



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

Date:

January 30, 2024

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:

April 29, 2024

Release Number: 202417022

Release Date: 4/26/2024

UIL Code: 501.03-00

**CERTIFIED MAIL - Return Receipt Requested**

Dear :

**Why we are sending you this letter**

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

. Your determination letter dated , is revoked.

Our adverse determination as to your exempt status was made for the following reasons: You are not organized exclusively for one or more exempt purposes. Your articles of organization do not limit your purposes to one or more exempt purposes. Your articles of organization also expressly empower you to engage, as a substantial part of your activities, in activities which themselves are not in furtherance of one or more exempt purposes. Your assets are also not dedicated to an exempt purpose. Your articles of organization, as well as the operation of law, do not provide that your assets will be distributed upon dissolution for one or more exempt purposes, or to the Federal Government, or to a State or local government, for a public purpose, or will be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish such purposes.

You are operated for the benefit of sponsors and vendors in the cannabis industry, and the provision of these benefits is substantial and more than incidental. Accordingly, you are operated for the benefit of private interests. In addition, you facilitate the distribution, sale, and possession, among other things, of a controlled substance by promoting cannabis vendors at a festival. As a result, you further a substantial non-exempt purpose. Your festival and other related activities also further substantially, if not primarily, recreational, social, and entertainment purposes. You also did not produce adequate financial records, demonstrate that you keep such records, or file a required information return or electronic notice. You have failed to establish that you are observing the conditions required for continuation of exempt status. You have not demonstrated that you are operated exclusively for one or more exempt purposes and that no part of your earnings inures to the benefit of any private shareholder or individual.

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](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.

**Information about the IRS Taxpayer Advocate Service**

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office at:

Internal Revenue Service  
Taxpayer Advocate Office

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to **taxpayeradvocate.irs.gov**. Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

**Where you can find more information**

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

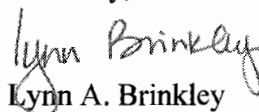
Find tax forms or publications by visiting [IRS.gov/forms](https://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

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

Keep the original letter for your records.

Sincerely,



Lynn A. Brinkley  
Director, Exempt Organizations Examinations

Enclosures:  
Publication 1  
Publication 594  
Publication 892



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

Date:  
June 21, 2023  
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:  
July 21, 2023

**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,

**Russell T. Renwicks**

Digitally signed by Russell T. Renwicks  
Date: 2023.06.22 09:34:41 -04'00'

For

Lynn A. Brinkley

Director, Exempt Organizations Examinations

Enclosures:

Form 6018

Form 4621-A

Form 886-A

Publication 892

Publication 3498

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

**ISSUES:**

Does \_\_\_\_\_ qualify for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**FACTS:**

The Internal Revenue Service ("IRS") received Form 1023-EZ, Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code ("Form 1023-EZ") from \_\_\_\_\_ ("\_\_\_\_\_" signed by \_\_\_\_\_ Director, on \_\_\_\_\_

\_\_\_\_\_ checked the box to attest that \_\_\_\_\_ have completed the Form 1023-EZ Eligibility Worksheet in the current instructions, are eligible to apply for exemption using Form 1023-EZ and have read and understand the requirements to be exempt under section 501(c)(3).

In the current Instructions to Form 1023-EZ included acceptable language for the purpose clause in the organizing document:

*The organization is organized exclusively for charitable, religious, educational, and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code.*

In addition, included in the instructions was acceptable language that \_\_\_\_\_ organizing document does not expressly empower \_\_\_\_\_ to engage, otherwise than as an insubstantial part of \_\_\_\_\_ activities, in activities that in themselves are not in furtherance of one or more exempt purposes described in section 501(c)(3):

*No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes described in section 501(c)(3). No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.*

Also included in the instructions was acceptable language for the dissolution clause in the organizing document:

|                                 |  |                            |
|---------------------------------|--|----------------------------|
| Form <b>886-A</b><br>(May 2017) | Department of the Treasury - Internal Revenue Service<br><br><b>Explanation of Items</b> | Schedule number or exhibit |
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*Upon the dissolution of this organization, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose.*

attested that \_\_\_\_\_ were incorporated on \_\_\_\_\_ in the state of \_\_\_\_\_ attested that \_\_\_\_\_ have the necessary organizing document, that \_\_\_\_\_ organizing document limits \_\_\_\_\_ purposes to one or more exempt purposes within the meaning of Section 501(c)(3) of the Code, that \_\_\_\_\_ organizing document does not expressly empower \_\_\_\_\_ to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that \_\_\_\_\_ organizing document contains the dissolution provision required under Section 501(c)(3). \_\_\_\_\_ also attested that \_\_\_\_\_ are organized and operated exclusively to further charitable purposes. Specifically, \_\_\_\_\_ attested \_\_\_\_\_ will:

- Refrain from supporting or opposing candidates in political campaigns in any way;
- Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals;
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially;
- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s);
- Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h);
- Not provide commercial-type insurance as a substantial part of your activities.

In addition, \_\_\_\_\_ specific activities in \_\_\_\_\_ Form 1023-EZ Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code is described as an alliance/advocacy organization, based on the NTEE Code. \_\_\_\_\_ attested that \_\_\_\_\_ are organized and operated exclusively to further the purposes to charitable and educational. \_\_\_\_\_ signed Form 1023EZ did not have a description of activities.

\_\_\_\_\_ checked the boxes on \_\_\_\_\_ Form 1023-EZ Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, to attest that \_\_\_\_\_ have not conducted and will not conduct activities that violate these prohibitions and restrictions: \_\_\_\_\_ responded no to each of the following:

- Do you or will you attempt to influence legislation?
- Do you or will you pay compensation to any of your officers, directors, or trustees?
- Do you or will you donate fund to or pay expenses for individual(s)?
- Do you or will you conduct activities or provide grant or other assistance to individual(s) or organization(s) outside the United States?
- Do you or will you engage in financial transactions (for example, loans, payments, rents, etc.) with any of your officers, directors, or trustee, or any entities they own or control?
- Do you or will you have unrelated business gross income of \$1,000 or more during a tax year?
- Do you or will you operate bingo or other gaming activities?

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

- Do you or will you provide disaster relief?

Form 1023-EZ Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, Foundation Classification, attested that normally receive more than one-third of support from a combination of gifts, grants, contributions, membership fees, and gross receipts (from permitted sources) from activities related to exempt functions and normally receive not more than one-third of support from investment income and unrelated business taxable income. Section 509(a)(2).

( was granted exemption within the meaning of Section 501(c)(3) by letter 5436 dated with an effective date of was classified as a public charity within the meaning of Section 509(a)(2).

The Form 990-N Electronic Notice (e-Postcard) for tax year ending filed by was selected for examination to ensure that the organization's activities and operations were in compliance with Section 501(c)(3).

An examination for tax year ending was opened. Initial contact letter 6031 was sent with Form 4564 Information Document Request, Publication 1, Publication 5146, and Notice 609 on with a response due date of The correspondence requested a copy of any amendments to governing instruments including Articles, Constitution and By-laws, made to date, meeting minutes, financial data to reconcile the Form 990-N Electronic Notice (e-Postcard) to the organization's books and records.

responded to the initial Form 4564 Information Document Request on The received a copy of Articles of Incorporation, Bylaws, meeting minutes and Form Corporate Name.

The Articles of Incorporation included the following purpose clause:

Charitable, Educational, and Civic

There was no dissolution clause.

Bylaws

Notated Article Purpose, Objective and Scope in adopted bylaws:

Purpose. The purpose of the is as follows:

"

Section Objectives. The shall:

\*





|                                 |  |                   |                            |
|---------------------------------|--|-------------------|----------------------------|
| Form <b>886-A</b><br>(May 2017) | Department of the Treasury - Internal Revenue Service<br><h2 style="text-align: center;">Explanation of Items</h2> |                   | Schedule number or exhibit |
| Name of taxpayer                | Tax Identification Number (last 4 digits)  | Year/Period ended |                            |

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On \_\_\_\_\_, the \_\_\_\_\_ called \_\_\_\_\_ inquired about missing financial records and verbally asked for a list of Board of Directors. \_\_\_\_\_ stated that \_\_\_\_\_ would fax the requested documents to the \_\_\_\_\_ by \_\_\_\_\_.

Former \_\_\_\_\_ called and left a voice message on \_\_\_\_\_  
 called and spoke to \_\_\_\_\_ on \_\_\_\_\_ explained that \_\_\_\_\_ did not have financial records for the tax year ending \_\_\_\_\_ due to COVID pandemic. \_\_\_\_\_ discussed \_\_\_\_\_ purpose and activities, which is to help \_\_\_\_\_ celebrate the \_\_\_\_\_ by the creation and organization of the \_\_\_\_\_ stated that \_\_\_\_\_ has financial information for tax year ending \_\_\_\_\_

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

sent Letter 5968 Notification to Expand Audit to an Additional Tax Year, Form 4564 Information Document Request dated with a response due date of The letter included the agreed scheduled date and time of , at for audit field visit. The attached Information Documents Request included a request for the following documentation:

- a copy of any amendments to governing instruments including Articles, Constitution and By-laws, made to date,
- general ledger for tax year ending
- provide copy of Form 990 Return of Organization Exempt from Income Tax for tax year ending
- Form 990 tax reconciliation, copies of all bank statements, list of Board of Directors and a brief written description of activities to include time spent and how it furthers exempt purpose.
- Also requested listings and documentation of events held for and/or on the behalf of
- provide detailed description of any business activities and/or support from, or to related organization, and provide brochures, advertisements, and public event information; and documentation pertaining to the activities and purpose of

responded to Form 4564 Information Document request on by emailing a (outside) information application/account to access IDR response. called to explain that outside account cannot be opened due to security violations. stated that would email requested documents via Notated that as of did not send requested documents pertaining to Form 4564 Information Request Document

#### Examination field visit

An audit field visit was conducted on , at at the former home address. In attendance: , from IRS in (helping with transition and the audit) and Bookkeeper.

An interview was conducted of the organization's activities. According to the officers, the organization promoted the by creating and operating the in thereby, contracting with vendors/businesses in the and coordinating all productions to operate a event.

The primary activity was an street that included entertainment, food, and vendors related to the The vendors set up to introduce their business and educate about their products and the benefits of Provided was an advertisement of the event held in and included a flyer that stated, "

The flyer included the following information:

- Held at in at &

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

- The \_\_\_\_\_ with \_\_\_\_\_ S \_\_\_\_\_
- \_\_\_\_\_ & \_\_\_\_\_ is \_\_\_\_\_
- RSVP at \_\_\_\_\_
- Information on research \_\_\_\_\_'s conducted. States that it reaches audience that are influential,
- \_\_\_\_\_ to make the plans for their \_\_\_\_\_ to enjoy \_\_\_\_\_ events.
- Highlights: Attendees \_\_\_\_\_ event page views \_\_\_\_\_ on \_\_\_\_\_ and earned \_\_\_\_\_
- \_\_\_\_\_ provided an advertisement for \_\_\_\_\_ The \_\_\_\_\_ details the following:

New this year:

The \_\_\_\_\_ was not held in \_\_\_\_\_ due to Covid. According to the \_\_\_\_\_ there was a \_\_\_\_\_ of \_\_\_\_\_

\*See

Information Documentation Request \_\_\_\_\_ was discussed and provided was the following documentation:

- A list of sponsors who donated to participate in the \_\_\_\_\_ The list displayed company name, category, contact name, contact email, amounts, status, notes, more notes, contracts sent, signed contract and amount paid. The following is the list of company names, category and amount paid:

\$ \_\_\_\_\_

|                                 |  |                            |
|---------------------------------|--|----------------------------|
| Form <b>886-A</b><br>(May 2017) | Department of the Treasury - Internal Revenue Service<br><h2 style="text-align: center;">Explanation of Items</h2> | Schedule number or exhibit |
| Name of taxpayer                | Tax Identification Number (last 4 digits)  | Year/Period ended          |

\*See

- A list. The list details the products and services need to conduct a  
The list includes line items, category, estimated cost, vendor, actual cost, notes, and paid.

\*See

- Income Statement for through  
and Balance Sheet for through

\*See

- Bank statements dated , , and

\*See

- One Form W-9 Request for Taxpayer Identification Number and Certification, name:  
signed and dated on .

\*See

- A list of Board of Directors.

\*See

There was since does not have a facility. The takes place in the street that is  
closed off along , between and , side street outside of  
area.

On Information Document Request was sent by secure email to with a  
response due date of The following information was requested:

1. The financial statement for tax year ending has an estimated cost of  
\$ and an actual cost of \$ . The estimated and actual budget is \$ .  
Please provide documentations of amounts received from sponsors, i.e., receipts, invoices,  
contracts, canceled checks, and bank statements from through

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

did not respond to Form 4564 Information Document Request dated with a response due date of

On Information Document Request was sent by secure email to with a response due date of The following information was requested:

1. Please provide documentation on income for tax year ending i.e., receipts, invoices, contracts, canceled checks, and bank statements from through for the following items:

|                    |    |
|--------------------|----|
| Contribution       | \$ |
| Other Contribution | \$ |
| Vendor Refunds     | \$ |

2. Please provide documentation on expenses incurred for tax year ending i.e., receipts, invoices, contracts, canceled checks, and bank statements from through for the following items:

|                             |    |
|-----------------------------|----|
| Rent                        | \$ |
| Professional and legal fees | \$ |
| Non-Employee Insurance      | \$ |
| Utilities                   | \$ |

3. We discussed Form 990 tax return ending at the field audit visit, stated it does not have a copy of stated tax return. Per our telephone conversation, dated we discussed again about Form 990 tax return ending state it will search again to locate its copied Form 990 tax return ending Please provide a copy Form 990 tax return ending

did not respond to Form 4564 Information Document Request and dated with a response due date of

On , called and left a voice message for a return call to inquire about access to IDR and and if organization have any questions. did not respond to Form 4564 Information Document Request and dated with a response due date of

called and spoke to on , inquired about response to IDR and stated that would fax the response on .

No response to IDR and received on .

|                                 |   |                            |
|---------------------------------|---|----------------------------|
| Form <b>886-A</b><br>(May 2017) | Department of the Treasury - Internal Revenue Service | Schedule number or exhibit |
| <b>Explanation of Items</b>     |   |                            |
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On \_\_\_\_\_, \_\_\_\_\_ called \_\_\_\_\_ and left a voice message for a return call.

\_\_\_\_\_ spoke to \_\_\_\_\_ on \_\_\_\_\_. Explained letter 907-A TE/GE Request to Extend Statute, Form 872 Consent to Extend the Time to Assess Tax and was sent by secured email with a response due date of \_\_\_\_\_.

\_\_\_\_\_ spoke to \_\_\_\_\_ on \_\_\_\_\_, to inquire about Form 872. \_\_\_\_\_ stated that \_\_\_\_\_ couldn't locate passcode for secured email and needed more time to review and respond. \_\_\_\_\_ gave \_\_\_\_\_ passcode for secured email and an extension date of \_\_\_\_\_.

\_\_\_\_\_ submitted a written response to Form 872 on \_\_\_\_\_. In the written response, \_\_\_\_\_ respectfully requested that Form 4564 Information Document Request for the period ending \_\_\_\_\_ (IDR \_\_\_\_\_ be withdrawn and that Form 4564 Information Document Request for the period ending \_\_\_\_\_ (IDR \_\_\_\_\_ is given a 30-day statute of limitation extension past its original statute date of \_\_\_\_\_).

\_\_\_\_\_ called \_\_\_\_\_ on \_\_\_\_\_, and received a response to F872 on \_\_\_\_\_. There was no success in response to Form 4564 Information Document Request \_\_\_\_\_ and \_\_\_\_\_.

\*See

### **LAW:**

Internal Revenue Code §501(c)(3) provides that an organization organized and operated exclusively for charitable or educational purposes is exempt from Federal income tax, provided no part of its net earnings inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a) In order to be exempt under §501(c)(3) the organization must be both organized and operated exclusively for one or more of the purposes specified in the section. (Religious, charitable, scientific, testing for public safety, literary or educational).

Treasury Regulation Section 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.

Treasury Regulation Section 1.501(c)(3)-1(b)(4) holds 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 operation of law, be distributed for one or more exempt purposes.

Treasury Regulation Section 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one

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

Treasury Regulation Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

Internal Revenue Code §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 whether or not such person is liable for tax under this title.

Treasury Regulation Section §1.6001-1(c) provides that such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under section 501(a) shall keep such permanent books of account or records, including inventories, as are sufficient to show specifically the items of gross income, receipts, and disbursements. Such organizations shall also keep such books and records as are required to substantiate the information required by section 6033. See section 6033 and §§ 1.6033-1 through 1.6033-3.

Treasury Regulation Section §1.6001-1(e) provides that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Internal Revenue Code §6033(a)(1) provides, except as provided in section 6033(a)(2), 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.

Rev. Rul. 59-95, 1959-1 C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of section 6033 of the Code and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

Rev. Rul. 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 Section 501(c)(3) or (c)(4). The organization's primary activity was to sponsor antiwar protest demonstrations in



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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 *Better Business Bureau of Washington, D.C., Inc. v. United States*, 326 U.S. 179 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for 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 the particular exemption statute. The court noted that whether an organization has satisfied the operational test is a question of fact.

#### **TAXPAYER'S POSITION:**

**Does** \_\_\_\_\_ **qualify for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.**

No written position has been provided at this time.

#### **GOVERNMENT'S POSITION:**

**Does** \_\_\_\_\_ **qualify for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.**

\_\_\_\_\_ does not meet the requirements for recognition of tax exemption under IRC Section 501(c)(3) because it failed the organizational and operational test as described in Treas. Reg. Section 1.501(c)(3)-1(a)(1). In addition, \_\_\_\_\_ did not meet the requirements of IRC section 6033, by not providing records requested during the examination.

#### **Organizational Test**

The Form 1023-EZ instructions included acceptable language which \_\_\_\_\_ did not include in \_\_\_\_\_ Articles of Incorporation. The language of \_\_\_\_\_ organizing document does not sufficiently limit \_\_\_\_\_ purposes to those specifically described in Section 501(c)(3) or permanently dedicate \_\_\_\_\_ assets to purposes specifically described in Section 501(c)(3) as required for tax exemption as an organization described under Section 501(c)(3).

\_\_\_\_\_ organizing documents are not in compliance with the attestation that organizing documents must limit \_\_\_\_\_ purpose to one or more exempt purposes within Section 501(c)(3); does not expressly empower \_\_\_\_\_ to engage, otherwise than as an insubstantial part of \_\_\_\_\_ activities, in activities that in themselves are not in furtherance of one or more exempt purposes; and that \_\_\_\_\_ organizing document contains the dissolution provision required under section 501(c)(3).

Articles of Incorporation from the state of \_\_\_\_\_ indicated they were filed on \_\_\_\_\_ and show purpose as charitable, educational, and civic. The word civic is not a purpose, which is not a specific purpose included in Treasury Regulation Section 1.501(c)(3)-1(a) as a purpose under IRC 501(c)(3).

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Additionally, the Form 1023-EZ instructions included acceptable language for a dissolution clause and Articles has no provisions in the document for the disposition of assets upon dissolution.

### Operational test

are not operated exclusively for exempt purposes under Section 501(c)(3) of the Code. An organization can be recognized as exempt under Section 501(c)(3) of the Code 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. Treas. Reg. Section 1.501(c)(3)-1(a)(1). do not satisfy the operational test of Treas. Reg. Section 1.501(c)(3)-1(c). Whether an organization operates exclusively in furtherance of an exempt purpose is a question of fact. An organization seeking tax exempt status under Section 501(c)(3) of the Code carries the burden of proving that it satisfies the requirements of the statute. See *Harding Hospital*, 505 F.2d at 1071. Only an insubstantial portion of the activity of an exempt organization may further a nonexempt purpose. As the Supreme Court held in *Better Business Bureau of Washington, D.C., Inc. v. United States*, 326 U.S. at 283 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 creation and operation of an promoting is not exclusively educational under section 501(c)(3) of the Internal Revenue Code. have not demonstrated that the with performances, beer garden, food, and vendors is educational. The event appears to be for entertainment purposes and not to convey an educational benefit to the community.

While the organization described in Revenue Ruling 75-384 had the goal of educating the public on the benefits of topics such as world peace and disarmament, its primary means of meeting their goals precluded them from receiving exemption under section 501(c)(3). Their activities were deemed to induce or encourage the commission of criminal acts by means of civil disobedience by planning or sponsoring these events intentionally. As the ruling states, highlighting the law of trusts, all charitable trusts (and by implication all charitable organizations) are subject to the requirement that their purposes may not be illegal or contrary to public policy. While may currently be legal in the state reside, it is currently not recognized as legal by federal law. Current federal law prohibits the use of and except in limited circumstances; those limited circumstances do not include its use for The fact that state legalized distribution of and to a limited extent is not determinative because under federal law, distribution of is illegal. Because advocate and engage in activities that contravene federal law, serve a substantial nonexempt purpose. Despite any educational or charitable purposes, may plan to achieve through activities, are promoting an illegal activity under federal law. Therefore, are not operating for an exclusive purpose within the meaning of Section 501(c)(3) of the Code.

In addition, is not operated in accordance with Treas. Reg. Section 1.501(c)(3)-1(c)(1) because it is operated for a substantial nonexempt private purpose. The books and records show are operated for the benefit of vendors, which are professionals and businesses (sponsors) in the Sponsors contributed to the planning and operation of the called " These sponsors contribute to setup and at the to promote the interest of For example, contributed \$ to have a regular near the " Director of Sales, contributed \$ for and

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Director of Sales, contributed to have a and The sponsors must sign a contract. books and records also illustrate that are operated to serve the private interests of vendors, which are professionals and businesses in the in contravention to Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

#### Failure to provide records

In accordance with the above-cited provisions of the Internal Revenue Code and Treasury Regulations under Sections 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate information return (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

did not provide sufficient books and records and documentation to support financial transactions-sponsor listing for tax year ending such as receipts, invoices, contracts, canceled checks, and bank statements from through did not provide documentation to support the income statement and balance sheet for tax year ending such as receipts, invoices, contracts, canceled checks, and bank statements from through The organization stated that it filed a return for tax year ending but could not produce a copy of the return. IRS research indicate that did not file a return (Form 990 or F990-N Electronic Notice (e-Postcard)) for tax year ending

#### CONCLUSION:

Based on the information provided, do not qualify for exemption because are not organized and operated exclusively for purposes described in Section 501(c)(3) of the Code. failed the organizational test because organizing document purpose is not limited to purposes in Treasury Regulation Section 1.501(c)(3)-1(a). Also, since organizing document does not include a dissolution clause, assets are not dedicated to an exempt purpose as required by Treasury Regulation section 1.501(c)(3)-(b)(4). failed the operational test because are engaging in the promotion of an activity that is considered illegal by federal law. In addition, serve the private interests of businesses engaged in the sale of and Additionally, it is the IRS's position that the organization failed to meet the reporting requirements under Sections 6001 and 6033 to be recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Therefore, do not qualify for exemption under Section 501(c)(3) of the Code.

Based on the foregoing reasons, does not qualify for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and its tax-exempt status should be revoked.

Accordingly, the organization's exempt status is revoked effective