077-B dated 7/8/20XX with a due date of 7/24/20XX, with attached Form 4564, Information Document Request, IDR 4 and referenced previous IDR(s) 1, 2, and 3. IDR 4 limited information request to how their organization 'meets' or 'does not meet' the membership requirements for an auxiliary unit exempt under IRC section 501 (c) (19), board minutes for calendar tax years 20XX, 20XX, and 20XX, copy of their bylaws, and provide IRS with a complete name and address of their central organization. A written response to IDR 4 not provided, but during a telephone conversation on 7/29/20XX to follow-up on response to IDR 4, Vice President said to IRS he agreed does not meet the membership requirements of IRC section 501(c) (19) and that their organization is not an organization of cadets. (Information requested in IDRs 1 - 3 not fully provided to IRS but as

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mentioned above, but becomes irrelevant if tax-exempt status is removed from the group ruling of .)

Vice President, expressed previously on the dates of 7/5/20XX their auxiliary youth organization is not an organization of cadets and does not meet membership requirements for an auxiliary tax-exempt under IRC section 501 (c) (19).

stated he is working with an attorney and CPA (maybe without charge) to see if they can apply for tax exemption under IRC section 501 (c)(3).

An auxiliary may qualify for recognition of exemption under IRC 501 (c)(3), (4), (7), (8), or (10). A determination can be made only by considering all the organization's operational activities and submit an Application Form(s) 1023 and/or 1024 to IRS Tax Exempt Governmental Entities Exempt Organization Rulings and Agreements for this determination.

26 U.S.C.A. § 501, I.R.C. § 501

§ 501. Exemption from tax on corporations, certain trusts, etc.

(a) Exemption from taxation.--An organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

(c) List of exempt organizations. --The following organization is referred to in subsection (a):

(19) A post or organization of past or present members of the Armed Forces of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization--

(A) organized in the United States or any of its possessions,

(B) at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all the other members of which are individuals who are cadets or are spouses, widows, widowers, ancestors, or lineal descendants of past or present members of the Armed Forces of the United States or of cadets, and

(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

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26 C.F.R. § 1.501(c) (19)-1, Treas. Reg. § 1.501(c) (19)-1

§ 1.501(c) (19)-1 War veterans' organizations

(a) In general. (1) For taxable years beginning after December 31, 1969, a veterans post or organization which is organized in the United States or any of its possessions may be exempt as an organization described in section 501(c)(19) if the requirements of paragraphs (b) and (c) of this section are met and if no part of its net earnings inures to the benefit of any private shareholder or individual. Paragraph (b) of this section contains the membership requirements such a post or organization must meet in order to qualify under section 501(c)(19). Paragraph (c) of this section outlines the purposes, at least one of which such a post or organization must have to so qualify.

(2) In addition, an auxiliary unit or society described in paragraph (d) of this section of such a veterans post, or organization and a trust or foundation described in paragraph (e) of this section for such post or organization may be exempt as an organization described in section 501(c) (19).

(b) Membership requirements. (1) In order to be described in section 501(c)(19) under paragraph (a)(1) of this section, an organization must meet the membership requirements of section 501(c)(19)(B) and this paragraph. There are two requirements that must be met under this paragraph. The first requirement is that at least 75 percent of the members of the organization must be war veterans. For purposes of this section the term war veterans mean persons, whether present members of the United States Armed Forces, who have served in the Armed Forces of the United States during a period of war (including the Korean and Vietnam conflicts).

(2) The second requirement of this paragraph is that at least 97.5 percent of all members of the organization must be described in one or more of the following categories:

(i) War veterans,

(ii) Present or former members of the United States Armed Forces,

(iii) Cadets (including only students in college or university ROTC programs or at Armed Services academies), or

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(iv) Spouses, widows, or widowers of individuals referred to in paragraph (b)(2)(i), (ii) or (iii) of this section.

(c) Exempt purposes. In addition to the requirements of paragraphs (a)(1) and (b) of this section, in order to be described in section 501(c)(19) under paragraph (a)(1) of this section an organization must be operated exclusively for one or more of the following purposes:

- (1) To promote the social welfare of the community as defined in § 1.501(c)(4)-1(a)(2).
- (2) To assist disabled and needy war veterans and members of the United States Armed Forces and their dependents, and the widows and orphans of deceased veterans,
- (3) To provide entertainment, care, and assistance to hospitalized veterans or members of the Armed Forces of the United States,
- (4) To carry on programs to perpetuate the memory of deceased veterans and members of the Armed Forces and to comfort their survivors,
- (5) To conduct programs for religious, charitable, scientific, literary, or educational purposes,
- (6) To sponsor or participate in activities of a patriotic nature,
- (7) To provide insurance benefits for their members or dependents of their members or both, or
- (8) To provide social and recreational activities for their members.

(d) Auxiliary units or societies for war veterans' organizations. A unit or society may be exempt as an organization described in section 501(c)(19) and paragraph (a)(2) of this section if it is an auxiliary unit or society of a post or organization of war veterans described in paragraph (a)(1) of this section. A unit or society is an auxiliary unit or society of such a post or organization if it meets the following requirements:

- (1) It is affiliated with, and organized in accordance with, the bylaws and regulations formulated by an organization described in paragraph (a)(1) of this section,
- (2) At least 75 percent of its members are either war veterans, or spouses of war veterans, or are related to a war veteran within two degrees of consanguinity (*i.e.*, grandparent, brother, sister, grandchild, represent the most distant allowable relationships),
- (3) All of its members are either members of an organization described in paragraph (a)(1) of this section, or spouses of a member of such an organization or are related to a member of such an organization, within two degrees of, consanguinity, and
- (4) No part of its net earnings inures to the benefit of any private shareholder or individual.

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(e) Trusts or foundations. A trust or foundation may be exempt as an organization described in section 501(c)(19) and paragraph (a)(2) of this section if it is a trust or foundation for a post or organization of war veterans described in paragraph (a)(1) of this section. A trust or foundation is a trust or foundation for such a post or organization if it meets the following requirements:

- (1) The trust or foundation is in existence under local law and, if organized for charitable purposes, has a dissolution provision described in § 1.501(c)(3)-1(b)(4).
- (2) The corpus or income cannot be diverted or used other than for the funding of a post or organization of war veterans described in paragraph (a)(1) of this section, for section 170(c)(4) purposes, or as an insurance set aside (as defined in § 1.512(a)-4(b)).
- (3) The trust income is not unreasonably accumulated and, if the trust or foundation is not an insurance set aside, a substantial portion of the income is in fact distributed to such post or organization or for section 170(c)(4) charitable purposes, and
- (4) It is organized exclusively for one or more of those purposes enumerated in paragraph (c) of this section.

TAXPAYER'S POSITION

is an auxiliary youth organization that runs a community baseball team. Vice President, , agreed via a telephone conversation with IRS on dates 7/5/20XX and 7/29/20XX that their auxiliary organization would not meet membership requirements under IRC section 501(c)(19) and is not an organization of cadets. stated during this telephone conversation, their organization's activities are conducting the operational activities of youth baseball team and he is the General Manager and Head Coach of the team.

The are comprised of high school players from , and and play the months of June and July in a Statewide league with teams from , (0 teams), , and . The schedule involves extensive travel, meals, equipment, fees, and many more related expenses. states the 20XX season cost the Program \$0 per player, and the Form 990 return for tax year end 12/31/20XX reports the season Program cost based is \$0 (\$0 / 0 players) per player.

stated he is working with an attorney and CPA (maybe without charge) to see if they can apply Form 1023 for tax exemption under IRC section 501(c)(3).

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GOVERNMENT'S POSITION

has agreed and does not dispute that their auxiliary youth organization does not meet the membership requirements under 26 U.S.C.A. § 501, I.R.C. § 501(a) (c) (19) as described below:

- A. A post or organization of past or present members of the Armed Forces of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization--organized in the United States or any of its possessions,
- B. at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all the other members of which are individuals who are cadets or are spouses, widows, widowers, ancestors, or lineal descendants of past or present members of the Armed Forces of the United States or of cadets. and
- C. no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Nor does disagree it does not meet membership requirements as described in 26 C.F.R. § 1.501(c) (19)-1, Treas. Reg. (d) Auxiliary units or societies for war veterans' organizations. A unit or society may be exempt as an organization described in section 501(c)(19) and paragraph (a)(2) of this section if it is an auxiliary unit or society of a post or organization of war veterans described in paragraph (a)(1) of this section. A unit or society is an auxiliary unit or society or such a post or organization if it meets the following requirements:

- (1) It is affiliated with, and organized in accordance with, the bylaws and regulations formulated by an organization described in paragraph (a)(1) of this section,
- (2) At least 75 percent of its members are either war veterans, or spouses of war veterans, or are related to a war veteran within two degrees of consanguinity (*i.e.*, grandparent, brother, sister, grandchild, represent the most distant allowable relationships),
- (3) All of its members are either members of an organization described in paragraph (a)(1) of this section, or spouses of a member of such an organization or are related to a member of such an organization, within two degrees of consanguinity, and
- (4) No part of its net earnings inures to the benefit of any private shareholder or individual.

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is not a Post. tax-exempt status is reported as an IRC section 501(c) (19) auxiliary unit under the group ruling of the central organization. (See **Conclusion** below for central organization's full name and address.) Internal Revenue Service ("IRS") reports central organization's ruling date is March, 19XX and formation date with state authorities is 9/15/20XX. is sponsored by an exempt post, , an nonprofit corporation formed on January 27, 19XX.

has its own EIN and formed for the purpose to provide financial and logistical support for the Baseball Team and if funding available provide additional youth sports and scholarships

operational activities are to run the baseball team. reports the baseball team participants (or/on about 0 players) are under the age of eighteen and from , and

. The team plays in the months of June and July in a Statewide league with teams from , (0 teams), , and . The schedule involves extensive travel, meals, equipment, fees, and many more related expenses. states the 20XX season cost the Program \$0 per player, and the Form 990 return reports the 20XX season Program cost \$0 (\$0 / 0 players) per player.

does conduct gaming activities with the intent hopefully to provide income for the operation of the team other than funding. uses the gaming permit secured by the local post issued by the Dept. of Revenue Gaming. Gaming revenues have not been enough, therefore requires additional funding from sponsorships, players fees, etc.

IRS agrees with Vice President, , that their auxiliary organization does not meet the membership requirements under IRC section 501(c) (19) and is not an organization of cadets

If does not meet the membership requirements for an auxiliary unit and is not an organization of cadets as described under IRC section 501(c)(19), should be removed from the group exemption of central organization.

Youth units may qualify for exemption under other sections of the Code by filing either an Application Form 1023 or Form 1024 with the Internal Revenue Service.

CONCLUSION

If does not meet the membership requirements for an auxiliary unit, it cannot qualify for exemption under IRC 501(c) (19) unless it is an organization of cadets. is not an organization of cadets. Because cannot meet the membership requirements for exemption

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under IRC section 501(c) (19) and it is not an organization of cadets therefore revocation of exemption under IRC section 501(c) (19) needs to occur and the organization must be removed from the group exemption of central organization,

Accordingly, the organization's exempt status will be revoked on the date of corporation's formation date with an effective date of January 1, 20XX, 1st day in tax year end 20XX.

Form 1120 returns should be filed for the tax periods from December 31, 20XX and thereafter.