



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

Date:
June 13, 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: 202336027
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 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 did not respond to our requests for information regarding your purpose and activities. Organizations described in IRC section 501 (c)(3) of the Code and exempt under Section 501(a) must be both organized and operated exclusively for exempt purposes. Further, no part of the net earnings of a section 501(c)(3) organization may inure to the benefit of any private shareholder or individual. 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).

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).

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.

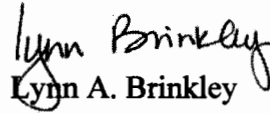
Find tax forms or publications by visiting IRS.gov/forms or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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:

Publication 1

Publication 594

Publication 892



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

Date:
09/20/2022
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Address:

CERTIFIED MAIL – Return Receipt Requested

Manager's contact information:

Name:
ID number:
Telephone:
Response due date:

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.

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,

Christopher M. Holmes Digitally signed by Christopher M. Holmes
Date: 2022.09.20 11:07:56 -07'00'
for Lynn A. Brinkley
Acting Director, Exempt Organizations Examinations

Enclosures:

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

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

ISSUES:

Whether exemption under section 501(c)(3) of the Internal Revenue Code ("IRC") should be revoked due to:

1. Its failure to operate for an exempt purpose; and
2. Its net earnings inured to the benefit of a disqualified person.

FACTS:

Background

("the ") was incorporated in the state of by on . The one-page article of incorporation states:

- the name is , a Non Profit Religious Corporation,
- its specific purpose is "to provide religious education programs and to continue development of religious educations",
- it is organized and operated exclusively for charitable purpose within the meaning of IRC section 501(c)(3), and
- upon dissolution, its assets remaining shall be distributed to an organization exempt under section 501(c)(3).

On , as , filed a Form 1023, *Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code*, for the . A letter from was included with the Form 1023, stating that he was a founding board member and willing to make a gift to the of at least \$ if the received their tax-exempt status in the coming year. The Form 1023 listed the following board members:

-
-
-

The received their exemption under IRC section 170(b)(1)(A)(ii) on ; the effective date of exemption was retroactive to . Additionally, the was able to receive tax-deductible contributions under IRC section 170.

On , the filed a certificate of amendment with the state of that changed their name to

Beginning with the fiscal year, ending , the began submitting . The filed listed the name as and stated the following information:

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule number or exhibit
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Tax Year	Tax Period	Principal Officer's Name	Principal Officer's Address

Examination

An information document request was sent to the _____ by the initial examining revenue agent on _____. No response was received from the University and a delinquency notice was sent on _____. Additionally, the University was notified of the Service's intent to make third party contacts in a letter sent on _____.

The subsequent examining revenue agent ("agent") attempted to locate the _____ officers, for the present and prior exam years, and was able to locate _____, the primary officer listed on the _____. A third-party summons for _____ testimony and available records was hand delivered to his last known personal residence on _____.

Interview

On _____, an individual answering to the name of _____ presented himself to the agent at the Service office located in _____. Upon examining his identification, the agent determined that this was not _____ but an acquaintance. The interview was rescheduled to the following day. _____ presented himself on _____, for an interview and to provide available documents. Key points taken from the interview were:

- changes to the _____ accreditation authority caused a rush in the creation of post-secondary schools,
- _____ stated he had incorporated the _____ and multiple other organizations with the state of _____ at the behest of individuals that he declined to name,
- he was asked to help due to his familiarity with the school accreditation process,
- he was involved in the filing of the _____,
- the _____ address was owned by an associate of _____, who allowed him to use various suite numbers for mailing purposes based on vacancy,
- the _____ address was a mailbox set up by _____ to handle the dissolution of the _____,
- he could not recall a _____ or _____, and
- the _____ had never been active as a school.

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule number or exhibit
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stated that he was a consultant and not involved in the day-to-day operations for the . When asked to list any of the other board members or provide the name of the individual who enlisted his services, stated he did not remember or declined to answer. The agent asked if was to be compensated for his consultant services and he stated he was a volunteer and not compensated.

Banking Activity

At the interview, provided the monthly bank statements for the exam period and stated that only he had access to the University's checking account and debit card. The monthly statements for the checking account ending in showed the following transactions.

DATE	DESCRIPTION	AMOUNT
	Check # from	\$
	Cash Deposit	\$
	Cash Deposit	\$
	Check# pay to order of	\$
	Card Purchase -	\$
	Card Purchase -	\$
	Card Purchase -	\$
	Card Purchase -	\$
	Card Purchase -	\$
	Card Purchase -	\$
	Card Purchase -	\$
	Card Purchase -	\$
	Card Purchase -	\$
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	Card Purchase -	\$
	Card Purchase -	\$
	Card Purchase -	\$
	Card Purchase -	\$
	Cash Deposit	\$
	Cash Deposit	\$
	ATM Withdrawal	\$
	Card Purchase -	\$
	Foreign Exchange Fee	\$
	Card Purchase -	\$
	Foreign Exchange Fee	\$
	Card Purchase -	\$
	Foreign Exchange Fee	\$
	Book Transfer -	\$
	International Incoming Wire Fee	\$
	Card Purchase -	\$

Explanation of Items

Name of taxpayer

Tax Identification Number (last 4 digits)

Year/Period ended

	Card Purchase -		\$
	Card Purchase -		\$
	Card Purchase -		\$
	Card Purchase -		\$
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	Card Purchase -		\$
	Card Purchase -		\$
	Card Purchase -		\$
	Card Purchase -		\$
	Book Transfer		\$
	International Incoming Wire Fee		\$
	Card Purchase -		\$
	Card Purchase -		\$
	Card Purchase -		\$
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	Card Purchase -		\$

Explanation of Items

Name of taxpayer

Tax Identification Number (last 4 digits)

Year/Period ended

	Card Purchase -		\$	
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	Card Purchase -		\$	
	Foreign Exchange Fee		\$	
	Card Purchase -		\$	
	Card Purchase -		\$	
	Foreign Exchange Fee		\$	
	Card Purchase -		\$	

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule number or exhibit
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statements.

LAW:

IRC section 501(c)(3) exempts from Federal income tax corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or education purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of the any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or 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 4958(c) defines the term “excess benefit transaction” as any transaction in which an economic benefit is provided by an applicable tax-exempt organization directly or indirectly to or for the use of any disqualified person if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing such benefit. For purposes of the preceding sentence, an economic benefit shall not be treated as consideration for performance of services unless such organization clearly indicated its intent to so treat such benefit.

IRC section 4958(e) defines “applicable tax-exempt organization” as an organization described in either section 501(c)(3) or section 501(c)(4) of the Internal Revenue Code or an organization which was so described at any time during the five-year period ending on the date of the excess benefit transaction.

IRC section 4958(f)(1) defines a “disqualified person” as (A) any person who was, at any time during the five-year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the organization, (B) a member of the family of a disqualified person, and (C) a 35% controlled entity.

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

Section 1.501(c)(3)-1(c)(1) of the Regulations states 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 such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(c)(2) of the Regulations provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule number or exhibit
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of private shareholders or individuals.

Section 1.501(c)(3)-1(d)(3)(i) of the Regulations defines the word “educational”, as used in IRC section 501(c)(3), as –

- (a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or
- (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(f)(2)(ii) of the Regulations states that in determining whether to continue to recognize the tax-exempt status of an applicable tax-exempt organization (as defined in section 4958(e) and section 53.4958-2) described in section 501(c)(3) that engages in one or more excess benefit transactions (as defined in section 4958(c) and section 53.4958-4) that violate the prohibition on inurement under section 501(c)(3), the Commissioner will consider all relevant facts and circumstances, including, but not limited to, the following –

- A. The size and scope of the organization’s regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred;
- B. The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization’s
- C. Whether the organization has been involved in multiple excess benefit transactions with one or more persons;
- D. Whether the organization has implemented safeguard that are reasonably calculated to prevent excess benefit transactions; and
- E. Whether the excess benefit transaction has been corrected (within the meaning of section 4958(f)(6) and section 53.4958-7), or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

TAXPAYER’S POSITION:

The _____ position is unknown at this time; however, the _____ had dissolved with the state of _____ as of _____.

GOVERNMENT’S POSITION:

It is the government’s position that the _____ exemption under IRC section 501(c)(3) should be revoked due to (1) failure to operate for an exempt purpose and (2) net earnings inured to the benefit of a disqualified person.

The _____ received its exemption as a school; however, no evidence was provided to the agent that demonstrated or showed that the _____ attempted to instruct or train individuals, or the public, as described in section 1.501(c)(3)-1(d)(3)(i) of the Regulations. There was no curriculum provided to the agent, no evidence that instructors were hired, and no students found to be enrolled. In the interview with _____, he cited lack of support from others, who he did not name, for the

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule number or exhibit
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not becoming operational. Despite never being active, on _____, the
 paid \$ _____ to file _____, _____
 _____ a program of the Department of
 Homeland Security.

A review of the available documents show that _____ was involved in the
 incorporation, application for exemption, opening and use of the bank account, filing the
 _____, and controlling the _____ mailing addresses. It is determined that _____ meets the
 criteria in IRC section 4958(f)(1) as exercising a substantial influence over the
 operations and is a disqualified person. Additionally, the _____ meets the definition of an
 applicable tax-exempt organization as described in IRC section 4958(e).

During the exam period, the _____ statements show that the _____ had the
 following bank transactions:

Bank Activity	
Deposits	\$ _____
Secretary of State Fees	\$ _____
	\$ _____
Cash Withdrawals	\$ _____
Personal Transactions	\$ _____
Ending Balance	\$ _____

As the only individual with access to this bank account and the sole debit card holder,
 withdrew \$ _____ in cash from this account and charged \$ _____ in personal transactions that
 consisted of restaurants throughout _____, travel, retail store purchases,
 Department of Motor Vehicle fees, homeowner association fees, and personal medical expenses.
 Currently, it is unknown how the _____ spent the remaining funds of \$ _____ and if this bank
 account is still open.

CONCLUSION:

Due to the _____ failure to operate for an exempt purpose and its net earnings inuring to the
 benefit of a disqualified person, the government proposes to revoke the _____ exemption
 under IRC section 501(c)(3) effective _____.

If this revocation becomes final, the _____ will no longer be able to accept tax deductible
 contributions under IRC section 170 and will be required to file
 _____, for the fiscal period ending _____, and for all subsequent tax periods for which
 the _____ remains subject to Federal Income Tax.