



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Number: **202149019**
Release Date: 12/10/2021

UIL: 501.03-00

Date: April 20, 2020

Taxpayer ID Number:

Form:

Tax Period(s) Ending:

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 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)(3), effective January 1, 20XX. Your determination letter dated January 22, 20XX is revoked.

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

Under IRC Section 501(c)(3), no part of the net earnings can inure to the benefit of any private shareholders or individual. Per Treasury Regulations Section 1.501(c)(3)-1, an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. Treas. Regs. Section 1.501(a)-1(c) states the words private shareholder or individual in IRC Section 501 refer to persons having a personal and private interest in the activities of the organization.

Here, you inured to the private benefit of your members (and officers) via multiple methods.

As such, you failed to meet the requirements of IRC Section 501(c)(3) and Treas. Regs. Section 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 IRC Section 170.

Organizations that are not exempt under 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., NW
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.

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 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 a 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 Division
Exempt Organizations Examination

Date:
06/27/2019
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

ID number:
Telephone:
Fax:
Manager's contact information:

ID number:
Telephone:
Response due date:

CERTIFIED MAIL - Return Receipt Requested

Dear _____ :

Why you're receiving this letter

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the periods above.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877 777 4778.

Additional information

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

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

Sincerely,

John A. Matias
Supervisory Internal Revenue Agent
for Maria Hooke
Director, Exempt Organizations Examinations

Enclosures:

Form 886-A

Form 6018

Publication 892

Publication 3498

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

Issues:

1. Whether (“Organization”) exempt status should be revoked under (“IRC”) Section (“Sec.”) 501(c)(3).

Facts:

On May 1, 20XX, (“Treasurer”) provided oral testimony (“testimony”) about the Organization. Per testimony, the Organization was created by the President (who is also the Treasurer’s mother) around the year 20XX. Per records (“IDRS”) with the Internal Revenue Service (“Service”), the Organization’s ruling date was January 20XX; and, status code date was July 20XX. Letter 947, *501(c)(3) Exemption with Definitive Ruling of Public Charity Status*, dated January 22, 20XX, coincided with the exemption dates listed within IDRS records. In addition, Letter 947 stated the Organization was a public charity under Internal Revenue Code (“IRC”) Section (“Sec.”) 170(b)(1)(A)(vi)— which is a subset of IRC Sec. 501(c)(3). IDRS records also showed the Organization is exempt under IRC Sec. 501(c)(3).

Per the Bylaws, the Organization’s purpose was: “...to teach any high school aged girl the fundamentals of the sport of field hockey. The organization participates in practice, league, tournament play ultimately resulting in the selection of a travel team to participate in the
”. Emphasis is added to the Organization’s goals to attend the

(“”). Per the mission statement, organization documents, and other records, the Organization’s “...ultimate goal...” is “...attending the
and laying the groundwork for future collegiate participation”. With respect to their “...ultimate goal...”, the Treasurer further explained that members have the opportunity of being recruited for college/college field hockey team at the
. This is because multiple college/college field hockey team scouts were present at the

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

Per the Form 1023, Part VI, the Organization:

- Checked the “Yes” box under item 1a (indicating the Organization provides goods, services, or funds to individuals);
- Checked the “Yes” box under item 2 (indicating the Organization’s programs limit the provision of goods, services, or funds a specific individual or group of specific individuals);
- Checked the “Yes” box under item 3 (indicating that individuals who receive goods, services, or funds through the Organization’s programs have a family or business relationship...).

Per the Form 1023, Part VIII, the Organization is to undertake fundraising via personal solicitations. Per an attachment to the Form 1023, the Organization explained its responses to the Form 1023, Part VI and Part VIII, as follows (within Exhibit 1):

Exhibit 1:

DELETED

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

The Organization provided multiple records which showed the Organization held/attended field hockey practices and tournaments, among other things. Within the membership contract, the Organization also outlined other expectations. The Organization’s 20XX expectations consisted (but are not limited to) of the following:

- “Summer league [is] ” “...mandatory”.
- “Practices are mandatory!”
- “Participation in the Horse Races and the Youth Tournament is mandatory”
- “Funds raised can only be used for [the Organization’s] events, tournaments, and clothing...”

The records also showed that the Organization held separate accounts for each member throughout the year; and, that only each member could use funds from their account—unless they failed to use the funds by the end of the year. Per the membership contract, the Organization stipulated that funds from individual accounts could be transferred to the Organization’s general fund. Note: The Organization also stated (within the membership contracts) that members could roll over the funds within their account, if they sought and received advanced approval from the Organization. When asked, the Treasurer acknowledged that the Organization maintained separate accounts for each member; that only each member could use the funds; and, that the Organization’s expectations/policies were stipulated within the membership contract.

Per the financial records (such as, but not limited to: Google Sheets, account summaries, and bank statements), the Organization generated much of its income through fundraisers and its membership fees. Per the minutes, the team fee was an upfront one-time fee of \$0.00. This is supported within Exhibit 2 (from the January 10, 20XX Minutes (below)).

Exhibit 2:

DELETED

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

For the year ending December 31, 20XX ("20XX"), the Organization's fundraisers consisted of (but were not limited to) the following:

- Spaghetti Dinner
- Horse Races
 - Ticket sales
 - Raffles/Betting tables
 - Sale of goods (e.g. baked goods)
- Golf Tournament
 - Sponsors
 - Registrants
 - Raffles
- Lottery Tickets
- Barbeque Dinner
- Youth Tournament

Per the bank statements, the Organization's total income was \$0.00. This was computed by adding the "Total Deposits and Credits" from the bank statements for each month.

Agent solicited all income records multiple times. Per the income records provided (excluding the bank statements), the Organization's total income was \$0.00*. This calculation is supported by the following:

- \$0.00 (approximately) from members (for the one-time team fee). Note: This estimate is based on 0 members.
- \$0.00 from its spaghetti dinner
- \$0.00 from its horse racing activities
- \$0.00 from its golf tournament activities
- \$0.00 from lottery ticket sales

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

- \$0.00 from the barbeque dinner
- \$0.00 from its youth tournament

*Note: Per the Treasurer, there were multiple instances where members did not entirely generate the funds needed to pay for a tournament and/or another activity. Thus, there were several instances where members were required to make up the difference by paying out of pocket. Out of pocket expenses were said to have been collected by the Organization attributing to additional income. This additional income was not reported. The Agent asked the Organization to provide information with respect to the additional income generated (for these instances: out of pocket expenses for members). However, after multiple requests, the Organization did not provide a response.

Per records with the Service, the Organization filed a Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or Form 990EZ*.

Per records, the general cost for tournaments, leagues, and varied; and, were dependent on the member's participation. This is supported (in part) within Exhibit 3.

Exhibit 3:

DELETED

Members/parents were responsible for paying all costs. As stated within its 20XX team expectations:

- Members "must participate in 0 indoor/outdoor tournaments..."
- "...practices were mandatory..."
- "Attendance will be documented. Failure to meet team requirements will result in disciplinary actions and/or loss of playing time."

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

- “Quitting or expulsion from...” “...the team will result in forfeiture of accrued funds”

Note: The above information is supported within Exhibit 4, which is part of the Organization’s 20XX Team Expectations record.

Exhibit 4:

DELETED

Per the bank statements, the Organization’s expenses were \$0.00. This was computed by adding the “Total Checks and Debits” from the bank statements for each month.

Agent solicited all expense records multiple times. Per the expense records provided (excluding the bank statements), the Organization’s total expenses were \$0.00. This calculation is supported by the following:

- \$0.00 for spaghetti dinner related expenses
- \$0.00 for horse racing (fundraiser) related expenses
- \$0.00 for golf tournament related expenses
- \$0.00 for lottery ticket related expenses
- \$0.00 for barbeque dinner related expenses
- \$0.00 from its youth tournament related expenses

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

Per testimony, the minutes, and other records, the Organization incurred other expenses such as (but not limited to): field rentals, related expenses, tournaments related expenses, and other expenses. Per testimony, the minutes, and other records, the Organization paid these expenses (for [paraphrased] field, , tournament, and other expenses) directly from the team fee. Generally, there were no excess funds within team fees by the end of the year. Fundraiser expenses were paid directly from income generated through the fundraiser.

Per the financial and other records, tournaments, leagues, the , and/or other field hockey related expenses, were paid via each member's account. This is supported within Exhibit 5a and Exhibit 5b (below)

Exhibit 5a:

DELETED

Exhibit 5b:

DELETED

Given the information above, each member had a separate account. Each separate member account was funded indirectly by the Organization and/or directly by each separate member. Funds from the Organization were distributed to each member's account for the following reasons:

- As an equal distribution to each member; earned for participation at mandatory fundraisers. This is supported (in part) within Exhibit 6.

Note: Per the Exhibit 6, each member ("Player") who worked at the Youth Tournament (a mandatory fundraiser) and/or the concessions earned \$0.00 and/or \$0.00, respectively.

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

Exhibit 6:

DELETED

- As a percentage-based/other similar type distribution attributed to each member's sales during non-mandatory fundraisers. This is supported (in part) within the Exhibit 7.

Note: Per Exhibit 7, each member's "profit share" was based on the number of tickets they sold individually. Thus, members who sold more tickets received a larger share of the profit than members who sold less tickets.

Exhibit 7:

DELETED

Additional note: Per the Minutes, dated January 10, 20XX, members were encouraged to sell as many tickets as possible with the promise that more sales resulted in a larger profit to the individual who generated the sales. This is supported within Exhibit 8.

Exhibit 8:

DELETED

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

- A combination of the two methods listed above. This is supported (in part) within the Exhibit 9.

Note: Per Exhibit 9, each member's "profit" was based on the number of tickets/sponsorships they sold/obtained individually and for working.

Exhibit 9:

DELETED

If made, funds from each separate member (to their own member account) were out of pocket deposits. These deposits were made as decided by members (once informed by the Organization) and/or when funds from mandatory and/or non-mandatory distributions did not cover the total expenses. No records were provided showing that the Organization offered scholarships.

Law:

Internal Revenue Code ("IRC") Section ("Sec.")

IRC Sec. 501(c)(3) states that: Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Treasury Regulations (“Treas. Reg.”)

Treas. Reg. Sec. 1.501(c)(3) 1 states that organizations organized and operated for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals.

(a) Organizational and operational tests.

(1) In order to be exempt as an organization described in IRC Sec. 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.

(2) The term exempt purpose or purposes, as used in this section, means any purpose or purposes specified in section 501(c)(3), as defined and elaborated in paragraph (d) of this section.

(c) Operational test—

(1) Primary activities. 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.

(2) Distribution of earnings. An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

Treas. Reg. Sec. 1.501(a)-1(c) state that the words private shareholder or individual in section 501 refer to persons having a personal and private interest in the activities of the organization.

Tax Court Cases

Capital Gymnastics Booster Club, Inc. v. Commissioner, T.C. Memo. 2013-193; here: Tax Court sustained the decision of the [Service] to revoke the tax exemption of an amateur athletics booster club. Judge David Gustafson concluded the club's operations violated the private inurement and private benefit prohibitions applicable to charitable, tax-exempt organizations. The club therefore failed to operate exclusively for charitable purposes and so was not entitled to exemption under Section 501(c)(3).

Taxpayer's Position:

No Taxpayer position has been provided at this time.

Government's Position:

- Whether ("Organization") exempt status should be revoked under ("IRC") Section ("Sec.") 501(c)(3).

It is the government's position that the Organization does not qualify for exemption under IRC Sec. 501(c)(3). Thus, the organization's exemption should be revoked.

Under IRC Sec. 501(c)(3) no part of the net earnings can inure to the benefit of any private shareholders or individual. Per Treas. Reg. Sec. 1.501(c)(3)-1, an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. Treas. Reg. Sec. 1.501(a) 1(c), the words private shareholder or individual in section 501 refer to persons having a personal and private interest in the activities of the organization. Within the Tax Court case: Capital Gymnastics

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

Booster Club, Inc. v. Commissioner, the Tax Court sustained the decision to revoke the tax exemption because the organization violated the private inurement and private benefit prohibitions applicable to charitable tax-exempt organizations.

Here, the Organization inured to the private benefit of its members (and officers) via multiple methods, including (but not limited to):

- Sales/Solicitations
- Economic Relief
- Encouragement

Sales/Solicitations

It is the government's position that through the Organization and member's sales/solicitations, contributors were led to believe that their donations were charitable in nature. However, as stated within the Form 1023 attachment, "[e]ach member receives a portion of the profit based on the number of tickets they sold. The non-ticketed events are based on participation, with the proceeds being split in equal (unless otherwise announced) portions based on the number of participants." Thus, because the said "charitable donations" were always intended to benefit members (and the officers) individually, sales/solicitations could not be charitable in nature. Instead, they were inurement.

Like the Capital Gymnastics Tax Court case ("Capital Gymnastics case" and/or "Club"), even though the athletes affiliated with the Organization were considered to be a charitable class, the Organization did not show that the parent-members who received fundraising were actually poor, disadvantaged, or otherwise members of a charitable class. As determined within the Capital Gymnastics case, when an organization benefits members without regard to their being in a charitable class, it fails to further a purpose worthy of having the organization receive tax-exempt status.

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

Economic Relief

Like the Capital Gymnastics case, members/parents of the Organization were responsible for two separate fees payable directly to the Organization:

- A team fee of \$0.00 to offset the Organization’s nominal operating expenses, such as (but not limited to): field rentals; and,
- A varying fee for activities such as (but not limited to): tournament, leagues, and the

Participation was limited to area wide high school aged girls. The Organization based the team fee assessment at the beginning of the season based on anticipated costs. The remaining fees varied on tournaments and field use determined by participation. The Organization did not allow members to compete and/or play unless their assessment was paid in full.

There were no records showing the Organization provided scholarships. A parent could simply pay their child's assessment in cash; however, like in the Capital Gymnastics case, parents could pay the competition costs in cash, but they had an alternative option to participate in fundraising for instead. If a family engaged in fundraising, the family would receive or “earn” funds from the Organization in proportion to the fundraising profit that they generated.

The following is an example of the parallels between the Capital Gymnastics case and the Organization: Per the Organization’s attachment to the Form 1073, the Organization explained: “members[/parents] are encouraged to participate in fundraising activities to build a monetary account they can [use] to pay for [all] expenses related to participating.” The Organization also explained that “[e]ach member receives a portion of the profit based on the number of tickets they sold. The non-ticketed events are based on participation, with the proceeds being split in equal (unless otherwise announced) portions based on the number of participants.”

Generally, after every fundraiser, the Organization’s Treasurer tallied ticket sales and/or participation to determine the total rate “earned” by each member. The profit awarded to each member was then deposited into separate individual accounts. Members were told they could “use [their] account funds for anything field hockey/ related”. Thus, members/parents

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

reduced their unpaid assessment and/or other related expenses in dollars previously earned individually through sales and participation.

If a balance due remained for any member who had fundraised, the member/parent paid the balance of their assessment by writing a check payable to the Organization. If a member generated more than they needed for the year, the member could carry over the excess to be applied to the following year's assessment. If a family discontinued membership, the family forfeited any excess points, and the Organization applied the excess dollars to its general fund.

Parents who had low and/or no participation in the fundraising did not receive a benefit from the fundraising activities of the other parents. Rather, members/parents who had lower participation and/or did not fundraise wrote checks to the Organization for part of and/or the entire assessment amount. This allocation method of fundraising solely benefitted members who sold tickets and participated in fundraisers; and, was a conscious and deliberate method to prevent non-participants from benefiting from the fundraising activity of others.

The example above is indicative that the Organization's operations are similar to those of the Capital Gymnastics case—an entity which was revoked for private inurement and private benefit. In the Capital Gymnastics case, the Booster Club also enabled parent-members to raise funds for the benefit of themselves and their children, but under the name and tax exemption of the Booster Club. The Court determined the fundraising in the Capital Gymnastics case did not benefit all the child-athletes in its programs, but only those whose parents did the fundraising.

Encouragement

As supported within Exhibit 5b, the Organization states that “[a]ll funds raised by players goes into INDIVIDUAL accounts and pays for anything hockey related.” Within the Form 1023 attachment to Part VI, 1a, the Organization states: “Members are encouraged to participate in fundraising activities to build a monetary account.” Per the Bylaws, the Organization’s “ultimate goal” was [paraphrased]: To attend the _____ to give members the opportunity of being recruited to a college level team. As explained within the Capital Gymnastics case, the court noted that “private shareholder or individual” is “generally understood to mean an insider of the organization (such as a member or an officer).” Here, like in the Capital Gymnastics case, the

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit: F990_1
Name of Taxpayer		Year/Period Ended December 31, 20XX

parent-members were “insiders” because they directly or indirectly controlled the Organization. Per the Capital Gymnastics case, the court quickly concluded that, because the point system reduced the financial obligation of the parents that raised funds, the organization’s income and assets impermissibly inured to the benefit of those parents-insiders. The court concluded further that, even if the parent-members had not been considered insiders, the Club’s operations would have failed the “private benefit” test. The court noted that “[i]mpermissible benefit[s] to ‘private interests’... encompasses not only benefit to insiders but also benefits that an organization may confer on unrelated or even disinterested persons, i.e., outsiders. The court’s threshold determination was whether there was private benefit regardless of the identities of those served: “even when we determine that the beneficiaries of an organization ‘comprise a charitable class: we nonetheless proceed to assure that there is ‘no selectivity with regard to the identities of the individual [s] *** to be benefitted.”

Given the information above, the Organization operated similarly to the Capital Gymnastics entity. In addition, through its operations, the Organization failed to operate exclusively for an exempt purpose as required by IRC Sec. 501(c)(3).

Therefore, based on the facts and circumstances (listed within the government’s position), the Organization fails to meet exemption under IRC Sec. 501(c)(3). Thus, revocation of the Organization’s exempt status is warranted.

Conclusion:

Given that the Organization inured to the benefit of its members, the Organization fails to meet exemption under IRC Sec. 501(c)(3). Thus, such action warrants revocation of Organization’s exempt status under IRC Sec. 501(c)(3); and, is effective: June 27, 20XX.

The Service requests that the Organization complete a Form 1120, *U.S. Corporation Income Tax Return*, for the year ending December 31, 20XX; and, is required to file Form 1120, for any tax year thereafter.