



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

Date: February 23, 2023

Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Last day to file petition with United States

Tax Court: May 24, 2023

Release Number: 202321011

Release Date: 5/26/2023

UIL Code: 501.03-00

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: You have not demonstrated that you are both organized and operated exclusively for charitable, educational, or other exempt purposes within the meaning of IRC Section 501(c)(3). You were inactive for several years and did not engage in any substantial activity that accomplished one or more exempt purposes under 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 [IRS.gov](https://www.irs.gov).

Because you were a private foundation as of the effective date of the adverse determination, you are considered to be a taxable private foundation until you terminate your private foundation status under IRC Section 507. In addition to your income tax return, you must also continue to file
, by the 15th day of the fifth month after the end of your annual accounting period.

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 can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at ustaxcourt.gov/dawson.html. You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

United States Tax Court
400 Second Street, NW
Washington, DC 20217
ustaxcourt.gov

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439
uscfc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

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

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.

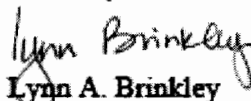
Find tax forms or publications by visiting [IRS.gov/forms](https://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,



Lynn A. Brinkley

Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892



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

Date:
10/17/2022
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:
November 16, 2022

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 501(c)(3) 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 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,

Larry D. Pugh LEGALLY TRAINED BY LARRY D. PUGH
DATE: 2022/10/17 10:16:03 AM EST

for Lynn A. Brinkley
Director, Exempt Organizations Examinations

Enclosures:
Form 886-A
Form 6018

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

ISSUE:

Whether () continues to qualify for exemption as a private foundation described under Internal Revenue Code (IRC) Section 501(c)(3) due to lack of operations or activity since inception which includes the tax year ending

ALTERNATIVE ISSUE:

If continues to qualify for exemption as a private foundation described under IRC Section 501(c)(3), does qualifies as a private operating foundation under IRC Section 4942(j)(3).

Whether made qualifying distributions for the tax year ending

Whether owes excise taxes due to under payments of qualifying distributions under IRC Section 4942.

FACTS:

was incorporated under the laws of the as a non-profit corporation on , for the purpose of the following:

" () is a non-profit organization incorporated in the state of . The corporation is organized for the purpose of

. The organization will be engaged in the following activity.

Support Services: (%) will go into schools and educational institutions in the area and provide infrastructure, software, hardware, systems and support services to enhance educational resources at that educational facility to improve their ability to serve their students and faculty, expanding their resources for technological improvement and functions. will build a for recipient target schools to improve the students' learning environment by

services. When invited to go into an educational facility, will access the needs of that facility, discuss the programs of the school with the facility managers and put into place technological systems that will enhance the delivery of that organization's mission and improve the educational environment for their students. These services are offered free to the educational organization as a supplement to already restricted budgets facing schools around our country. will hire an Executive

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

Director to oversee the day-to-day management of the organization and staff. This position is to begin in . will hire Program Manager to begin in . The Program Manager will oversee program facility management and program services delivery. Additional staff is projected to be hired over the of activity, as the organization ramps up to impact its community. The organization is targeting to serve any school interested in the community, as funding is available. will advertise through the local chamber of commerce, word of mouth and direct contact with local school districts, superintendents, and university heads.”

On , was recognized to be exempt from federal income tax as an organization described in IRC Section 501(c)(3). In , exempt status was amended to a private foundation due to lack of public funding.

The IRS received for tax year ending , on , reporting assets of \$ in checked “No” on Part VII-A, Line 9 stating that they are not claiming status as a reported Qualifying distributions of did not drew a line through on the

stated in response to Information Document Request # 3, response # 5, that “no receipts as did not with .” However, reported \$ in expenses on the to

In the Contracts Assigned by , stated in part, that “

did not conduct any activities for the year ending .

LAW:

IRC Section 501(c)(3) exempts from federal income tax organizations which are 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 no 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

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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 distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

IRC Section 4942(a) states, there is hereby imposed on the undistributed income of a private foundation for any taxable year, which has not been distributed before the first day of the second (or any succeeding) taxable year following such taxable year (if such first day falls within the taxable period), a tax equal to 30 percent of the amount of such income remaining undistributed at the beginning of such second (or succeeding) taxable year.

IRC Section 4942(b) states, in any case in which an initial tax is imposed under subsection (a) on the undistributed income of a private foundation for any taxable year, if any portion of such income remains undistributed at the close of the taxable period, there is hereby imposed a tax equal to 100 percent of the amount remaining undistributed at such time.

IRC Section 4942(c) states, for purposes of this section, the term "undistributed income" means, with respect to any private foundation for any taxable year as of any time, the amount by which—

- (1) the distributable amount for such taxable year, exceeds
- (2) the qualifying distributions made before such time out of such distributable amount.

IRC Section 4942(d) states, for purposes of this section, the term "distributable amount" means, with respect to any foundation for any taxable year, an amount equal to—

- (1) the sum of the minimum investment return plus the amounts described in subsection (f)(2)(C), reduced by
- (2) the sum of the taxes imposed on such private foundation for the taxable year under subtitle A and section 4940.

IRC Section 4942(g)(1) states, for purposes of this section, the term "qualifying distribution" means—

- (A) any amount (including that portion of reasonable and necessary administrative expenses) paid to accomplish one or more purposes described in section 170(c)(2)(B), other than any contribution to (i) an organization controlled (directly or indirectly) by the foundation or one or more disqualified persons (as defined in section 4946) with respect to the foundation, except as provided in paragraph (3), or (ii) a private foundation which is not an operating foundation (as defined in subsection (j)(3)), except as provided in paragraph (3), or
- (B) any amount paid to acquire an asset used (or held for use) directly in carrying out one or more purposes described in section 170(c)(2)(B).

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Name of Taxpayer		Year/Period Ended

IRC Section 4942(j)(3) states, for purposes of this section, the term “operating foundation” means any organization—

IRC Section 4942(j)(3)(A) states, which makes qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g)) directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated equal to substantially all of the lesser of—

- (i) its adjusted net income (as defined in subsection (f)), or
- (ii) its minimum investment return; and

IRC Section 4942(j)(3)(B)(i) substantially more than half of the assets of which are devoted directly to such activities or to functionally related businesses (as defined in paragraph (4)), or to both, or are stock of a corporation which is controlled by the foundation and substantially all of the assets of which are so devoted,

IRC Section 4942(j)(3)(B)(ii) which normally makes qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g)) directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated in an amount not less than two-thirds of its minimum investment return (as defined in subsection (e)), or

IRC Section 4942(j)(3)(B)(iii) substantially all of the support (other than gross investment income as defined in section 509(e)) of which is normally received from the general public and from 5 or more exempt organizations which are not described in section 4946(a)(1)(H) with respect to each other or the recipient foundation; not more than 25 percent of the support (other than gross investment income) of which is normally received from any one such exempt organization; and not more than half of the support of which is normally received from gross investment income.

Notwithstanding the provisions of subparagraph (A), if the qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g)) of an organization for the taxable year exceed the minimum investment return for the taxable year, clause (ii) of subparagraph (A) shall not apply unless substantially all of such qualifying distributions are made directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated.

Treas. Reg. Section 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) of the regulations provides that 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

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such exempt purposes specified in section 501(c)(3)

Treas. Reg. Section 1.501(c)(3)-1(d)(i) states that an organization may be exempt as an organization described in 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals.

Treas. Reg. Section 53.4942(a)-1(a)(1) provides, except as provided in paragraph (b) of this section, section 4942(a) imposes an excise tax of 15 percent on the undistributed income (as defined in paragraph (a) of Section 53.4942(a)-2) of a private foundation for any taxable year which has not been distributed before the first day of the second (or any succeeding) taxable year following such taxable year (if such first day falls within the taxable period as defined in paragraph (c)(1) of this section). For purposes of Section 4942 and this section, the term *distributed* means distributed as qualifying distributions under Section 4942(g). See paragraph (d)(2) of Section 53.4942(a)-3 with respect to correction of deficient distributions for prior taxable years.

Treas. Reg. Section 53.4942(a)-1(a)(2) provides, in any case in which an initial excise tax is imposed by Section 4942(a) on the undistributed income of a private foundation for any taxable year, Section 4942(b) imposes an additional excise tax on any portion of such income remaining undistributed at the close of the correction period (as defined in paragraph (c)(1) of this section). The tax imposed by Section 4942(b) is equal to 100 percent of the amount remaining undistributed at the close of the taxable period.

Treas. Reg. Section 53.4942(a)-1(a)(3) states, payment of the excise taxes imposed by Section 4942 (a) or (b) is in addition to, and not in lieu of, making the distribution of such undistributed income as required by Section 4942. See section 507(a)(2) and the regulations thereunder.

Revenue Ruling 58-617, 1958-2 CB 260, (Jan. 01, 1958) Rulings and determinations letters granting exemption from federal income tax to an organization described in section 501(a) of the Internal Revenue Code of 1954, to which contributions are deductible by donors in computing their taxable income in the manner and to the extent provided by section 170 of the Code, are effective only so long as there are no material changes in the character of the organization, the purposes for which it was organized, or its methods of operation. Failure to comply with this requirement may result in serious consequences to the organization for the reason that the ruling or determination letter holding the organization exempt may be revoked retroactively to the date of the changes affecting its exempt status, depending upon the circumstances involved, and subject to the limitations on retroactivity of revocation found in section 503 of the Code.

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TAXPAYER'S POSITION:

has () days to provide their response.

TAXPAYER'S ALTERNATIVE POSITION:

has () days to provide their response.

GOVERNMENT'S POSITION AND CONCLUSION:

failed to conduct any activities since inception. reported the as \$ but didn't that would provide any value to the , therefore their assets were improperly valued. As demonstrated in Rev. Rul. 58-617, an organization's exempt status will remain in effect only so long as there are organized and operated for exempt purpose. In the case of , the organization has been inactive for several years and there have been no activities conducted. As such, fails to meet the operational requirements to continue its exemption status under IRC 501(c)(3). Therefore, the effective revocation date is

GOVERNMENT'S ALTERNATIVE POSITION AND CONCLUSION:

If still qualifies for exemption, owes excise taxes due to undistributed income under IRC Section 4942. is required to pay (%) of their assets annual in qualified distributions. failed to make qualifying distributions by the end of the second year, therefore, owes (%) excise taxes. Since didn't make correction timely, the organization owes (%) excise taxes.

stated their assets were \$. Qualifying distribution of (%) of assets equal \$. qualifying distribution were \$

owes first tier excise taxes of (%) for undistributed distributions.

Required Qualifying distribution amount	\$
Qualified distribution amount	\$
Undistributed income	\$
First Tier Excise Taxes (%)	\$

owes second tier excise taxes of (%) for undistributed distributions.

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Required Qualifying distribution amount \$
 Qualified distribution amount \$
 Undistributed income \$
 Second Tier Excise Taxes (%) \$

If you agree to this conclusion, please sign the attached Forms.

If you disagree, please submit a statement of your position.