



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

Date:
June 5, 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:

Number: 202336025
Release Date: 9/8/2023

UIL: 501.03-00

CERTIFIED MAIL - Return Receipt Requested

Dear :

Why we are sending you this letter

This is a final determination explaining why your organization doesn't qualify as an organization described in Internal Revenue Code (IRC) Section 501(c)(3) for the tax periods above.

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

You did not respond to our requests for additional information regarding your finances and activities as required under Treasury Regulation Section 1.6033-2(i)(2).

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). As such, you failed to meet the requirement of IRC Section 501(c)(3) and Treas. Reg. Sections 1.501(c)(3)-1(a).

Additionally, you have not demonstrated that you are operated exclusively for charitable, educational, or other exempt purposes within the meaning of IRC Section 501(c)(3) because the organization's assets inure to the benefit of a private shareholders or individuals.

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**.

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.

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:

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.

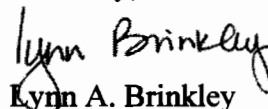
Find tax forms or publications by visiting irs.gov/forms or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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:

Form 886-A

Form 4621-A

Publications 1, 594, and 892

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

Issues:

Issue 1 – Does the _____ (_____) qualify for exemption under Internal Revenue Code section 501(c)(3)?

Issue 2 – Does the available information indicate _____ assets inure to the benefit of anyone?

Facts:

_____ incorporated in _____ on _____ and Article II states

_____, see Attachment 1.

Article VI provides a dissolution clause and states *upon dissolution or winding up the Corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable, educational, and/or religious purposes and which has established its tax exempt status under Internal Revenue Code section 501(c)(3).*

Article VII states *The property of this corporation is irrevocably dedicated to religious purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.* The Articles of Incorporation are signed by _____ as the incorporator.

On _____ submitted Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, see Attachment 2. Part I, box 2 shows _____, box 3 shows _____, box 6a shows _____ as the primary contact, and box 6b provides a contact phone number. Part V shows _____ as president & director, _____ as secretary & director, and _____ as Treasurer & Director; and all show _____ as their contact address. Part X Public Charity Status, question 5a shows the box 509(a)(1) and 170(b)(1)(A)(i) box is checked to indicate that the application is a church or a convention or association of churches and completed Schedule A Churches. _____ attached *Attachment 4, Appendix to Form 1023* to provide additional information and states _____ from _____ is the authorized representative, but a Form 2848 was not in the case file. Attachment 4 provides a narrative of _____ activities and states _____ will host Sunday church services and Bible study on Wednesday and Sunday evenings. Part XI is signed by _____ as president.

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On _____ the Internal Revenue Service (IRS) issued Letter 1312, *Request for Additional Information*, to _____ requesting resumes for all of officers, directors, and or trustees, see Attachment 3.

On _____ the IRS issued Letter 1314, *EO Determination Request Closed – Failure to Establish*, to _____ on which states the IRS did not receive the requested information and is closing the case without making a determination because the IRS does not have sufficient information to consider the request, see Attachment 4.

On _____ filed Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax*, for the period ending _____. The heading of Form 990-EZ indicates initial return, an application is pending, shows _____, _____ address and provides a contact number. Part I and II show zeros. Part IV shows _____ as president & director, _____ as secretary & director, and _____ as Treasurer & Director. Part V shows the books and records are in care of _____, shows the _____, _____, and _____ provides the same telephone number as the heading. Part VI shows _____ as the Treasurer & Director but it is not signed. The paid preparer section shows _____ from _____ and shows a contact telephone number. Schedule A shows _____ identified as a church. Schedule O states _____ mission is to _____

The _____ Secretary of State website shows _____ status suspended, as of the date of this report, and references the _____. The website shows _____ as the inactive date and shows a *Statement of Information* was due on _____, and presumably not filed.

On _____ the IRS began an inquiry into _____ activities and the examining Revenue Agent (RA) mailed _____ Letter 5307, *Church Tax Inquiry Notice*, via certified mail, with inquiry questions to the _____ address, see Attachment 5. Letter 5307 provided a _____ response date, but a response was not provided.

On _____ the United States Postal Service (USPS) returned PS Form 3811, *Domestic Return Receipt*, to the RA. Box A of the receipt shows an illegible signature, box B shows an illegible name, and box C shows _____ as the delivery date, see Attachment 6.

On _____ the RA mailed Letter 5308, *Follow Up Church Tax Inquiry*, to _____ via certified mail, as a follow up to Letter 5307, to the _____ address, see Attachment 7. Letter 5308 included Letter 5307 and follow up _____

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questions. Letter 5308 provided _____ as a response date, but a response was not provided.

On _____ the RA initiated an exam of _____ and mailed Letter 5309, *Notice of Church Examination*, via certified mail, to the _____, _____, _____ address, see Attachment 8.

The USPS returned PS Form 3811 to the RA. Box A of the receipt shows an illegible signature, box B shows an illegible name, and box C shows _____ as the delivery date, see Attachment 9. Letter 5309 provided a _____ response date, but a response was not provided.

On _____ the RA mailed Letter 5464, *Information Document Request Cover Letter – Exempt Organization*, and Form 4564, *Information Document Request (IDR)*, to _____ to the _____, _____, _____ address, see Attachment 10. The IDR provided a _____ response date, but a response was not received.

On _____ the RA mailed Letter 3164-E, *Third Party Contact*, to _____ to the _____, _____, _____ address to advising that the IRS plans to contact other individuals regarding _____. Letter 3164-E allowed _____ to request a list of individuals the IRS plans to contact, a request was not received.

On _____ the RA mailed Forms 2039, *Summons*, to _____ and _____ requesting banking information, each responded and provided banking records related to _____.

_____ responded and provided records for account ending with _____. The records show _____ as the account owner and the _____, _____ address. The signature card for the account shows _____ and _____ as account holders. Check images show _____ and/or _____ signature.

Bank records show _____ utilized _____ in the _____ and _____ years, the table below shows the total incoming and outgoing funds:

Explanation of Items

Name of Taxpayer:

Year/Period Ended:

Year	Deposits	Account Ending		
		Debits	Checks	Fees
Sub Totals:				
Total Deposits:				
Total Expenditures:				

The statements were reviewed and the description provided in the *withdraws and other debits* section show debit purchases from commercial establishments such as , , , , , and . The purchases alone total , . The statements show at least 16 bank withdraws totaling \$, including a \$, withdraw on to close out the account.

provided check images and of the checks were signed by and total \$, . Some of the payee names indicate individuals and some indicate a commercial business but most of the images show the memo line is blank.

check images show signed checks totaling \$, . Payees were individuals and commercial businesses but most of the images show the memo line is blank. Three check images show the payee is and total \$, .

: responded and provided records for account ending with . The records show as the account owner and the address. The signature card for the account shows as the president and account holder. Check images show and/or signature.

Bank records show utilized in the and years, the table below shows the total incoming and outgoing funds:

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Name of Taxpayer:		Year/Period Ended:

Year	Account Ending					
	Deposits	Checks	Debits	E Withdraws	Other Withdraws	Fees
Sub Totals:						
Total Deposits:						
Total Expenditures:						

The statements were reviewed and the description provided in the *ATM & DEBIT CARE WITHDRAWALS* section show debit purchases from commercial establishments such as _____, _____, and _____. The bank statements also show nine bank withdrawals totaling \$ _____ including a \$ _____ withdrawal on _____ to close out the account.

Chase Bank provided _____ check images and _____ checks were signed by _____. Payees were individuals and commercial businesses but most of the images show the memo line is blank. Two checks made out _____ total \$ _____, two check made out to _____ total \$ _____, seven checks made out to _____ total \$ _____, five checks made out to _____ totaling \$ _____, and two check made out to _____ total \$ _____. The payments to _____ and _____ are discussed later in this report.

_____ responded and provided records for account ending with _____. The records show _____ as the account owner and the _____ address. A signature card was not available, all available paid check images show _____ signature and the account was opened on _____ and closed on _____.

Year	Account Ending			
	Deposits	Debits	Checks	Fees
Total Deposits:				
Total Expenditures:				

The statements *ATM/Debit Card transaction this statement period* section shows six transactions including a \$ _____ withdraw on _____ closing the account. The debit transaction show purchases from restaurants and gas stations.

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provided check images and of those images show the checks were signed by . Payees were individuals and commercial businesses but most of the images show the memo line is blank.

The table below shows the total deposit and expenditure amounts:

Total Deposits and Expenditures		
	Deposits	Expenditures
	1 2 -	2 2 :
	1 2 -	2 2 :
Totals:	2 2 -	2 2 :

On the RA mailed Letters 1995, *Third Party Contact Letters to Request Information*, to the , , and . The , and responded and their responses are discussed later in this report.

On the RA mailed Letters 1995 to , and , but they did not respond.

:
response states they funded a private loan to a company called to purchase a property at , and received four payments totaling \$, , see Attachment 11. A property search revealed that the transaction was conducted by and a summons was provided to on and check images show \$, was paid to , see attachment 12.

:
responded to the summons with , documents. The documents were reviewed and they show the property was purchased by (). The Order Sheet is dated , shows as the buyer, shows Attention , and shows as address. The documents contained an **ACTION BY WRITTEN CONSENT OF THE SOLE INCORPORATORS OF** , A **Limited Liability Company** dated and states that , and were elected to serve as Directors of . The **FINAL BUYER'S STATEMENT** shows the contract sales price is \$. M. The documents contained a **Limited Liability Company Agreement** , a **Limited Liability**

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Company document executed by _____ and _____ on _____. Exhibit A to that documents provides a list of member and shows _____ and _____ and both list _____, _____, _____ as their address, see Attachment 13.

: _____
(_____) filed Limited Liability Company Articles of Organization on _____ with the _____ Secretary of State and state _____ purpose is to engage in any lawful act or activity for which a limited liability company may be organized under the _____ Limited Liability Act.

IRS records show _____ filed Forms 1065, *U.S. Return of Partnership Income*, for the tax years ending _____ to _____ and issued a Schedule K to _____ and _____ both years. All Schedule K show _____ and _____ each had a 50% interest in _____ check images show _____ as the payee on seven checks totaling \$ _____, _____, see attachment 14.

On _____ a _____ (_____) attorney initially responded to Letter 1995 with a telephone call to the RA and said the _____ was able to shut down _____ because it was operating as a marijuana dispensary without proper approval. The attorney later provided documents related to the _____ legal action to shut down _____, see Attachment 15.

The Complaint, Case Number _____, was filed by the _____ Attorney on _____ with the _____ (_____) and lists _____, _____, _____, and _____ as the defendants.

The Complaint enumerated three causes of action. The first cause is a *Public Nuisance Based Upon Distribution of Marijuana* at real property and business commonly known as _____, located at _____, _____. The Complaint states in part _____ is owner/operator, manager of _____, _____ is the secretary/operator/owner/member of _____.

The second cause is "*Public Nuisance*" and "*Nuisance Per Se*" Based Upon Violations of the _____ Municipal Code at _____, _____ address. The Complaint states _____ is violating the _____ Zoning Code, Title _____ of the _____ (_____). Title _____ marijuana _____ and _____ is located in a _____ and the _____ of marijuana _____.

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The third cause is *Unlawful and Unfair Businesses Practices Based Upon Violations of Law and Acts/Omissions*:

at address. The Complaint states is illegally distributing marijuana from its location because it does not have a permit to distribute marijuana.

The filed a Declaration from the for the on with the Court in support of the Complaint and states *the facts set forth herein are within my personal knowledge and, if sworn as a witness, I could and would testify competently to such facts*. The Supervisor states that based on his own investigation and review of and proceedings he is familiar with the property at being used to sell and distribute marijuana, which is a violation of , see Attachment 16.

The Supervisor states that he is familiar with the provision of the Permanent Injunction filed with the Court on which prohibits the property at from being used to make medical marijuana available. The Permanent Injunction lists , and as the defendants, see Attachment 16, Exhibit A.

The Supervisor states that on he reviewed page and he is informed and believes that is a website that allows businesses to set up a free account and post photos and message their customers. indicates its located at , and its website is , see Attachment 16, Exhibit E.

The Supervisor states that on he reviewed page, is a website that claims to be the most reliable online resource to find cannabis storefronts, doctors, and deals. page indicates is located at , and includes a menu of different marijuana products and pricing. The products include different strains of marijuana, such as , as well as extracts, edibles and topicals, see Attachment 16, Exhibit F.

The Supervisor states that he executed an at property on and he took photographs of the first and second floors. He also inspected the basement floor and took pictures of two packages addressed to , see Attachment 16, Exhibits G, H, I, and J.

filed a page response to the Complaint on with the Court and *objects to Plaintiff's Request in its entirety to the extent that it does not specify a reasonable time and place for inspection and copying*, see Attachment 17. Page and page are a copy of Application for

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Membership. The Application states

Page of response is titled and provides:

Page provides:

also filed a page Declaration of in support of with the Court on , see Attachment 18. The Declaration states in part: I, , declare as follows:

1. I am a at the and have been since it opened in
2. I provide weekly on at : pm.

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3. Recently the _____ has requested an additional _____ at _____ : _____ pm to accommodate additional _____ members.
4. My _____ are _____ based and focus on helping the members of the _____ achieve a greater appreciation of the _____ based on utilization of cannabis as _____
5. _____ provides for greater plasticity of thought in _____ analysis and _____ with _____

The _____ provided a _____ for _____ to _____ and _____ responded. Some of the records are redacted for employee information and sensitive proprietary business information including pricing information. Some of the documents were redacted completely, other documents were printed emails exchanged between _____ and _____ and are not attached to this report. The response contains approximately _____ invoices that show _____ at _____, _____ as the customer, have a date range from _____ to _____, and appear to be issued on the _____th of the month, see Attachment 19.

The _____ response contains _____ copies of what _____ refers to Marketing Agreements. The copy on pages _____ and _____ show the same date _____, show _____ as the name of the dispensary, and is signed by _____ as the manager. Pages _____ and _____ show the same date _____, show _____ as the name of the dispensary, and is signed by _____ as the manager. Page _____ shows _____ as the date, shows _____ as the name of the dispensary, and is signed by _____ as the manager. Page _____ shows _____ as the date, shows _____ as the name of the dispensary, and is signed by _____ as the manager.

_____ provided a _____ page response to the _____ of _____ related to _____ on _____ and among the documents _____ provided a copy of the _____ Marketing Agreement with _____ executed on _____, see Attachment 20. _____ is listed as the dispensary at the _____, _____, _____ address.

_____ provided an eight page response on _____ to the _____ Request for the identity of all persons who serve on the _____ Board of Directors and the names of all employees and volunteers from _____ to present, see Attachment 21. _____ provided information on _____ individuals.

_____ : _____ page response contained a _____ REPORT conducted on the property located at _____

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on . The report shows the inspection was ordered by , the property owner is listed as unknown, and the report was sent to , see Attachment 22.

On the RA called , this is the number for and for , records custodian, given on the F990-EZ. The call went right to voice mail, no greeting other than leave a message was provided, RA left a message, but did not get a call back.

On the RA called , this number was secured from the business signature card for , listed as the president. The person who answered, presumably a male, said he was not nor was he associated with . He did say that must have had this number because the person who answered has received numerous calls looking for .

On the RA called because this number was found in a search for . The search indicated this number belonged to . The first time the RA called the number was busy, the number was called again on and numerous other times but the number was busy.

On the RA conducted a search on and found that , and work for at in . The search showed as the chief executive officer. A Secretary of State search found as the Agent at in

On the RA conducted a search for with the address, as shown on the F990EZ and a hit provided the , this is the same address as the address for

On the RA spoke to at and he provided two different numbers, and , associated with but was not sure who they belonged to. also provided two possible email addresses

and The number is the number shown on the signature card. The number was called and it sounded as if the call was answered but no one responded to the RA. The RA called a second time and left a voice message, the greeting did not reveal anything about the owner. An email was sent to both email addresses and , but a response was not received.

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On [redacted] the RA conducted a name search for [redacted] with the [redacted] address and no hits were found. RA conducted another search with the [redacted] as the resident city and did not identify any individual associated with the [redacted].

[redacted] the RA conducted a name search for [redacted] with the [redacted] address and no hits were found. RA conducted another search with the [redacted] as the resident city and did not identify any individual associated with the [redacted].

On [redacted] the RA conducted a name search for [redacted] with the [redacted] address, as shown on the [redacted] F990EZ and no hits were found. RA conducted another search with the [redacted] as the resident city and did not identify any individual associated with the [redacted].

On [redacted] the RA conducted a name search for [redacted] with [redacted] address and a hit found. The hit showed [redacted], and [redacted]. The hit also provided [redacted], and [redacted] phone numbers. The [redacted] was previously provided by [redacted], the [redacted] number was called various time but no one ever answered, and the [redacted] number was called various times but the phone was always busy.

On [redacted] the RA conducted a name search for [redacted] with the [redacted] address and no hits were found.

On [redacted] the RA conducted a driver's license search for [redacted]. The search was conducted with and without [redacted] as the state of residence, but no hits were found.

[redacted] the RA conducted an address search for [redacted] and [redacted] in IRS records. The search for [redacted] showed [redacted], [redacted], [redacted], and [redacted]. The search for [redacted] showed [redacted], [redacted], [redacted], and [redacted].

On [redacted] the RA sent a drafted letter to [redacted] at the [redacted], [redacted] requesting his assistance with a tax matter, a response was not received, and the letter was later returned by the USPS, see Attachment 23.

On [redacted] the RA sent a drafted letter to [redacted] at the [redacted], [redacted] requesting his assistance with a tax matter, a response was not received, and the letter was later returned by the USPS, see Attachment 24.

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On _____ the RA sent a drafted letter to _____ at the _____, requesting his assistance with a tax matter, a response was not received, and the letter was later returned by the USPS, see Attachment 25.

On _____ the RA sent Letter 5464 and three Forms 4564 to _____ to the _____ address, see Attachment 26. The Forms 4564 provided a listing of bank transactions that give rise to potential excess benefit transactions and requested contemporaneous substantiation and documentation for the transactions. Forms 4564 provide a _____ response due date, but a response was not provided.

On _____ the RA sent Letter 5464 and three Forms 4564 to _____ to the _____ address, see Attachment 27. The Forms 4564 provided a listing of bank transactions that give rise to potential excess benefit transactions and requested contemporaneous substantiation and documentation for the transactions. Forms 4564 provide a _____ response due date, the letter was returned by the USPS on _____.

On _____ the RA sent Letter 5464 and three Forms 4564 to _____ to the _____ address, see Attachment 28. The Forms 4564 provided a listing of bank transactions that give rise to potential excess benefit transactions and requested contemporaneous substantiation and documentation for the transactions. Forms 4564 provide a _____ response due date, but a response was not provided and the letter was returned by the USPS on _____.

On _____ the RA sent Letter 5464 and three Forms 4564 to _____ to the _____, see Attachment 29. The Forms 4564 provided a listing of bank transactions that give rise to potential excess benefit transactions and requested contemporaneous substantiation and documentation for the transactions. Forms 4564 provide a _____ response due date, but a response was not provided.

On _____ the RA sent a drafted letter to _____ to the _____ address requesting assistance regarding seven checks paid to _____ by _____ totaling \$ _____, see Attachment 30. The drafted letter provides a _____ response due date; the letter was returned by the USPS on _____.

Law:

Internal Revenue Code (IRC) section 501(c)(3) exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other

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exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

IRC section 511 imposes a tax at corporate rates under section 11 on the unrelated business taxable income of certain tax-exempt organizations.

IRC section 6001 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 if such person is liable for tax under this title.

IRC section 6033(a)(1), except as provided in section 6033(a)(2) , provides in part that 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.

Federal Tax Regulations (Regulations) section 1.501(c)(3)-1(a) states in part that in order to be exempt as an organization described in Code section 501(c)(3), the 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. The term "exempt purpose or purposes", as used in this section, means any purpose or purposes specified in section 501(c)(3).

Regulations section 1.501(c)(3)-1(b)(4) states in part 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, 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

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of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

Regulations section 1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

United States Code (USC), Title 21, Section 802(16) defines marijuana as "all parts of the plant Cannabis sativa L. whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of such plant, its seeds or resin."

USC Title 21, Section 821(c) , Sch. I(c)(10) lists marijuana as a hallucinogenic substance and includes it on schedule I of the Schedules of Controlled Substances. A schedule I substance is a substance that (1) has a high potential for abuse; (2) has no currently accepted medical use in treatment in the United States; and (3) there is a lack of accepted safety for use of the drug under medical supervision.

USC Title 21, Section 841(a) , known as The Controlled Substances Act, states that it is illegal for anyone to knowingly or intentionally manufacture, distribute, or dispense, or possess with intent to manufacture, distribute, or dispense a controlled substance.

Revenue Ruling 75-384 , 1975-2 C.B. 204, holds that a nonprofit organization, whose purpose was to promote world peace, disarmament, and nonviolent direct action, did not qualify for exemption under IRC Section 501(c)(3) or (c)(4) . The organization's primary activity was to sponsor antiwar protest demonstrations in which demonstrators were urged to violate local ordinances and commit acts of civil disobedience. Citing the law of trusts, the ruling stated that all charitable organizations are subject to the requirement that their purposes cannot be illegal or contrary to public policy.

In *Ould v. Washington Hospital for Foundlings*, 95 U.S. 303, 311 , 24 L. Ed. 450 (1877), the Court noted that "[a] charitable use, where neither law nor public policy forbids, may be applied to almost anything that tends to promote the well-doing and well-being of social man."

In *Better Business Bureau of Washington, D.C., Inc. v. United States*, 326 U.S. 279, 283 , 66 S. Ct. 112 , 90 L. Ed. 67 , 1945 C.B. 375(1945), the Supreme Court held that the "presence of a single . . . [nonexempt] purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly . . . [exempt] purposes."

In *Harding Hospital, Inc. v. United States*, 505 F.2d 1068, 1071 (6th Cir. 1974), the court held that an organization has the burden of proving that it satisfies the requirements of

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the particular exemption statute. The court noted that whether an organization has satisfied the operational test is a question of fact.

In *Mysteryboy Inc. v. Commissioner*, T.C. Memo 2010-13 (2010), the Tax Court held that the organization failed the operational test partly because the organization proposed to promote illegal activities.

Taxpayer's Position:

did not respond to any of the IRS correspondence and as such position to either issue is not known.

Government's Position:

Issue 1 – should not be recognized as an organization described in IRC section 501(c)(3) because it failed to demonstrate that it qualified for such recognition, the information uncovered by the IRS shows distributes cannabis, and members consume cannabis.

Based on the above facts, has not demonstrated that it is organized and operated exclusively for religious purposes 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.

Based on the information we have uncovered, we determined that is not organized and operated exclusively for exempt purposes under IRC section 501(c)(3). An organization can be recognized as exempt under IRC section 501(c)(3) only if it shows that it is both organized and operated exclusively for charitable, educational, or other exempt purposes. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Federal law classifies cannabis as a controlled substance, as detailed in USC Title 21, Sections 802 and 821(c), Schedule I(c)(10). Federal law, under USC Title 21, Section 841, prohibits the manufacture, distribution, possession, or dispensing of a controlled substance. The consumption of cannabis is a substantial part of activity and . The consumption and distribution of cannabis is an illegal activity - current federal law prohibits the use of cannabis. Because engages in activities that contravene federal law, does not serve a substantial exempt purpose.

does not satisfy the operational test of Regulations section 1.501(c)(3)-1(c)(1). Whether an organization operates exclusively in furtherance of an exempt purpose is a question of fact. An organization seeking tax-exempt status under IRC

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section 501(c)(3) carries the burden of proving that it satisfies the requirements of the statute, see *Harding Hospital, 505 F.2dat 1071*. Only an insubstantial portion of the activity of an exempt organization may further a nonexempt purpose. Because is engaged in activities that contravene federal law, serves a substantial nonexempt purpose. As the Supreme Court held in *Better Business Bureau of Washington, D.C., Inc. v. United States*, the presence of a single nonexempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

The common law of trusts specifies that a charitable trust cannot be created for an illegal purpose. See Restatement (Second)of Trusts, Section 377. Similarly, the Supreme Court noted in *Ould v. Washington Hospital for Foundlings* , that "[a]charitable use, where neither law nor public policy forbids, may be applied to almost anything that tends to promote the well-doing and well-being of social man.' Like a trust, an IRC Section 501(c)(3) organization cannot be created for a purpose that is illegal. The literature uncovered by the IRS and response to the complaint show specific purposes is the consumption and distribution of cannabis supposedly during and after religious services. Because engages in activities that contravene federal law, serves a substantial nonexempt purpose. See Rev. Rul.75-384 , supra; *Mysteryboy, Inc. v. Comm'r*.

is not described in Regulations section 1.501(c)(3)-1(d)(2) which provides that the term "charitable" as used in IRC section 501(c)(3) in its generally accepted legal sense. Advancement of religion has long been recognized as a charitable purpose. However, a trust is invalid if its purpose is illegal. The common law of trusts specifies that a charitable trust cannot be created for an illegal purpose. Because engages in activities that contravene federal law, serves a substantial nonexempt purpose.

Issue 2 – Based on the information in the fact section, funds inured to the benefit of and . Both individuals have authority over finances and both have a personal and private interests in activities.

The , and expenditures indicate a personal use by and and did not establish the purchases furthered an exempt purpose.

is owned and operated by and and as such any payments to are indistinguishable from payment to and . Any payments to that are not substantiated to further

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charitable purposes constitute inurement and in this case did not establish the payments furthered an exempt purpose.

The incorporating document dated (Attachment 12) shows and are two of the directors. The agreement dated (Attachment 12) shows as one of the founders. Any payments to that are not substantiated to further a charitable purposes constitute inurement because the payments are in effect being made to and in this case did not establish the payments furthered an exempt purpose.

The debits purchases and withdraws total \$, for both years under examination, most indicate a personal benefit, did not provide any support to show the purchases further a charitable purpose, and thus the debit purchases constitute inurement to and

check payments total \$, for both years under examination, the payee's name does not indicate the payment further a charitable purpose, did not provide any support to show the payments purpose, and thus the check payments constitute inurement to and

The existence of inurement is exemplified by the \$, payment to because they ordered a pest inspection of the property, clearly indicating they were doing work on the property; the property was purchased with funds but lists as the owner, which is controlled by and

The debits purchases total \$, for both years under examination, most indicate a personal benefit, did not provide any support to show the purchases serve a charitable purpose, and thus the debit purchase constitute inurement to

The withdrawals totaling \$, were made by the account holder, did not serve a charitable purpose, and did not establish that the funds furthered a charitable purpose.

The two checks paid to totaling \$, and the two check paid to totaling \$, are examples of assets inuring to the benefit of and because no support was provided to show the payments furthered a charitable purpose. The seven checks paid to totaling \$, are examples of assets inuring to the benefit of and because and are the only partners in and because no support was provided to

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show the payments furthered a charitable purpose. The five checks paid to totaling \$, is another example of assets inuring to the benefit of and because provided service to the , which is owned by the , which is controlled by and

The \$, payment to were used to purchase the by , which is operated by and , constitutes prohibited inurement because no support was provided to show the purchase furthered a charitable purpose. The RA identified \$, payments to for the purchase of the property owned by . The memo section of the checks shows , which is the loan number referenced in the Final Buyer's Statement obtained from . The statement further identifies as the buyer of the property and as the lender.

The debits purchases and withdraws total \$, for the year, none indicate a charitable purpose, did not provide any support to show the purchases serve a charitable purpose, and thus the expenditures constitute inurement.

Conclusion:

Issue 1 – should not be recognized as a tax exempt organizations as described in IRC section 501(c)(3). An organization claiming to be a is not required to submit a recognition request and is considered to be exempt under IRC 501(c)(3) based on their assertion. Therefore the effective date of revocation is

Issue 2 – Inurement exists because did not demonstrate that any of its expenditures totaling \$, , furthered a charitable purpose.