



Department of the Treasury  
Internal Revenue Service  
Independent Office of Appeals

Date: **MAY 19 2022**

Person to contact:

Name:  
Employee ID number:  
Telephone:  
Fax:  
Hours:  
Employer ID number:

Uniform issue list (UIL):  
501.03-00

Number: **202232016**  
Release Date: 8/12/2022

**Certified Mail**

Dear \_\_\_\_\_ :

This is a final adverse 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 Section 501(c)(3) of the Code.

We have hereby revoked the favorable determination letter to you dated May 22, 2009 and you are no longer exempt under Section 501(a) of the Code effective January 1, 2017.

We made the adverse determination for the following reasons:

The organization did not operate for an exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Contributions to your organization are not deductible under Section 170 of the Code.

You're required to file federal income tax returns on Forms 1120, U.S. Corporation Income Tax Return. Mail your form to the appropriate Internal Revenue Service Center per the form's instructions. You can get forms and instructions by visiting our website at [www.irs.gov/forms](http://www.irs.gov/forms) or by calling 800-TAX-FORM (800-829-3676).

You've agreed to waive your right to contest this determination under the declaratory judgment provisions of Section 7428 of the Code.

We'll make this letter and the proposed adverse determination letter available for public inspection under Section 6110 of the Code after deleting certain identifying information. We provided to you, in a separate mailing, Notice 437, Notice of Intention to Disclose. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

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

Sincerely,

Enclosures:  
IRS Appeals Survey

cc:



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

Date: April 28, 2021

Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Address:

Manager's contact information:

Name:

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 [insert code section] 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](http://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](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,

Enclosures:  
Form 886-A  
Form 6018

**Explanation of Items**

Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended
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**ISSUE:**

Whether \_\_\_\_\_ continues to qualify for exemption under Section 501(c)(3) of the Internal Revenue Code (IRC)?

**FACTS:**

\_\_\_\_\_ filed the Form 1023 requesting exemption under IRC Section 501(c)(3) on \_\_\_\_\_ was granted tax-exempt status on \_\_\_\_\_ under IRC Section 501(c)(3).  
 \_\_\_\_\_ filed Form \_\_\_\_\_ for the year ending \_\_\_\_\_ on April 9, 20 \_\_\_\_ . Organization has not filed Form \_\_\_\_\_ for the year ending \_\_\_\_\_ .

\_\_\_\_\_ conducted its operations out of various locations in \_\_\_\_\_ .  
 According to its Articles of Incorporation dated \_\_\_\_\_ , the purposes of the EO are as follows.

The Corporation is organized for the following purpose(s) charitable, educational, including, for such purposes, the making of distributions to organizations under Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986 (herein the "Code")(or corresponding provisions of any future United States Internal Revenue Code).

Per the constitution/bylaws of the \_\_\_\_\_ , dated \_\_\_\_\_ , Article II - Purpose states:

- 2.1 To cultivate mutual recognition and friendship among each other as brothers and sisters.
- 2.2 To foster respect, mutual understanding, cooperation, unity and friendliness among the members, and between the \_\_\_\_\_ and community
- 2.3 To cultivate the habit of being supportive of one another in the society.
- 2.4 To uphold the truth about our cultural and social heritage, and to help eliminate prejudices through education and service to the public.
- 2.5 To promote, communicate and maintain educational, social, and cultural exchanges in/between the \_\_\_\_\_ and the \_\_\_\_\_

**Explanation of Items**

Name of taxpayer

Tax Identification Number (last 4 digits)

Year/Period ended

The originally filed Form for the year ending shows the following for the description of the most significant activities in part I - Summary: Help children to be successful in our community. On Form in part – the organizations mission is omitted. The organization did not indicate any cultural or educational activities on the Form for the year ending .

is a membership-based organization. Per the constitution/bylaws of the organization, dated , Article IV – Membership states:

4.1 Regular Membership: Membership of this shall be open to all by birth, marriage, and/or by adoption.

4.2.1 Honorary Members shall consist of persons who do not meet the conditions set forth for regular membership under 4.1, who have made significant or in-kind contributions to the . He or she shall not have the right to hold office.

4.3.3 All members of are also required to be members of ( ). And therefore, shall register with and abide by the guidelines and regulations as articulated by .

4.3.5 The applicant shall then pay the current non-refundable registration fee and dues to the , and .

The following information was received by the Service from the organization in response to four information document requests.

- is a membership-based organization and its revenues consist entirely of membership dues/contributions. The revenue is then used to conduct social and recreational activities with other members.
- held social/recreational events during the 20 tax year which included a picnic in July 20 and a Christmas party in December 20 . No aspect of charitable, cultural, or educational events were present. Events were advertised to members and family members by means of a flyer for the held on July 8, 20 .
- exempt activities are undocumented. Meeting minutes with a date, time and dialogue were not provided, only generic descriptions of meetings were provided by the organization.
- Requested information about money that was disbursed to individuals or separate entities ( ): The organization did not respond.
- Requested information pertaining to the issuance of charitable contribution receipts for members: The organization did not respond.

**Explanation of Items**

Name of taxpayer

Tax Identification Number (last 4 digits)

Year/Period ended

- Requested information regarding charitable work that members had done on behalf of the organization: The organization did not respond.

**LAW:**

IRC 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 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 and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

IRC Section 6001 provides that every person liable for any tax imposed by the IRC, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

IRC Section 6033(a)(1) provides, except as provided in IRC Section 6033(a)(2), every organization exempt from tax under Section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws. The Secretary may also prescribe by forms or regulations the requirement of every organization to keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iii) states that an organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, otherwise than as an insubstantial part of its activities, activities which are not in furtherance of one or more exempt purposes, even though such organization is, by the terms of such articles, created for a purpose that is no broader than the purposes specified in IRC Section 501(c)(3). Thus, an organization that is empowered by its articles to engage in a manufacturing business, or to engage in the operation of a social club does not meet the organizational test regardless of the fact that its articles may state that such organization is created for charitable purposes within the meaning of IRC Section 501(c)(3) of the code.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iv) states that in no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in IRC Section 501(c)(3). The fact that the actual operations of such an organization have been exclusively in furtherance of one or more exempt purposes shall not be sufficient to permit the organization to meet the organizational test. Similarly, such an organization will not

**Explanation of Items**

Name of taxpayer

Tax Identification Number (last 4 digits)

Year/Period ended

meet the organizational test as a result of statements or other evidence that the members thereof intend to operate only in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.6001-1(c) states that in addition to such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under section 501(a) shall keep such permanent books of account or records, including inventories, as are sufficient to show specifically the items of gross income, receipts and disbursements. Such organizations shall also keep such books and records as are required to substantiate the information required by section 6033. See section 6033 and Section 1.6033-1 through -3.

Treas. Reg. Section 1.6001-1(e) states that the books or records required by this section shall be kept at all times available for inspection by authorized Internal Revenue Service officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any Internal Revenue law.

**TAXPAYER'S POSITION:**

The taxpayer's position is unknown at this time.

**GOVERNMENT'S POSITION:**

has failed to provide documentation to meet the operational test for an IRC Section 501(c)(3) organization for the tax year ending . In order to meet the operational test, must show that their primary activities accomplish one or more of such exempt purposes specified in IRC Section 501(c)(3). The Service determined that hasn't met the operational test, and more than an insubstantial part of its activities are not in furtherance of an exempt purpose.

As evidence of their failure to operate for exempt purposes, the originally filed Form for tax year ending does not state their exempt purpose or describe their activities in Part III. The subsequent year returns also do not show any exempt purpose activities. Most of the activities that engaged in were social and recreational in nature, none of which were consistent with IRC Section 501(c)(3). did not provide substantiation for any other activities that are consistent with an IRC Section 501(c)(3) exempt purpose.

did not perform exempt purpose activities since 20 , which is required for an IRC Section 501(c)(3) organization to keep their tax-exempt status. Accordingly, we are proposing revocation because they do not operate for exempt purposes.

has failed to provide records as is required in IRC Section 6033(a)(1) and Treas. Reg. Section 1.6033-1(h)(2). They failed to provide organizational and financial information that we requested during the examination numerous times by mail, e-mail, and phone.



### Explanation of Items

Name of taxpayer

Tax Identification Number (last 4 digits)

Year/Period ended

The Service could not verify that \_\_\_\_\_ operated according to their exempt purpose due to the lack of documentation that was received from the organization.

In accordance with the above cited provisions of the Code and Regulations under IRC Section 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status.

**CONCLUSION:**

By not complying with the Code and Regulations, \_\_\_\_\_ has jeopardized its exempt status. They have also failed to provide required documentation, thereby failing to be compliant with the Code, and failing to show any evidence of exempt activities. \_\_\_\_\_ is not operating for exempt purposes.

As a result of the examination, the Service has determined that \_\_\_\_\_ is not operating for exempt purposes as an IRC Section 501(c)(3) organization. They have not provided any information to the Service substantiating for exempt activities. Since \_\_\_\_\_ failed to operate primarily for exempt purposes, their tax-exempt status is revoked effective January 1, 20\_\_.

Since \_\_\_\_\_ will no longer have tax-exempt status beginning January 1, 20\_\_, they are liable for filing Form 1120, *U.S. Corporation Income Tax Return*, as of \_\_\_\_\_.