



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

Date:  
03/30/2023  
Taxpayer ID number (last 4 digits):

Form:

Release Number: 202346034  
Release Date: 11/17/2023  
UIL Code: 501.03-00

Tax periods ended:

Person to contact:

Name:  
ID number:  
Telephone:  
Fax:

Last day to file petition with United States  
Tax Court: 06/28/2023

**CERTIFIED MAIL - Return Receipt Requested**

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

**Why we are sending you this letter**

This is a final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), effective \_\_\_\_\_ . Your determination letter dated \_\_\_\_\_ , is revoked.

Our adverse determination as to your exempt status was made for the following reasons: Organizations described in IRC Section 501(c)(3) and exempt under IRC Section 501(a) must be both organized and operated exclusively for exempt purposes and no part of the net earnings may inure to the benefit of any private shareholder or individual. You have not demonstrated that you operated exclusively for one or more exempt purposes as required by IRC Section 501(c)(3). Your primary activity is carrying on an \_\_\_\_\_ or \_\_\_\_\_ , the proceeds from which inure to the benefit of \_\_\_\_\_ .

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](https://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](https://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](https://uscfc.uscourts.gov)

**US District Court for the District of Columbia**  
333 Constitution Avenue, NW  
Washington, DC 20001  
[dcd.uscourts.gov](https://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:

Internal Revenue Service  
Taxpayer Advocate Office

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to [taxpayeradvocate.irs.gov](https://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.

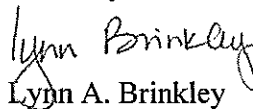
Find tax forms or publications by visiting [irs.gov/forms](https://irs.gov/forms) or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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  
Exempt Organizations Examinations

Date:  
07/07/2022  
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:  
August 08, 2022

**CERTIFIED MAIL – Return Receipt Requested**

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

**Why you're receiving this letter**

We enclosed a copy of our audit report, Form 886 A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(3).

**If you agree**

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

**If you disagree**

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

**If we don't hear from you**

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

**Contacting the Taxpayer Advocate Office is a taxpayer right**

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778

**Additional information**

You can get any of the forms and publications mentioned in this letter by visiting our website at [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs) or by calling 800-TAX-FORM (800-829-3676).

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

Sincerely,

Lynn A. Brinkley  
Director, Exempt Organizations  
Examinations

**Enclosures:**

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

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

**ISSUE**

Whether \_\_\_\_\_ continues to qualify for exemption under Internal Revenue Code § 501(c)(3)?

**FACTS**

\_\_\_\_\_ (hereinafter \_\_\_\_\_) whose Employer Identification Number (EIN) is \_\_\_\_\_, was granted exemption with an effective date of \_\_\_\_\_, per Letter 947 dated \_\_\_\_\_. The \_\_\_\_\_ was granted exemption as a public charity under Section 501(c)(3) of the Internal Revenue Code with a 509(a)(2) foundation status.

Per a review of the organization’s Articles of Incorporation, the \_\_\_\_\_’s purpose is to conduct itself exclusively for charitable, religious, educational, or scientific endeavors under section 501(c)(3) of the Internal Revenue Code or corresponding section of any future federal tax code. The \_\_\_\_\_’s Form 1023 application included a detailed description of the purpose for filing for tax exempt status. The \_\_\_\_\_’s purpose for filing for exempt status is: “

\_\_\_\_\_ . This is being done in conjunction with the \_\_\_\_\_, \_\_\_\_\_ . The \_\_\_\_\_ will be a \_\_\_\_\_ and \_\_\_\_\_ and \_\_\_\_\_ that wish to participate. The \_\_\_\_\_ will provide the \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ to have this \_\_\_\_\_ . We will provide additional \_\_\_\_\_ as the demand for the \_\_\_\_\_ and \_\_\_\_\_ increases. To accomplish this, the \_\_\_\_\_ plans to solicit donations from the general public and to \_\_\_\_\_ ( \_\_\_\_\_, \_\_\_\_\_ possesses \_\_\_\_\_ with the State of \_\_\_\_\_ ). A tax exemption for the \_\_\_\_\_ under Section 501(c)(3) will enable the \_\_\_\_\_ to supply our \_\_\_\_\_ with \_\_\_\_\_ and \_\_\_\_\_ as well as help cover the costs of \_\_\_\_\_ .”

The \_\_\_\_\_’s Form 1023 application also introduced a description of their activities that reads as follows: “Since the inception of \_\_\_\_\_ it has been a \_\_\_\_\_ dedicated to \_\_\_\_\_ . The \_\_\_\_\_ began as a \_\_\_\_\_ of dedicated \_\_\_\_\_ on a \_\_\_\_\_ . In \_\_\_\_\_ the \_\_\_\_\_ purchased their \_\_\_\_\_ ( \_\_\_\_\_ ) described as: \_\_\_\_\_ and built \_\_\_\_\_ ( \_\_\_\_\_ ) . As the \_\_\_\_\_ grew in number of \_\_\_\_\_, it added a \_\_\_\_\_ ( \_\_\_\_\_ ) to offer \_\_\_\_\_ from the weather and \_\_\_\_\_ as well as to hold meetings \_\_\_\_\_ . Later ( \_\_\_\_\_ ) a \_\_\_\_\_ and \_\_\_\_\_ ( \_\_\_\_\_ ) were added. The \_\_\_\_\_ has always been operated and maintained by the \_\_\_\_\_ except for a few ( \_\_\_\_\_ maximum) paid \_\_\_\_\_ . The \_\_\_\_\_ operation was always held \_\_\_\_\_ during the \_\_\_\_\_ and \_\_\_\_\_ during the \_\_\_\_\_ months. All \_\_\_\_\_ were held on \_\_\_\_\_, \_\_\_\_\_ . Funding of the \_\_\_\_\_ activities has always been achieved through \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ .”

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and , charitable gifts from local businesses, and . At the present, we occupy the same facilities purchased and built after and we offer and to the . is offered during the . Training is offered to all who need it . Additionally, the facility is used for by instruction for , and for . The is open to the public for people to years of age. Families are encouraged to at the and there are many . The is still operating with volunteer help from the except for .”

The 's Form 1023 application also included a narrative of explanations which provides further details on the activities of the . Per the 's narrative, the is composed of people who . The begins the with individual . The 's . During the , which is the , are once again formed and the continues until . Not all as some individuals only for the purpose of . The has always welcomed to accommodate . The makes available and to accommodate and a great deal of ensues while the await .

During the Initial Interview, held on , , the stated that its primary purpose is . Other than that the offers, is really what the dedicates its time to. In addition, the allows a to use its purposes and attempts to promote to so that they can the . However, the 's primary activity is ; the purchases and come out and gather and volunteer to help keep the place clean. To accomplish the 's purpose, the promotes and , which are open . The holds per year, allows the during the and and allows , and other -at no cost- for only. The does not rent its ; though, are allowed to use the for and other , but again, there's no for the .

The 's grounds consist of a (which is ), three trap clubs, and a . The is used when the is not good, it is where everyone gathers and . The is also where and other special and are used for . The takes place , that being . On , individual's sign up to and . During the , there is a significant amount of and with other and . After their , some for another . Anyone is welcomed to and and the

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business is in the and to to  
. are also and to further 's  
. The has a which currently has about , the  
is dollars per calendar year. From the , about are now  
considered and , since paid  
at the start of the to capitalize funds. Individuals 's by  
, and .  
receive a every year.

With respect to , the experienced substantial changes to the listed on its  
Form 1023. The is no longer available, it ended years ago. The  
struggled to and was terminated years ago. In addition, the  
Form 1023 application specified that the would be to  
. The purpose of the is to and to  
help . The at the 's weeks  
during the and weeks for the , day per week; a total of  
days per year. However, during the initial interview, the stated that the  
, the mainly allows the . The  
with other , only at the and  
. The does not and only per year, in  
which their own and all are and presented; there  
are no .

The is a but the does not have a for  
the ; therefore, the to use its . The  
and and not the 's , except for a  
of the who the but who is not recognized as a formal  
by the can get for  
lie , however, they mostly just to get around . The  
are present during the time the is at the  
's to provide the . There is some involved while the  
is there since the help ensure that the are conforming to the  
of the and assist them with getting around the . Nevertheless, the  
are responsible for the of the and the essentially  
just allows the . In short, the does not provide to the  
as initially proposed on its Form 1023 application.

Furthermore, the CLUB's 1023 application requested exemption as a 501(c)(3) organization, as it  
planned to conduct to assist with the by not  
only providing , but also , , and  
. The does not conduct 's  
, , , and , given that the state has from  
to cover the l's ts. In fact, the invoices the



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for the \_\_\_\_\_ and \_\_\_\_\_ that occurs at their  
as illustrated on the chart below.

INVOICE DATE	INVOICE NO.	BILL TO	DESCRIPTION	INVOICE TOTAL
<b>TOTAL BILLED IN</b>				

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Additionally, the cost of \_\_\_\_\_ is not covered by the \_\_\_\_\_ either, the \_\_\_\_\_ are \_\_\_\_\_'s \_\_\_\_\_ ( ) and not the \_\_\_\_\_'s. Another matter to consider is that despite the fact that the \_\_\_\_\_ the \_\_\_\_\_ from \_\_\_\_\_, the \_\_\_\_\_ continues to engage in \_\_\_\_\_ with the intent of supporting the \_\_\_\_\_ itself. During the year of examination, the \_\_\_\_\_ conducted \_\_\_\_\_ with the \_\_\_\_\_ and even received a \_\_\_\_\_ ( ). A review of the minutes revealed that the \_\_\_\_\_ proceeded to use \_\_\_\_\_ and \_\_\_\_\_ improvements. Specifically, the \_\_\_\_\_ used the funds to update the \_\_\_\_\_'s \_\_\_\_\_ rather than \_\_\_\_\_; in turn benefitting the \_\_\_\_\_'s \_\_\_\_\_. The only \_\_\_\_\_ currently conducted by the \_\_\_\_\_ is the \_\_\_\_\_'s \_\_\_\_\_. The \_\_\_\_\_'s \_\_\_\_\_ is usually offered \_\_\_\_\_ a year, the \_\_\_\_\_ pay a fee and meet \_\_\_\_\_ days for a total of \_\_\_\_\_ to learn to \_\_\_\_\_ Conclusively, the main purpose of \_\_\_\_\_ is to carry on \_\_\_\_\_-like any other for-profit \_\_\_\_\_ - and not to \_\_\_\_\_, as depicted on the graph below.

(NON-EXEMPT ACTIVITIES)	(NON-EXEMPT ACTIVITY)	OTHER EVENT DAYS (NON-EXEMPT ACTIVITIES)	'S (EXEMPT ACTIVITY)

**CLUB OPERATIONS; TAX YEAR**

During the year ending \_\_\_\_\_, only \_\_\_\_\_ % of the \_\_\_\_\_'s operational days were devoted to an exempt purpose versus a total of \_\_\_\_\_ % of operational days dedicated to non-exempt purposes.

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Based on the facts detailed above, it has been determined that the \_\_\_\_\_ has substantially reduced its \_\_\_\_\_ and has failed to project the material purpose for which exemption was granted; to \_\_\_\_\_ and raise funds to help \_\_\_\_\_. The \_\_\_\_\_ does not exclusively operate for exempt purposes within the meaning of IRC 501(c)(3).

**LAW**

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable or other purposes as specified in the statute. No part of the net earnings may inure to the benefit of any private shareholder or individual.

Treasury Regulations 1.501(c)(3)-1(d)(1)(ii) provides that an IRC 501(c)(3) organization must serve "a public rather than a private interest." To meet the requirement that it serves a public purpose, an organization must establish that it is not organized or operated for the benefit of private interests.

Treas. Reg. 1.501(c)(3)-1(e)(1) states an organization may qualify for tax exemption under Code Section 501(c)(3) although it operates a trade or business as a substantial part of its activities,

- a. if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and,
- b. if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in Section 513.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) defines the term charitable as including the relief of the poor and distressed or of the underprivileged, and the promotion of social welfare by organizations designed to lessen neighborhood tensions, to eliminate prejudice and discrimination, or to combat community deterioration. The term "charitable" also includes lessening of the burdens of government.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) defines the term educational as the instruction or training of the individual for the purpose of improving or developing his capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community. Treas. Reg. 1.501(a)-1(c) defines "private shareholder or individual" as those persons having a personal and private interest in the activities of an organization.

Treas. Reg. 1.501(c)(3)-1(c)(2) 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 of private shareholders or individuals."

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Treas. Reg. 1.501(c)(3)-1(d)(1)(ii) provides that an organization isn't organized or operated exclusively for one or more exempt purposes under Treas. Reg. 1.501(c)(3)(d)(1)(i) "unless it serves a public rather than a private interest." To meet this requirement, the organization must establish that it isn't "organized or operated to benefit private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests."

Treas. Reg. 1.501(c)(3)-1(d)(1)(iii) provides examples illustrating the requirement that an organization must serve a public interest, not a private interest.

Treas. Reg. 1.501(c)(3)-1(a)(1) states that, in order to be exempt as an organization described in Section 501(c)(3) of the Code, 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.

Treas. Reg. 1.501(c)(3)-1(c)(1) states 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 exempt purposes specified under Code 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.

Rev. Rul. 69-545, 1969-2 C.B. 117, states that the promotion of health, like the relief of poverty and the advancement of education and religion, is one of the purposes in the general law of charity that is deemed beneficial to the community as a whole even though the class of beneficiaries eligible to receive a direct benefit from its activities does not include all members of the community, provided that the class of beneficiaries is not so small that its relief is not of benefit to the community

Revenue Ruling 65-2, 1965-1 C.B. 227, found that exemption may be granted to an organization which is organized and operated for the purpose of teaching a particular sport to children by holding clinics conducted by qualified instructors in schools, playgrounds, and parks, and by providing free instruction, equipment, and facilities.

Revenue Ruling 77-365, 1977-2 C.B. 192, describes an organization that was organized and operated to instruct and educate individuals of all ages and skill levels in a particular sport. It conducts clinics, workshops, lessons, and seminars. The organization was recognized as an educational organization described in IRC Section 501 (c)(3).

IRC 501(j) provides Special Rules for Certain Amateur Sports Organizations--

(1) In general.-- In the case of a qualified amateur sports organization-

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(A) the requirement of subsection (c)(3) that no part of its activities involve the provision of athletic facilities or equipment shall not apply, and

(B) such organization shall not fail to meet the requirements of subsection (c)(3) merely because its membership is local or regional in nature.

- (2) Qualified amateur sports organization defined.-- For purposes of this subsection, the term "qualified amateur sports organization" means any organization organized and operated exclusively to foster national or international amateur sports competition if such organization is also organized and operated primarily to conduct national or international competition in sports or to support and develop amateur athletes for national or international competition in such sports

In *Better Business Bureau of Washington, D.C., Inc. v. U.S.*, 326 U.S. 279 (1945), the United States Supreme Court found that an important, if not the primary, pursuit of the organization was to promote not only an ethical but also a profitable business community. The organization was not operated exclusively for an educational purpose under Code Section 501(c)(3). The United States Supreme Court provided 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 *B.S.W. Group Inc. v. Commissioner*, 70 T.C. 352, 356-57 (1978), the lack of solicitation of contributions and sole support from fees were factors cited disfavoring exemption. The Tax Court in *B.S.W. Group Inc. v. Commissioner*, provided that:  
the fact that [an organization's] activity may constitute a trade or business does not, of itself disqualify [the organization] from classification under 501(c)(3), provided the activity furthers or accomplishes an exempt purpose  
...the critical inquiry is whether [the organization's] primary purpose for engaging in its sole activity is an exempt purpose, or whether its primary purpose is the nonexempt one of operating a commercial business... And if the conduct of a business with an apparently commercial character is the organization's sole activity, that fact weighs heavily against exemption.

*P.L.L. Scholarship Fund*, 82 T.C. 196 declares that the organization has the burden of proof to establish that it is organized and operated for exempt purposes.

*Redlands Surgical Services v. Commissioner*, 113 T.C. 47 (1999) - The court made it clear that the proscription against private benefit encompasses not only inurement where there are benefits conferred on insiders having a personal and private interest in the organization, but also benefits conferred on unrelated or disinterested persons.

In *Hutchinson Baseball Enterprises, Inc. v. Commissioner*, 696 F.2d 757 (1982), the court held that an organization that promoted recreational and amateur sports was exempt as a charitable organization under IRC Section 501 (c)(3). The organization undertook numerous activities to

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promote the sport of baseball and the court found that the purpose of promoting sports predominated over subsidiary purposes, such as members' recreational or social benefit.

In *The Media Sports League, Inc. v. Commissioner*, T.C. Memo 1986-568, the court ruled that an organization that sponsored sports competitions for adults in the community was not exempt under IRC Section 501 (c)(3). The court found that the organization had the substantial nonexempt purpose of promoting the social and recreational interests of its members.

In *Wayne Baseball, Inc. v. Commissioner*, T.C. Memo. 1999-304, the court held that the organization's nonexempt social and recreational activities were substantial in comparison to its promotion of baseball in the community. The court found that the only activity sponsored by the organization was the operation of an adult amateur baseball team and that the primary beneficiaries of the organization were the individual team participants.

As declared in *P.L.L. Scholarship Fund*, 82 T.C. 196 your organization had the burden of proof to establish that it is organized and operated for exempt purposes, however, your organization did not comply with the burden of proof to establish that it is organized and operated for exempt purposes as it failed to prove that it exclusively operates for educational purposes.

*Knights of Columbus Council No. 3660 v. United States*, 783 F.2d 69 (7th Cir. 1986), concerned an exempt fraternal organization which sold lottery tickets to the general public and held weekly drawings. The court noted that the Council used proceeds from the drawings to defray club operating expenses and to subsidize membership activities, recreational and social functions. Further, the court found that inurement was present because the income from its public ticket sales was used for the general operation of the organization. Without the income, Council members would have had to pay higher membership dues or see the quality and quantity of membership benefits and services substantially reduced.

### TAXPAYER'S POSITION

During a follow-up call with the \_\_\_\_\_'s \_\_\_\_\_ on \_\_\_\_\_, \_\_\_\_\_, the \_\_\_\_\_ stated that the \_\_\_\_\_ has no intentions of challenging the revocation. The \_\_\_\_\_ agrees with the Service's position and adheres to the revocation.

### GOVERNMENT'S POSITION

In determining whether you continue to meet the requirements of section 501(c)(3) of the code, we considered if you exclusively operate \_\_\_\_\_ or if you primarily operate for-profit and if you benefit the private interest of \_\_\_\_\_.

You are different from Treas. Reg. Section \_\_\_\_\_ or \_\_\_\_\_ for the purpose of \_\_\_\_\_ or \_\_\_\_\_ his capabilities or the \_\_\_\_\_ of the public on subjects useful to the individual and \_\_\_\_\_

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beneficial to the community. You do not provide \_\_\_\_\_ directly as you had initially indicated on your Form 1023 application.

Your \_\_\_\_\_ does not meet the requirements under Treas. Reg. 1.501(c)(3)-1(a)(1) which states that, in order to be exempt as an organization described in Section 501(c)(3) of the Code, 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. You do not operate for exclusively one or more exempt purposes, as your main purpose is \_\_\_\_\_.

Unlike Revenue Ruling \_\_\_\_\_, \_\_\_\_\_, you are not organized and operated for the purpose of \_\_\_\_\_ by \_\_\_\_\_ in \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, and do not provide free \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

You are dissimilar from Revenue Ruling \_\_\_\_\_, \_\_\_\_\_, in that you do not \_\_\_\_\_ and \_\_\_\_\_ of \_\_\_\_\_ and \_\_\_\_\_ in a \_\_\_\_\_ since you do not conduct \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, it is \_\_\_\_\_ who is providing \_\_\_\_\_ to the \_\_\_\_\_, not your \_\_\_\_\_. \_\_\_\_\_ only holds a few \_\_\_\_\_.

You do not meet the qualifications described under IRC \_\_\_\_\_ as you are not organized and operated exclusively to \_\_\_\_\_ or \_\_\_\_\_ and do not conduct \_\_\_\_\_ or \_\_\_\_\_ in \_\_\_\_\_ or to support and develop \_\_\_\_\_ for \_\_\_\_\_ or \_\_\_\_\_ competition in \_\_\_\_\_.

Like the situation in \_\_\_\_\_, \_\_\_\_\_, Inc. v. U.S., \_\_\_\_\_ U.S. (\_\_\_\_\_), the primary pursuit of your organization is to promote a \_\_\_\_\_. Your organization is not operated exclusively for \_\_\_\_\_ purpose under Code Section 501(c)(3).

You are dissimilar to \_\_\_\_\_, \_\_\_\_\_ v. \_\_\_\_\_, \_\_\_\_\_ (\_\_\_\_\_), since you do not undertake numerous activities to promote an \_\_\_\_\_ and your exempt activities predominate over subsidiary purposes, such as \_\_\_\_\_ or \_\_\_\_\_ benefit. Once again, it is the \_\_\_\_\_ itself that provides the \_\_\_\_\_ and not your organization. Furthermore, the \_\_\_\_\_ does not \_\_\_\_\_ at an \_\_\_\_\_.

Your organization has a similar position to that of \_\_\_\_\_, \_\_\_\_\_ v. \_\_\_\_\_, T.C. Memo \_\_\_\_\_ - \_\_\_\_\_, given that your organization has the substantial nonexempt purpose of promoting the \_\_\_\_\_ and \_\_\_\_\_ of your \_\_\_\_\_.

Your organization is a resemblance of \_\_\_\_\_, \_\_\_\_\_ v. \_\_\_\_\_, T.C. Memo. \_\_\_\_\_ - \_\_\_\_\_, provided that your nonexempt \_\_\_\_\_ are substantial in \_\_\_\_\_ comparison to its \_\_\_\_\_ in the community. The main activity sponsored by \_\_\_\_\_

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your organization is the operation and that the primary beneficiaries of the organization were the

Like the court case No. v. ( ), your organization holds ( ) activities with the and uses the proceeds from operating expenses and to subsidize membership activities, and functions. Further, the court found that inurement was present because the income from its was used for the general operation of the organization. Without income, your would have to pay higher or see the quality and quantity of and substantially reduced.

**CONCLUSION**

It has been determined that the operational activities of have substantially changed and that the intended exemption activities were never undertaken. Mainly, your failed to project the material purpose for which exemption was granted; and , thereby, does not exclusively operate for exempt purposes within the meaning of IRC 501(c)(3). In addition, we have concluded that inurement is present, bearing in mind that the organization uses 's . Ultimately, your organization's primary purpose is carrying on an unrelated trade or business, accordingly, your organization is hereby revoked effective , .

Your organization is liable to file converted returns by filing Form 1120 for the year ended , , to present.