



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

Date: May 14, 2021

Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Number: 202242011

Release Date: 10/21/2022

UIL: 501.03-00

CERTIFIED MAIL - RETURN RECEIPT REQUESTED Number:

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:

Your organization was formed to promote the conditions of life throughout the world by engaging in fundraising and making donations to other IRC Section 501(c)(3) organizations that have similar objectives. Your organization fails to meet the organizational test because its nonprofit corporate status has been revoked by the state in which it was incorporated. In addition, you have not conducted any fundraising activities, or received any public support for a period of five consecutive years. Organizations described in IRC Section 501(c)(3) of the Code and exempt under IRC Section 501(a) must be both organized and operated exclusively for exempt purposes. You have not demonstrated that you are organized and operated exclusively for charitable, educational, or other exempt purposes within the meaning of IRC Section 501(c)(3).

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.

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
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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.

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. 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 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

cc:



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

Date:
March 4, 2020
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

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 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 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,

Denise Gonzalez for

Maria Hooke
Director, Exempt Organizations
Examinations

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

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

ISSUE:

Whether the organization, _____, continues to qualify for exemption under Internal Revenue Code (IRC) (the Code) Section 501(c)(3)?

FACTS:

The organization is exempt from federal income tax under section 501(c)(3) of the Code with public charity classification under section 509(a)(1) and 170(b)(1)(a)(vi). The organization's _____ was selected for an examination for the tax year ending _____

Organizational Structure

Revenue agent obtained a copy of the organization's Articles of Incorporation from the determination administrative file. The articles show that it was incorporated in the _____ on _____ under the Nonprofit Corporation Act. The legal name on the articles was:

During the pre-contact planning phase, revenue agent found that the organization's nonprofit corporate status has been revoked by the _____. Its revoked status was confirmed by the official website of _____ shown as follows:

[Main](#) [Reports](#) [Trade Names](#) [Governors](#)

<p>Entity Info</p> <p>Business Name</p> <p>Suffix</p> <p>Registration / Effective Date</p> <p>Commencement Date</p> <p>Entity Status</p> <p>Foreign Name</p> <p>Date of Organization</p> <p>State</p> <p>Country</p>

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Moreover, the report list displayed on the website indicated the last date of filing required report with the _____ was _____.

Based on further research on the definition of "revoked" in the _____ official website (_____). The following are frequently asked questions posted on the official website:

According to _____,

What does ' _____ ' mean in the _____ ? What is it and how can I put my company back in good standing?

Penalties for operating after revocation

_____").

Reinstatement

According to _____,

What does it mean if my entity status is ' _____ ?' How do I correct this issue?

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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Revenue agent have made several attempts to request the organization in providing proof that it is in good standing with the state of incorporation. A chronology sequence of events relating to this issue are listed as follows:

- On _____, during the initial interview that was conducted with _____, the Power of Attorney (POA) in effect, revenue agent informed him the nonprofit corporation status has been revoked by the _____ and requested him to contact the state to correct the issue. The POA presented a copy of the Articles of Incorporation which is same as the one obtained from the determination administrative file. He also provided a copy of _____ and stated that the organization has been filing with the state of _____ and paying annual fee of \$ _____ for a long time. He further indicated he wasn't sure why the organization was incorporated with the _____ but filed annual reports with the state of _____.

- On _____, an exit interview was conducted, and additional information document request (IDR #3) was issued which included the following questions:

The website of your state of incorporation indicates your non-profit corporate status has been revoked by the state of _____.
The information shows you have not filed required reports to the state after the year _____.

- a. *Please contact state officials to clarify your status. Then provide us with proof that your corporation is currently in good standing.*
- b. *Have you incorporated in another state? If so, please submit proof of filing.*
- c. *Have you changed your legal structure other than a corporation? If so, please submit a conformed copy of organizing document.*

- On _____, a written response was received from the POA and he only answered, "not incorporated in another state" and "no change in legal structure".
- On _____, revenue agent contacted the POA over the phone and the POA responded he attempted to contact the state but no result. He indicated the filing fee is paid to the state of _____ and has been cashed every year, so he assumes it is in good standing with the state of _____. He further stated he did not have the Articles of Incorporation or other organizing documents other than the one filed with the _____ initially.
- On _____, another information document request (IDR #4) was issued to ask the organization to contact the _____ to clarify its corporate status and provide documentation showing it is in good standing with the _____. While revenue agent was on the phone with the POA to confirm receipt of the IDR #4, he stated that there's nothing more he can do about this issue.

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- On _____, the POA called and indicated he would fax over the documents received from the officer of the organization regarding registration receipts with the state of _____. He also said these documents may not resolve the revoked nonprofit status issue, but they have tried. The said documents were received shortly after the conversation.

Based on the information and documents presented, the organization was originally incorporated with the _____ as a nonprofit corporation in _____ and registered with the state of _____ in _____ for doing business in the registered state. According to the Registration Statement filed with _____, it also specified the state in which it incorporated was the _____. There is no proof provided that the organization was incorporated with the state of _____. The nonprofit corporate status has been revoked by the _____, and the organization has not provided any documentation to show it is or will be in good standing.

Operation and Activities

The organization was formed for the purpose of supporting charitable and educational purposes to promote the conditions of _____ life throughout the world. It has engaged in grant-making to other 501(c)(3) organizations who have similar objectives to assist _____ individuals and communities who are descended from the _____ nation and who wish to return to reclaim their heritage and proclaim their allegiance to _____. Grant applicants are evaluated based on their requests, oral presentations, and subsequent due diligence. Amount of grant ranges from \$ _____ to \$ _____ and some organizations receive additional grant depending upon their needs and the services being offered. Decisions are made through discussion with other members of the board after extensive input from active members of the Philanthropic community. The president of the organization has the ultimate discretion and is consistent in keeping with the board recommendations. There are no formal grant proposals or grant agreements. No formal minutes taken. The recipient organization generally sends a grant acknowledgment or thank-you letter to the organization.

The organization does not conduct any income-generating activities. Based on the interview and review of the written responses, the organization has never been doing any fundraising or received any contribution from the general public. There was no public support for the _____-year period per Schedule A, *Public Charity Status and Public Support*, filed with _____. The only income source is the small amount of interest earned from savings account.

The organization has been using the available funds in the bank that were contributed a long time ago to make grants to other 501(c)(3) organizations. It will continue to conduct grant-making activities until the cash assets are disbursed entirely. There are no plans to get additional financial support from any source. The organization is planning to close the business within the next few years after all funds have been disbursed.

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Income and Expenses

Per _____ and related records, the organization had investment income of \$ _____ earned from the savings account. No other income sources identified. There were only two expenditures incurred for the exam year, grants made to other 501(c)(3) organizations in the total amount of \$ _____ and accounting fee paid in the amount of \$ _____. No other expenses reported. listed cash assets of \$ _____.

LAW:

Section 501(c)(3) of the Internal Revenue Code provides for exemption of organizations 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, or for the prevention of cruelty to children or animals, and that no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501-1(a)(2) of the Treasury Regulation provides an organization that has been determined by the Commissioner (or previously by a district director) to be exempt under section 501(a) or the corresponding provision of prior law may rely upon such determination so long as there are no substantial changes in the organization's character, purposes, or methods of operation.

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

Organizational Test

Section 1.501 (c)(3)-1(b)(1)(i) of the Regulations provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization limit its purposes to one or more exempt purposes and do not expressly empower it to engage, otherwise than as an insubstantial part, in activities which in themselves are not in furtherance of one or more exempt purposes.

Section 1.501(c)(3)-1(b)(4) of the Regulations states that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, 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.

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Public Charity

Section 509(a)(2) of the Code describes an organization that receives no more than one-third of its support from gross investment income and more than one-third of its support in each tax year from a combination of the following:

- i) gifts, grants, contributions, or membership fees from other than a disqualified person, and
- ii) gross receipts from admissions, sales of merchandise, performance of services or furnishing of facilities in an activity that is not an unrelated business (to the extent that gross receipts from any one individual does not exceed the greater of \$5,000 or one percent of the organization's total support on that tax year.

Section 170(b)(1)(A)(vi) of the Code describes an organization "which normally receives a substantial part of its support from a governmental unit ... or from direct or indirect contributions from the general public."

Section 1.170A-9(f)(2) of the Regulations states that an organization is publicly supported if it normally receives at least 33 1/3 percent of its total support from a governmental unit or from direct or indirect contributions from the general public.

Burden of Proof

The court in *Church of Spiritual Technology v. United States*, 510 U.S. 870, 114 S.Ct. 197 (Mem) U.S., 1993, cited a long line of authority holding that the applicant bears the burden of showing it is entitled to exemption. In *Harding Hospital, Inc. v. United States*, 505 F.2d 1068, 1071 (6th Cir. 1974), the court stated that "[i]ncome tax exemption must be strictly construed, with any doubts to be resolved in favor of the taxing entity. Consequently, determinations of the Commissioner are presumed correct."

Similarly, the court cited *Welch v. Helvering*, 290 U.S. 111, 54 S.Ct.8 and cases following its structure that indicate "[P]laintiff thus bears the burden of proving its entitlement to an exemption."

The Tax Court has consistently stated that a statute creating an exemption must be strictly construed and any doubt must be resolved in favor of the taxing power. *Harding Hospital, Inc. v. United States of America*, 505 F.2d. 1068, 34 A.F.T.R.2d 74-6174, 74-2 USTC.

TAXPAYER'S POSITION:

During the examination, the organization is aware of the issues that its nonprofit corporate status has been revoked by the state of incorporation and the public support test is also not met. During the closing conference held on _____, the POA was informed the potential revocation

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due to it fails the organizational test as required by section 501(c)(3). The POA did not firmly state they would agree or disagree.

GOVERNMENT'S POSITION:

The organization does not qualify for exemption under section 501(c)(3) of the Code or section 1.501 (c)(3)-1(a)(1) of the Regulations because it fails the organizational test. A section 501(c)(3) organization must be both "organized" and "operated" exclusively for one or more IRC 501(c)(3) purposes as cited above. The organizational test concerns an organization's articles of organization or comparable governing document. The operational test concerns an organization's activities. If an organization fails either the organizational or operational test, it cannot qualify as an exempt organization under section 501(c)(3) of the Code.

The organization fails to meet the organizational test because its nonprofit corporate status has been revoked by the state in which it incorporated, . The reason of why its entity status is revoked remains unknow. After several attempts allowing the organization to resolve this issue, it fails to provide documentation to prove that it is in good standing. According to information presented in official website of the , if the entity's status is revoked, then articles of incorporation shall be void and all powers conferred upon such entity are declared inoperative. Therefore, the organization's original Articles of Incorporation is deemed to be invalid. Moreover, the organization confirmed it has not incorporated in another state and there's no change in legal structure. As a result, the organization fails to establish it meets the organizational test under section 501(c)(3) of the Code.

The organization is not in compliance with section 1.501 (c)(3)-1(b)(1)(i) of the Regulations because it fails to provide valid articles of organization which limit its purposes exclusively to one or more 501(c)(3) exempt purposes.

The organization fails to comply with section 1.501(c)(3)-1(b)(4) of the Regulations since it does not have valid organizing documents in place which contain a proper dissolution clause to specify its assets will be dedicated to a qualifying exempt purpose upon dissolution.

Since the organization's nonprofit corporate status has been revoked and is not in good standing with the state, this constitutes a substantial change in the organization's character and method of operation, thus, it can no longer rely on the exemption set forth in the determination letter. See section 1.501-1(a)(2) of the Regulations.

Per court cases cited above, the organization bears the burden of proofing that it entitles for exemption. The organization has failed to furnish the information that can demonstrate it meets the organizational test as required in section 501(c)(3) of the Code and the Regulations.

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Additionally, the organization does not meet public support test of either IRC Section 170(b)(1)(A)(vi) or IRC Section 509(a)(2). It receives public contribution in each year over a five-year period. The organization does not engage in any fundraising activity to attract public support and there is no plan in the future to do so. It is further determined the organization is not satisfied with any public charity status in the code sections.

CONCLUSION:

The organization is not a 501(c)(3) organization because it fails to demonstrate it is both organized and operated for 501(c)(3) purposes. Specifically, the organization does not meet the organizational test requirements because its nonprofit corporate status has been revoked by the state in which it incorporated. The organization fails to provide proof that its entity status will be reinstated and in good standing. The organization further fails to provide a valid organizing document that contains acceptable purpose and dissolution clauses. Although it engages in some activities that may be satisfied for a 501(c)(3) exempt purpose, both organizational test and operational test must be met according to the Code and Regulations. The organization also fails the public support test and does not meet any of the public charity status because no income is received from the general public or governmental units for at least five years. The organization fails to provide information necessary to determine its continuing qualification for exemption as a 501(c)(3) organization.

Accordingly, the organization's tax-exempt status under section 501(c)(3) of the Code should be revoked and contributions are not deductible under section 170 of the Code, effective . Form 1120, *U.S. Corporation Income Tax* should be filed beginning tax year ending and thereafter.

If you agree with this conclusion, please signed the attached forms. If you disagree, please submit a statement of your position.