



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

TAX EXEMPT AND
 GOVERNMENT ENTITIES
 DIVISION

Number: **202149020**
 Release Date: 12/10/2021

UIL. 501.03 00

Date: May 8, 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 TAXCOURT:

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 July 1, 20XX. Your determination letter dated March 13, 20XX is revoked.

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

You have not established that you are operated exclusively for an exempt purpose or that you have been engaged primarily in activities that accomplish one or more exempt purposes within the meaning of 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(c). In that you have not established that you were operated exclusively for exempt purposes.

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., 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.

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 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:
September 13, 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 [insert code section].

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 [insert code section] for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

If you disagree

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

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

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

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

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

If we don't hear from you

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

Contacting the Taxpayer Advocate Office is a taxpayer right

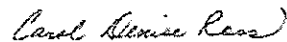
The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance,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

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

Publication 892

Publication 3498-A

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

Date of Notice: September 13, 20XX

Issues:

1. Whether the classification of _____ (the Organization) meets the requirements of a 509(a)(3) Functionally Integrated Supporting Organization (FISO)?
2. Also, whether the exempt status of the Organization under IRC § 501(c)(3) should be revoked, effective July 1, 20XX because it is not operated exclusively for exempt purposes within the meaning of section 1 501(c)(3)-1(c)(1)

Facts:

Background

The Organization applied for tax-exempt status by filing the Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, on February 8, 20XX. The Organization was granted tax-exempt status on March 13, 20XX, with an effective date of January 1, 20XX as a section 509(a)(3) Supporting Organization.

The Organization filed an annual return, Form 990-EZ for tax year ending June 30, 20XX which was selected for exam. The form reported no income, assets, liabilities, expenses, or activities.

The Form 990-EZ was filed with a Schedule A attached and indicated the Organization supported a qualified 509(a)(1) or 509(a)(2) organization and provided the Employer Identification Number of the supported organization on the return. The supported organization is not an organization that qualifies under sections 501(c)(3), (4), (5) or (6) which would disqualify the Organization as a 509(a)(3).

The Tax Compliance Officer (TCO) did further research to try to make a new classification determination by reviewing the activities of the Organization.

The Tax Compliance Officer (TCO) requested the Organization to substantiate the Operational Test by providing documentation showing events, meetings, activities, publications and financial records.

The Organization provided a response in the form of a written statement that explained they made no payments, had no assets, held no meetings and had no activities.

The TCO contacted the representative for the Organization and explained adverse actions due the Organization not meeting the Operational Test. The

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representative stated the Organization wants to agree to a revocation because they have no assets, liabilities, activities and no future plans for the organization

Law:

Internal Revenue Code (IRC)

IRC Sec. 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.

IRC Sec. 509(a)(3) is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations described in 509(a)(1) or 509(a)(2).

IRC Sec. 6001 of the Code provides that every person liable for any tax imposed by this title, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules and regulations as the Secretary may from time to time prescribe. Whenever in the judgment of the Secretary it is necessary, he may require any person, by notice served upon such person or by regulations, to make such returns, render such statements, or keep such records, as the Secretary deems sufficient to show whether or not such person is liable for tax under this title.

Treas. Reg. Sec. 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).

Treas. Reg. Sec. 1.501(c)(3)-1(a)(1) of the regulations states that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Treas. Reg. Sec. 1.501(c)(3)-1(c) 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.

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Treas. Reg. 1.509(a)-4(e)(1) A supporting organization will be regarded as *operated exclusively* to support one or more specified publicly supported organizations (hereinafter referred to as the *operational test*) only if it engages solely in activities which support or benefit the specified publicly supported organizations. Such activities may include making payments to or for the use of, or providing services or facilities for, individual members of the charitable class benefited by the specified publicly supported organization.

Organization's Position

The representative has stated the Organization will agree to the revocation because they have no activities, assets, or current and/or future operations.

Government's Position

1. It is the Government's position; _____, does not meet the operational Test as defined in Treas. Reg. 1.509(a)-4(e)(1) because it does not engage in activities such as making payments to or for the use of, or providing services or facilities for, individual members of the charitable class benefited by the specified publicly supported organization.
2. The Government attempted to reclassify _____ under a different foundation status, but the Organization does not meet the Operational Test as defined in Treas. Reg. section 1.501(c)(3)-1 and so does not continue to qualify for exemption and unable to be reclassified.

On May 13, 20XX the TCO mailed Letter 3606 with Information Document Request number one to the Organization requesting documents to verify the Organization's activities (e.g. board meeting minutes, detailed description of the Organization's activities, copies of publications, brochures, and other printed material). On June 17, 20XX the TCO received a reply that stated they had no activities, no meetings, no assets and no operations.

Therefore, the Organization did not verify they meet the Operational Test under IRC Sec. 501(c)(3), and they should not retain their exempt status.

Conclusion

It has been determined that the Organization did not meet the operational Test under IRC Sec. 501(c)(3), and they should not retain its exempt status.

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

Accordingly, the Organization's exempt status should be revoked as of July 1, 20XX. Form 1120, *U S Corporation Income Tax Return*, should be filed for the tax periods starting July 1, 20XX.