



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

Date: May 17, 2021

Taxpayer ID number:

Form:

Tax periods ended:

Release Number: 202233018

Release Date: 8/19/2022

UIL Code: 501.03-00

Person to contact:

Name:

ID number:

Telephone:

Fax:

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

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

**Why we are sending you this letter**

This is a final determination that you don't 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 \_\_\_\_\_ . Your determination letter dated \_\_\_\_\_ , is revoked.

Our adverse determination as to your exempt status was made for the following reasons: Organizations described in IRC Section 501(c)(3) and exempt under IRC Section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to produce documents to establish that you are operated exclusively for exempt purposes and that no part of your net earnings inures to the benefit of private shareholders or individuals. You failed to respond to repeated reasonable requests to allow the Internal Revenue Service to examine your records regarding your receipts, expenditures, or activities as required by IRC Sections 6001 and 6033(a)(1) and Rev. Rul. 59-95, 1959-1 C.B. 627.

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](http://www.irs.gov).

Contributions to your organization are no longer deductible under IRC Section 170.

**What you must do if you disagree with this determination**

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

**How to file your action for declaratory judgment**

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.

Please contact the clerk of the appropriate court for rules and the appropriate forms for filing an action for declaratory judgment by referring to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status. 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 20439

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).

**Information about the IRS Taxpayer Advocate Service**

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office at:

Internal Revenue Service  
Taxpayer Advocate Office

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to [taxpayeradvocate.irs.gov](http://taxpayeradvocate.irs.gov). Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

**Where you can find more information**

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

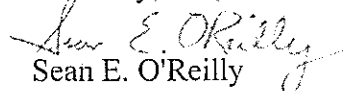
Find tax forms or publications by visiting [www.irs.gov/forms](http://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676).

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

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

Keep the original letter for your records.

Sincerely,



Sean E. O'Reilly

Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892



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

Date: 11/19/2020  
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:  
ID number:  
Telephone:  
Fax:  
Hours:

**Manager's contact information:**

Name:  
ID number:  
Telephone:

Response due date:  
12/21/2020

**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 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.

**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,

A handwritten signature in black ink, appearing to read "Sara Johansen". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

for Sean E. O'Reilly  
Director, Exempt Organizations  
Examinations

Enclosures:  
Form 886-A  
Form 6018  
Form 4621-A  
Publication 892  
Publication 3498-A

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
		Year/Period Ended

**Date of Notice:**

**Issues:**

Whether (the organization), which qualified for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, should be revoked due to its failure to provide records substantiating the organization meets the organizational and operational tests?

**Facts:**

applied for tax-exempt status by filing the Form *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, on and was granted tax-exempt status as a 501(c)(3) on with an effective date of .

An organization exempt under 501(c)(3) needs to be organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes and to foster national and amateur sports competition.

The organization was selected for audit to ensure that the activities and operations align with their approved exempt status.

The organization failed to respond to the Internal Revenue Service attempts to obtain information to perform an audit of Form for the tax year .

The organization has not filed a Form series return for the tax year

The organization attested on Form , part II, box 2 that they have the organizing document necessary for their organizational structure.

Section 501(c)(3) requires that an organizing document must limit your purposes to one or more exempt purposes within section 501(c)(3). The organization attested that their organizing document contains this limitation.

The also attested that their organizing document does not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

The organization attested that their organizing document contains the dissolution provision required under section 501(c)(3).

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The Form \_\_\_\_\_ application list the phone number of \_\_\_\_\_ for the treasurer of \_\_\_\_\_

- o Correspondence for the audit was as follows:
  - o Letter 3611, *EO Initial Appointment - No Prior Contact*, (Rev. 8-2019) with attachments, was mailed to the organization on \_\_\_\_\_ with a response date of \_\_\_\_\_. This letter was not return by the post office as being undeliverable.
  - o Letter 3844 A, *Correspondence Audit Follow Up*, ( \_\_\_\_\_ ), with attachments, was mailed to the President, \_\_\_\_\_ on \_\_\_\_\_ with a response date of \_\_\_\_\_. This letter was not returned by the post office as being undeliverable.
  - o Letter 3844-A, *Correspondence Audit Follow Up*, ( \_\_\_\_\_ ), with attachments, was mailed to the Treasurer, \_\_\_\_\_ on \_\_\_\_\_ with a response date of \_\_\_\_\_. This letter was not returned by the post office as being undeliverable.
  - o Letter 5077-B, *TE/GE IDR Delinquency Notice*, (Rev. 1-2017) *TE/GE IDR Delinquency Notice*, was mailed to the President, \_\_\_\_\_ on \_\_\_\_\_ with a response date of \_\_\_\_\_. This letter was not return by the post office as being undeliverable
  - o Letter 5077-B, *TE/GE IDR Delinquency Notice*, (Rev. 1-2017) was mailed to the Treasurer, \_\_\_\_\_ on \_\_\_\_\_, with a response date of \_\_\_\_\_. This letter was not return by the post office as being undeliverable
- o Telephone contact for the audit was as follows:
  - o \_\_\_\_\_, Tax Compliance Officer (TCO) received a call from the phone number listed on the Form \_\_\_\_\_ application for the Treasurer of \_\_\_\_\_. The caller identified herself as \_\_\_\_\_. \_\_\_\_\_ advised that \_\_\_\_\_ had stepped down as the Treasurer of the organization \_\_\_\_\_ stated that the current President is \_\_\_\_\_ and the Treasurer is \_\_\_\_\_. \_\_\_\_\_ advised that the address showing for the entity is her home address. \_\_\_\_\_ stated \_\_\_\_\_ would contact the President and Treasurer and pass on the correspondence to them. \_\_\_\_\_ also would advise them to submit F8822-B for an address change.

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- o through external research located a different phone number for the current treasurer, of . When calling this phone number at ( ) TCO was advised by a that was not available and TCO would need to call back in the evening. TCO attempted call again at ( ). There was no answer, TCO left first and last name, call back number, identification number and tour of duty on voice mail requesting a call back.
- o through external research located a different phone number for president, of . When calling this phone number TCO was advised that there was no person named available the number belongs to .
- o at ( ), who identified as the current EO treasurer left a voicemail on TCO's phone line requesting a call back at .
- o at ( ), TCO contacted by phone. After completion of disclosure probes to confirm was authorized as the EO treasurer the following items were discussed:

Q: The tax return shows fundraising events in the amount of \$ . What are these events? Schedule G reports only one fundraising event, . What exactly is this? Why are there no expenses reported for this event on the Schedule G? Should some of the expenses reported as other expenses be assigned to this fundraising event?

A: Tickets are sold for cash prizes which are awarded through a random drawing. The EO has a copy of the state license for this. There is also a Raffle table in which bids are placed on donated item. There is a meal involved with this event in which food and alcohol are included. This is a and over event. Details regarding the meal will be submitted.

Q: There is membership dues reported of \$ . What are the cost of dues? Who is in the membership? Are there specific criteria for members?

A: \$ charge to each player associated with school, ages through .

Q: The tax return reports gaming activities of \$ with expenses of \$ for a net of \$ . The Schedule G reports this as Bingo and reports that it was not run with volunteer labor. How exactly was this run and where?

A: All volunteer labor, will determine if 50/50 or bingo, does not believe there was actual bingo.

Q: Schedule A only reports the membership income. Why are the other sources of income not reported?

A: Will need to determine what all should be on here once she obtains financial records



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Q: Will you be able to provide receipts for all expenditures shown on the tax return? Do you keep a general ledger?

A: will need to research to see what is available

Q: Has Form [redacted] for tax period ended [redacted] been filed yet?

A: Will check with the accountant to see if the return has been filed and when.

[redacted] (Tres) agreed to have all items requested in by [redacted] or will call back with a reason for the delay. [redacted] will also be submitting an 8822-B for an address change.

- o TCO called [redacted] (Tres) at [redacted] on [redacted] to follow up on submission of items due this date. The following items were discussed:

Q: Has the return for tax year [redacted] been filed?

A: has not been filed yet. Tres. Is aware of potential for late filing penalty

Q: Are you aware that a Form [redacted] can be used to file for this organization rather than a Form [redacted] ?

A: Yes, we discussed that previously.

Q: What are you waiting to get in order to submit documentation for validation of amounts reported on the year of audit?

A: Do not have copies of checks, have statements from the bank. TCO agreed to allow [redacted] to notate on the bank statement items are and where they are reported on the tax return if she is unable to obtain copies of the checks.

Q: When can you get this information in by?

A:

- o TCO left a voicemail on [redacted] on [redacted] (Tres) phone for a call back regarding the status of items that were to be submitted on [redacted]
- o TCO left a voicemail on [redacted] on [redacted] (Tres) phone for a call back regarding the status of items that were to be submitted on [redacted]

**Law:**

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**Internal Revenue Code (IRC) §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 §511** of the Internal Revenue Code imposes a tax at corporate rates under section 11 on the unrelated business taxable income of certain tax-exempt organizations.

**IRC §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.

**IRC §6033(a)(1)** of the Code provides, except as provided in 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 as the Secretary may by forms or regulations prescribe, and 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.

**Treasury Regulations (Regulation) 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).

**Regulation §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.

**Regulation §1.501(c)(3)-1(b)(1)(i)** An organization is organized exclusively for one or more exempt purposes only if its articles of organization (a) Limit the purposes of such organization to one or more exempt purposes; and (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

**Regulation 1.501(c)(3)-1(b)(4)** An organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An

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organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal Government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

**Regulation §1.501(c)(3)-1(c)(1)** of the regulations provides that an organization will not be regarded as "operated exclusively" for one or more exempt purposes described in section 501(c)(3) of the Code if more than an insubstantial part of its activities is not in furtherance of a 501(c)(3) purpose. Accordingly, the organization does not qualify for exemption under section 501(c)(3) of the Code.

**Regulation §1.6001-1(c)** of the Code provides that 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 §§ 1.6033-1 through 1.6033-3.

**Regulation §1.6001-1(e)** of the Code provides that the books or records required by this section shall be kept at all time available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

**Regulation §1.6033-1(h)(2)** of the regulations provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and section 6033.

**Regulation §1.61-1** of the regulations provides that Gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in money, property, or services. Income may be realized, therefore, in the form of services, meals, accommodations, stock, or other property, as well as in cash.

**Rev. Rul. 59-95, 1959-1 C.B. 627**, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However,

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its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of section 6033 of the Code and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

### **Organization's Position**

Taxpayer's position is unknown at this time.

### **Government's Position**

Based on the above facts, the organization did not respond to verify that they are organized and operated exclusively for one or more of the purposes specified in IRC Section 501(c)(3). If an organization fails to meet either the organizational test or the operational test, it is not exempt.

In accordance with the above-cited provisions of the Code and regulations under sections 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 and to determine its liability for any unrelated business income tax.

Section 1.6033-1(h)(2) of the regulations specifically state that exempt organizations shall submit additional information for the purpose on enabling the Internal Revenue Service to inquire further into its exempt status.

Using the rationale that was developed in Revenue Ruling 59-95, the Organization's failure to provide requested information should result in the termination of exempt status.

### **Conclusion:**

Based on the foregoing reasons, the organization does not qualify for exemption under section 501(c)(3) and its tax-exempt status should be revoked.

It is the IRS's position that the organization failed to establish that it meets the reporting requirements under IRC §§ 6001 and 6033 to be recognized as exempt from federal income tax under IRC § 501(c)(3). Furthermore, the organization has not established that it is observing the conditions required for the continuation of its exempt status or

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that it is organized and operated exclusively for an exempt purpose. Accordingly, the organization's exempt status is revoked effective

Form 1120, *U.S. Corporation Income Tax Return*, should be filed for the tax periods after