



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

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Date: AUG 29 2019

UIL: 501.03-00

Number: 202149023  
Release Date: 12/10/2021

EIN:  
Person to Contact:  
Identification Number:  
Telephone Number:  
Fax:

**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 (the "Code") section 501 (a) as an organization described in Code section 501(c)(3), effective January 1, 20XX. Your determination letter dated May 18, 20XX is revoked.

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

Organizations described in I.R.C. § 501(c)(3) and exempt under section 501(a) must be both organized and operated exclusively for exempt purposes. You have not demonstrated that you are operated exclusively for charitable, educational, or other exempt purposes within the meaning of I R C 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. You have not established that you have operated exclusively for an exempt purpose.

As such, you failed to meet the requirements of I.R.C. § 501(c)(3) and Treasury Regulation §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 section 170 of the Internal Revenue Code.

Organizations that are not exempt under 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](http://www.irs.gov).

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in 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. Please refer to the enclosed Publication 892 for additional information. 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

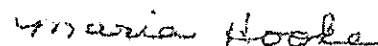
U. S. District Court for the District of Columbia  
333 Constitution Ave., N.W.  
Washington, DC 20001

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under section 7428 of the Internal Revenue Code.

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](http://www.taxpayeradvocate.irs.gov) or call 1-877-777-4778.

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 yours,



Maria Hooke  
Director, EO Examinations

Enclosures:  
Publication 892



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

Date: May 17, 2018

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)(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 the 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.

(Revenue Procedure 80-27 requires that, in the event your tax-exempt status is revoked, your group exemption will also be revoked. If that occurs, none of your subordinates will be able to rely on the group ruling for tax-exempt status. You should notify each subordinate of this proposed action.)

**Contacting the Taxpayer Advocate Office is a taxpayer right**

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

**For additional information**

You can get any of the forms and publications mentioned in this letter by visiting our website at [www.irs.gov/forms\\_pubs](http://www.irs.gov/forms_pubs) or by calling 800 TAX FORM (800 829 3676)

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

Sincerely,

Maria Hooke  
Director, Exempt Organizations  
Examinations

Enclosures:  
Form 886-A  
Form 6018

Form <b>886-A</b> (Rev. January 1994)	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended  December 31, 20XX

**ISSUES:**

Whether \_\_\_\_\_ is operated exclusively for exempt purposes described within Internal Revenue Code section 501(c)(3)?

Whether \_\_\_\_\_ is engaged primarily in activities that accomplish an exempt purpose?

**FACTS:**

Background.

On June 27, 20XX, \_\_\_\_\_ hereinafter, "Foundation", Inc. filed articles of incorporation with the \_\_\_\_\_ Secretary of State. The articles of incorporation provided that its purpose was to organize exclusively for charitable, education, and scientific purposes. Also, to make distributions to qualified organizations exempt under section 501(c)(3) of the IRC. To improve the quality of life in \_\_\_\_\_ by granting funds to small businesses to improve their infrastructure. The articles also state the corporation may receive contributions, gift, bequest from persons to contribute and distribute the funds as the Board of the Directors may determine.

Form 1023 Application:

On November 19, 20XX, \_\_\_\_\_ filed a Form 1023, Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code, with the Internal Revenue Service. The Foundation was recognized as a tax exempt private foundation under 501(c)(3) of the Internal Revenue Code in letter dated May 18, 20XX. The Foundation is currently located at \_\_\_\_\_.

In 20XX, zero (0) houses (owned by \_\_\_\_\_, president and \_\_\_\_\_, mother) were transferred to the private foundation for the purpose of renting the houses out and generating income. Documents show no monies were exchanged between the parties and no part of the transactions were treated as charitable contribution. All operations relative to the houses were conducted under a for-profit entity under which the houses had previously operated before its transfer. All the financial data was reported on the for-profit entity's books and returns.

In 20XX, the president opened a bank account at \_\_\_\_\_ in the Foundation's name. According to the president, the bank account was open for the purpose of establishing a line of credit in the Foundation's name. He further stated that the money in the account is not the Foundation money but the president's personal money. Copies of documents that show source of deposits were provided. No charitable deduction was taken relative to the amount deposited.

During the analysis of bank statements and canceled checks the money was used to make personal loans to a friend, purchase and repair vehicle, to pay property transfer fees and other expenses. Questions regarding these transactions were raised; and explanations were provided.

Form <b>886-A</b> (Rev. January 1994)	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
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The Form 990-PF is filed annually and does not report any income and expenses. The Foundation has not made any charitable contributions to date. The president, a disqualified lives in one of the homes owned by the Foundation.

To date, no exempt activities have been carried on. They have not granted scholarships, assisted small businesses, or made contributions to other exempt organizations.

During an interview with \_\_\_\_\_, president, he states the Foundation has been unable to raise any contributions from the public. Based on the requirements to operate a private foundation, it will not survive to exist in the future. He does not have the time to properly operate the foundation. The Foundation agrees to the revocation because they are inactive and do not foresee any future activities that further their exempt purpose. The Foundation believes they should cease operations as an exempt organization.

**LAW:**

Internal Revenue Code Section 501(c)(3) exempts from Federal income tax "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 all or 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 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 distribution of statements), and political campaign on behalf of (or in opposition to) any candidate for public office."

Federal Regulations Section 1.501(c)(3)-1(c)(1) states, "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."

Federal Regulations section 1.501(c)(3)-1(c)(2) provides that 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. The words 'private shareholders or individual' refer to persons having a personal and private interest in the activities of the organization. The term "private shareholder or individual" is defined in regulation section 1.501(a)-1(c).

Regulation section 1.501(c)(3)-1(d)(1)(ii) provides an organization is not organized or operated

Form <b>886-A</b> (Rev. January 1994)	<b>EXPLANATIONS OF ITEMS</b>		Schedule number or exhibit
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exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

**TAXPAYER'S POSITION:**

The \_\_\_\_\_ has verbally agreed to cease operations as a private foundation. Taxpayer indicated that he will sign Form 6018, Consent to Proposed Action, agreeing to the proposed revocation of their exemption, effective the first day of the examination periods, January 1, 20XX. They do not wish to contest the revocation.

**GOVERNMENT'S POSITION:**

Based on information gathered, the Service has determined that \_\_\_\_\_ does not qualify for exemption as a private foundation described in IRC §501(c)(3). The Foundation is not planning to perform any exempt activities in the future.

**CONCLUSION**

\_\_\_\_\_ verbally agrees to revocation because they are inactive and have no future to operate.

It is recommended that \_\_\_\_\_ tax-exempt status be revoked effective January 1, 20XX.