



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

Release Number: 202607022

Release Date: 2/13/2026

UIL Code: 501.03-00

Date:  
October 22, 2025

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:

January 20, 2026

**CERTIFIED MAIL - Return Receipt Requested**

Dear [REDACTED]:

**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 [REDACTED]. Your determination letter dated [REDACTED], is revoked.

Our adverse determination as to your exempt status was made for the following reasons: You have not demonstrated that you are operated exclusively for exempt purposes within the meaning of I.R.C. Section 501 (c)(3). Your primary activity was providing loans to entities related to a disqualified person. These loans were a large percentage of your foundation's expenses. Providing these loans did not accomplish one or more exempt purposes under I.R.C. 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](http://IRS.gov).

**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](http://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](http://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  
[usetc.uscourts.gov](http://usetc.uscourts.gov)

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

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 if 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. Visit [TaxpayerAdvocate.IRS.gov/contact-us](http://TaxpayerAdvocate.IRS.gov/contact-us) or call 877-777-4778 (TTY/TDD 800-829-4059) to find the location and phone number of your local advocate. Learn more about TAS and your rights under the Taxpayer Bill of Rights at [TaxpayerAdvocate.IRS.gov](http://TaxpayerAdvocate.IRS.gov). Do not send your Tax Court petition to TAS. Use the Tax Court address provided earlier in the letter. Contacting TAS does not extend the time to file a petition.

#### **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](http://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**

[REDACTED]

[REDACTED]

Date: [REDACTED]

Taxpayer ID number: [REDACTED]

Form: [REDACTED]

Tax periods ended: [REDACTED]

Person to contact:

Name: [REDACTED]

ID number: [REDACTED]

Telephone: [REDACTED]

Fax: (877) [REDACTED]

Address: [REDACTED]

Manager's contact information:

Name: [REDACTED]

ID number: [REDACTED]

Telephone: [REDACTED]

Response due date: [REDACTED]

**CERTIFIED MAIL – Return Receipt Requested**

**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.

**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 that we refer this matter for technical advice from the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS. If you're considering making such a request, contact the person shown at the top of this letter. A decision made in a technical advice memorandum related to foundation status is final if it is issued before an appeal is requested. You will not be able to appeal to the IRS Appeals Office if you disagree with the technical advice memorandum.

**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,

A solid black rectangular box used to redact a signature.

Michelle Henson signing for  
Lynn A. Brinkley  
Director, Exempt Organizations Examinations

**Enclosures:**

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

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

## ISSUES

1. Whether [REDACTED] is operating exclusively for an exempt purpose as described under Internal Revenue Code (IRC) Section 501(c)(3).
2. Whether [REDACTED] continues to qualify for exemption under IRC section 501(c)(3).

## FACTS

The [REDACTED] (organization) was established as a [REDACTED] on [REDACTED]. The organization received its exemption as a private foundation within the meaning of Section 509(a) on [REDACTED]. The organization is located at [REDACTED]. According to the organization, their [REDACTED]

[REDACTED]

On the organization's [REDACTED] Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation*, the following was reported:

- [REDACTED] from contributions, gifts, grants, etc., received
- [REDACTED] for expenses

On the organization's [REDACTED] Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation*, the following was reported:

- [REDACTED] from contributions, gifts, grants, etc., received
- [REDACTED] for other expenses
- [REDACTED] for bank service fees
- [REDACTED] for office supplies
- [REDACTED] for other supplies
- [REDACTED] for notes and loans
  - a. [REDACTED] made to [REDACTED]
  - b. [REDACTED] made to [REDACTED]
  - c. [REDACTED] made to [REDACTED]

On the organization's [REDACTED] Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation*, the following was reported:

- [REDACTED] from contributions, gifts, grants, etc., received
- [REDACTED] for other expenses
- [REDACTED] for bank service fees
- [REDACTED] for investments

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
██████████	██████████	██████████

On the organization's █████ Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation*, the following was reported:

- █████ from contributions, gifts, grants, etc., received
- █████ for other expenses
- █████ for bank service fees
- █████ for a loan

a. █████ made to █████

On the Form 1023, *Application of Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, the organization stated that they will be classified as a private non-operating foundation and plans to be exclusively a grant making foundation as defined in IRC 4942. The purpose of the █████ loan was requested on an information document request; however, the organization did not provide one. The organization's return and financial documents report █████ made to grants. The organization has not filed its Form 990-PF for the tax years ending █████ and █████.

Per the █████, retrieved from the █████ Secretary of State's website, █████ (founder/trustee of the organization) is listed as the sole managing member for █████ in █████, managing member for █████ in █████, and the sole member for █████ in █████. The relationship between the organization and the LLCs were not disclosed on the return.

## LAW

### Exempt Purpose

Internal Revenue Code (IRC) 501(c)(3) states that corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or 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.

Treasury Regulation (Treas. Reg.) Section 1.501(c)(3)-1(a)(1) states 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.

Treas. Reg. Section 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

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  [REDACTED]	Tax Identification Number ( <i>last 4 digits</i> )  [REDACTED]	Year/Period ended  [REDACTED]

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.

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

#### Self-Dealing

Section 4941 imposes a tax on each act of self-dealing between a disqualified person and a private foundation.

Section 4941(a)(1) imposes a 10% tax on the amount involved with respect to the act of self-dealing for each year (or part thereof) in the taxable period, which tax shall be paid by any disqualified person (other than a foundation manager acting only as such) who participates in the act of self-dealing.

Treas. Reg. 53.4941(a)-1(a)(1) explains that Section 4941(a)(1) imposes an excise tax on each act of self-dealing between a disqualified person (as defined in section 4946(a)) and a private foundation. Except as provided in Section 4941(a)-1(a)(2) (regarding government officials), this tax shall be imposed on a disqualified person even though he had no knowledge at the time of the act that such act constituted self-dealing. In certain circumstances not relevant here, a transaction between a disqualified person and a private foundation will not constitute an act of self-dealing. The tax imposed by Section 4941(a)(1) is at the rate of 10% of the amount involved (as defined in Section 4941(e)(2) and Treas. Reg. 53.4941(e)-1(b)) with respect to the act of self-dealing for each year or partial year in the taxable period (as defined in Section 4941(e)(1)) and shall be paid by any disqualified person (other than a foundation manager acting only in the capacity of a foundation manager) who participates in the act of self-dealing. However, a foundation manager who also acts as a self-dealer in a self-dealing transaction may be liable for both the taxes imposed under Section 4941(a)(1) and Section 4941(a)(2).

IRC section 4946(a)(1) states "In general – For purposes of this subchapter, the term "disqualified person" means, with respect to a private foundation, a person who is—

- (A) a substantial contributor to the foundation,
- (B) a foundation manager (within the meaning of subsection (b)(1)),
- (C) an owner of more than 20% of—
  - (i) the total combined voting power of a corporation,
  - (ii) the profits interest of a partnership, or
  - (iii) the beneficial interest of a trust or unincorporated enterprise, which is a substantial contributor to the foundation,
- (D) a member of the family (as defined in subsection (d)) of any individual described in subparagraph (A), (B), or (C),

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
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- (E) a corporation or which persons described in subparagraph (A), (B), (C), or (D) own more than 35% of the total combined voting power,
- (F) a partnership in which person described in subparagraph (A), (B), (C), or (D) own more than 35% of the profits interest,
- (G) a trust or estate in which persons described in subparagraph (A), (B), (C), or (D) hold more than 35% of the beneficial interest,
- (H) only for purposes of Section 4941, a government official (as defined in subsection (c))."

Section 4946(a)(2) provides that the term "substantial contributor" means a person who is described in Section 507(d)(2).

Section 507(d)(2) provides that the term "substantial contributor" means any person who contributed or bequeathed an aggregate amount of more than \$5,000 to the private foundation, if such amount is more than 2% of the total contributions and bequests received by the foundation before the close of the taxable year of the foundation in which the contribution or bequest is received by the foundation from such person. In the case of a trust, the term "substantial contributor" also means the creator of the trust.

#### TAXPAYER'S POSITION

The [REDACTED] position is unknown at this time.

#### GOVERNMENT'S POSITION

##### Issue #1:

[REDACTED] stated that they would be a private non-operating foundation that would participate in grant making activities. During the year of examination, the return and documents were reviewed. It was found that [REDACTED] were made out in grants. Only [REDACTED] were made in bank fees and a [REDACTED] loan made to [REDACTED]. None of the expenses reported on the [REDACTED] were made for charitable purposes. The main expenditure was made to an LLC where [REDACTED] is the sole member of.

In addition, the organization's forms 990-PF for the tax years ending [REDACTED], [REDACTED], and [REDACTED] were reviewed. In [REDACTED], the organization did not make any expenditures. In [REDACTED], the largest expenditures were made to [REDACTED] and [REDACTED]. [REDACTED], founder/trustee, is a member for both LLCs. [REDACTED] is a disqualified person under IRC Section 4946 and substantially engaged self-dealing under IRC Section 4941 with the [REDACTED].

Based on previous returns, the organization consistently did not operate in furtherance of its exempt purpose by not making any grants under IRC Section 501(c)(3). The organization substantially engaged in self-dealing with its founder under IRC Section 4941.

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

**Issue #2:**

[REDACTED] substantially and consistently operated for a non-exempt purpose by engaging in self-dealing with its founder, [REDACTED], under IRC Section 4941 by providing loans to LLCs where [REDACTED] is the managing/sole member. The loans made to the LLCs are considered taxable expenditures under IRC Section 4945 because they were not made for the organization's exempt purpose. The organization also did not make its required mandatory distribution under IRC Section 4942 by reporting [REDACTED] on the form 990-PF between [REDACTED]. The organization consistently did not operate for its exempt purpose based of its [REDACTED] and [REDACTED] forms 990-PF. The organization did not file its [REDACTED] and [REDACTED] forms 990-PF and does not continue to operate exclusively under IRC Section 501(c)(3). The [REDACTED] private foundation exempt status should be revoked with effective date [REDACTED].

**CONCLUSION**

[REDACTED] failed to meet the operational test due to conducting an activity that is more than in insubstantial amount that does not further an exempt purpose described under IRC Section 501(c)(3). The organization substantially engaged in self-dealing with its founder/trustee, [REDACTED] as described under IRC Section 4941. The self-dealing transactions are as also taxable expenditures under IRC Section 4945. The organization consistently did not make its mandatory distributions under IRC Section 4942. The organization consistently did not operate for its exempt purpose by making no grants. The [REDACTED] private foundation exempt status should be revoked effective [REDACTED].