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

[redacted]

Release Number: 202637009
Release Date: 9/11/26
UIL Code: 501.03-00

Date:
[redacted]
Taxpayer ID number (last 4 digits):
[redacted]
Form:
[redacted]
Tax periods ended:
[redacted]
Person to contact:
Name: [redacted]
ID number: [redacted]
Telephone: [redacted]
Fax: [redacted]
Last day to file petition with United States Tax Court:
[redacted]

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: Federal tax law mandates that exempt organizations be organized and operated exclusively for purposes described in Internal Revenue Code Section 501(c)(3). Our review shows that you have not conducted any activities associated with your tax exempt purpose since [redacted] and, as such, have failed to meet the operational requirements to continue your tax-exempt status under IRC section 501(c)(3).

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit **IRS.gov**.

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at **ustaxcourt.gov/dawson.html**. You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

United States Tax Court
400 Second Street, NW
Washington, DC 20217
ustaxcourt.gov

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439
uscfc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

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** 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**. 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** 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,

[redacted]

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 Organization 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: [redacted]
Manager's contact information:
Name: [redacted]
ID number: [redacted]
Telephone: [redacted]
Response due date:
[redacted]

CERTIFIED MAIL – Return Receipt Requested

Dear [redacted]:

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

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

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

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

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

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

Sincerely,

[redacted]

Yetunde O. Adebari
Supervisory Tax Specialist

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

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

Date of Notice:

Issues:

Whether the organization, [redacted], which qualified for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, should be revoked due to its failure to respond and produce records to substantiate that the organization properly terminated its exempt status, specifically with respect to the disposition of its assets upon dissolution.

Facts:

[redacted] applied for tax-exempt status by filing the Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, on [redacted], and was granted tax-exempt

Form 1023 shows the organization is a corporation incorporated in the State of [redacted] on [redacted]. The organization attested on Form 1023, Part II, box 2 that it has the organizing documents necessary for their organizational structure.

On [redacted], the organization filed an amendment with the State of [redacted] to include, among other things, a dissolution clause under which "assets shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3)…"

The organization attested that its organizing document contains a dissolution provision required under Section 501(c)(3), or that it did not need an express dissolution provision in its organizing document because it relies on the operation of laws of the state in which it was formed for its dissolution provision.

The organization was selected for audit to ensure that the activities and operations align with their approved exempt status.

The organization failed to respond to the Internal Revenue Service attempts to obtain information to perform an audit of [redacted] for the tax year ending [redacted].

The Form 1023 application lists the phone number of [redacted] for an individual named [redacted].

Per the State of [redacted] Secretary of State website, the organization is inactive and dissolved as of [redacted].

- Correspondence for the audit was as follows:
  - Letter 6031 (Rev. 03-2022), *Initial Exam Appointment*, with attachments, was mailed to the organization on [redacted], with a response date of [redacted]. This letter was not return by the post office as being undeliverable.
  - Letter 6031, with attachments, was re-mailed to the [redacted] address on [redacted], with a response due date of [redacted].
  - Second Information Document Request (IDR) with cover letter and attachments mailed on [redacted].
  - Second Information Document Request re-mailed to include response due date of [redacted], mailed [redacted].
  - Letter 5798, *Extension Notice*, mailed on [redacted], moving the response due date to [redacted].
  - Organization sent a partial response via the Document Upload Tool on [redacted], which consisted of a clearance certificate the organization had received from the State of [redacted].
  - Letter 5077-B, *Delinquency Notice*, with attachments, was mailed certified to organization and POA on [redacted], informing the organization that revocation will be proposed unless a full response is received by [redacted].
  - Electronic Notice (e-Postcard) for [redacted] was sent by organization via Document Upload Tool [redacted].
  - Received fax from organization on [redacted], which included an explanation of the asset disposition upon dissolution, Schedule N, and bank statement

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

- Telephone contact for the audit was as follows:
    - [redacted], Tax Compliance Officer (TCO) called the phone number listed on the [redacted] application of [redacted] and the phone did not connect. Called phone number listed for [redacted], [redacted] at [redacted] from [redacted]. Left voicemail to call back at [redacted].
    - [redacted], TCO and on-the-job instructor called [redacted] and left a voicemail for [redacted].
    - [redacted], Received call from [redacted] (POA) who said she will send over F2848 and gave her number: [redacted]
    - [redacted], Received call from [redacted] who faxed F2848. TCO instructred [redacted] to re-fax F2848 with the correct tax years.
    - [redacted], TCO called [redacted] at [redacted] and spoke with receptionist [redacted], who told TCO that [redacted] was in a meeting.
    - [redacted], TCO called [redacted] and the receptionist said [redacted] would call back. Discussed how classes ended [redacted] and the board members retired. [redacted] said he would ask [redacted] about whether they intend to terminate/dissolve the organization. TCO stated she wanted to schedule an interview with both [redacted] and [redacted]. TCO asked whether [redacted] whether he could get the documents to TCO by [redacted], and he answered in the affirmative.
    - [redacted], Received phone call from [redacted], who informed TCO that the organization has been inactive since [redacted] and that [redacted] decided to dissolve the organization. TCO advised that to do so, a final [redacted] for [redacted] must be filed with the "final return" box checked, articles of dissolution from the state attached, and documentation of disposition of assets attached.
    - [redacted], TCO called [redacted] who asked whether the organization could file a [redacted] for tax year [redacted], to which TCO replied in the affirmative, so long as the organization's gross receipts were under [redacted]. [redacted] said he was working on getting the articles of dissolution filed with the state and will work on tax year [redacted] once that is completed.
    - [redacted], TCO tried to reach [redacted]. Left a voicemail with [redacted] asking for a callback.

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

- [redacted], TCO called [redacted] who was unavailable, so TCO spoke with [redacted] and [redacted]. TCO explained that TCO would be furloughed were the government to shut down. Later received a call from [redacted] who said the [redacted] return was filed in [redacted]. TCO pulled up the organization's [redacted] for [redacted] and noticed the "final return" box was not checked.

- [redacted], TCO called [redacted]. Left message for callback.

- [redacted], TCO called [redacted] and explained that the second Information Document Request is in the mail.

- [redacted], TCO received voicemail from [redacted]. [redacted] asking what was needed to complete the audit. TCO returned the call and left a voicemail giving more detail about what documents were needed per IDRs 1 and 2.

- [redacted], TCO called [redacted] to introduce himself after case was reassigned. TCO set up a brief call for [redacted] at [redacted].

- [redacted], TCO called [redacted] and discussed the following: [redacted] is getting ready to have the final [redacted] return for [redacted] processed. The organization stopped operating in [redacted] so he may not be able to acquire response documents to the first IDR. [redacted] asked whether just filing the final return would close the exam and TCO responded no, and referred him to the last IDR that was sent on [redacted]—TCO needs the dissolution document and Schedule N. He mentioned that of the remaining [redacted] in assets, roughly [redacted] was going back to the [redacted] and the remainder will be reported as prior expenses. TCO responded that because this was a 501(c)(3) organization, that would almost certainly be an improper way of disposing of assets upon termination. TCO and [redacted] agreed on a [redacted] business day extension to [redacted].

- [redacted], Received call from [redacted], who is waiting on tax clearance through the state. He mailed it to the state on [redacted] and is waiting for a response. He is waiting to hear back from the officers regarding the asset disposition. He says roughly [redacted] in assets as of [redacted]—some of which were expenses that were missed in [redacted] or [redacted]. He asked what the officer would have to do, hypothetically speaking, if, when the organization ceased operations, he cut a check to himself for the remaining assets; would a check for the same amount to a qualifying organization be sufficient? I said that I would have to research but something along those lines would tentatively be sufficient.

- [redacted], TCO called [redacted] to confirm receipt of one tax clearance letter sent via the Document Upload Tool.

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

- [redacted], TCO called [redacted] and discussed the following: [redacted] hasn't been able to get in touch with [redacted], so we have no new information regarding the asset disposition. [redacted] filed [redacted] and [redacted] returns and believes the organization's accounts were closed back in [redacted]. TCO let him know that if the [redacted] cut a check to himself for the remaining assets, we need him to make a correction. If the EO recovers and redistributes the assets, we need to secure documentation of the redistributions. TCO mentioned that those distributions may have been taxable to the [redacted], and, if so, TCO may need to secure delinquent information returns (e.g., [redacted]). If the income wasn't reported on the [redacted] return, we may need to propose a discrepancy adjustment. TCO also mentioned that if the [redacted] refuses or fails to recover the assets for whatever reason, TCO may propose revocation for the year in which the distribution was made, while will have negative tax consequences to the EO.

- [redacted], TCO called [redacted] who said he finally talked to the [redacted], [redacted], on [redacted]. [redacted] said he will sign a statement regarding the disposition of the assets after he returns from vacation on [redacted]. [redacted] believes much of the [redacted] were deductions that were previously missed, and the remainder was disbursed to charitable organizations. TCO reminded [redacted] that the statement must include the information described in Publication 4779 and we went through the requirements together over the phone. TCO added that [redacted] would have to substantiate everything regarding the disposition.

- [redacted], TCO called [redacted] to discuss fax received [redacted] regarding the disposition of assets. TCO asked about the identity of the [redacted], her relationship to the [redacted], and what criteria, if any, was used to choose her as a "person in need." [redacted] could not answer any of these questions as the [redacted] never told him. TCO let [redacted] know that TCO would continue with the revocation process because the EO's dissolution clause does not allow for an individual to receive the assets. TCO asked that [redacted] relay the seriousness of the situation to the [redacted] and update TCO.

- [redacted], TCO left message with [redacted] secretary letting him know TCO had nothing new to report, and that [redacted] could call TCO any time. TCO left his number with the secretary.

Law:

Internal Revenue Code (IRC) Section 501(c)(3) of the Code 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.

IRC Section 6001 of the Code 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.

IRC Section 6033(a)(1) of the Code 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.

Treas. Reg. Section 1.501(c)(3)-1 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).

Treas. Reg. Section 1.501(c)(3)-1(b)(4) Distribution of assets on dissolution. An organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal Government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

Treas. Reg. Section 1.501(c)(3)-1(a)(1) of the regulations 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) of the regulations provides that an organization will not be regarded as "operated exclusively" for one or more exempt purposes described in section 501(c)(3) of the Code if more than an insubstantial part of its activities is not in furtherance of a 501(c)(3) purpose. Accordingly, the organization does not qualify for exemption under section 501(c)(3) of the Code.

Treas. Reg. Section 1.501(c)(3)-1(c)(2) Distribution of earnings. 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.

Treas. Reg. Section 1.6001-1(a) In general. Except as provided in paragraph (b) of this section, any person subject to tax under subtitle A of the Code (including a qualified State individual income tax which is treated pursuant to section 6361(a) as if it were imposed by chapter 1 of subtitle A), or any person required to file a return of information with respect to income, shall keep such permanent books of account or records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by such person in any return of such tax or information.

Treas. Reg. Section 1.6001-1(c) Exempt organizations. In addition to 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.

Treas. Reg. Section 1.6001-1(e) Retention of records. 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 so long as the contents thereof may become material in the administration of any internal revenue law.

Treas. Reg. Section 1.6033-1(h)(2) of the regulations provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and section 6033.

Treas. Reg. Section 1.61-1 of the regulations provides that Gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in money, property, or services. Income may be realized, therefore, in the form of services, meals, accommodations, stock, or other property, as well as in cash.

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.

Organization's Position

Taxpayer's position is unknown at this time.

Government's Position

Organizational test failure—asset disposition and inactivity
Treas. Reg. Section 1.501(c)(3)-1(b)(4) provides that an organization is not "organized exclusively" for exempt purposes unless its assets are irrevocably dedicated to Section 501(c)(3) purposes, and that dedication is satisfied only if, upon dissolution, the assets are required to be distributed to (1) one or more Section 501(c)(3) organizations, or (2) a governmental unit for public purposes.

[redacted] dissolution clause mirrors this requirement and therefore prohibits private distributions.

Because [redacted] articles require assets to go to other § 501(c)(3) organizations or the local government, yet the assets were distributed to an individual, this is a direct contradiction of the governing instrument and thus a violation of Treas. Reg. Section 1.501(c)(3)-1(b)(4). Therefore, despite having a compliant dissolution clause, [redacted] fails to meet the organizational test.

Treas. Reg. Section 1.501(c)(3)-1(c) states that an organization is operated exclusively for exempt purposes only if it engages in activities that accomplish its exempt purposes. Because [redacted] last active semester of classes was in the [redacted] of [redacted], and do not allege that it engaged in any other exempt-purpose activity, the organization failed the operational test beginning in [redacted].

Books and Records requirement
Treas. Reg. Section 1.6001-1 requires exempt organizations to maintain records sufficient to substantiate all expenditures.

Here, [redacted] has only attested that it [redacted] in deciding to dispose of [redacted] of the organization's funds at dissolution. [redacted] provided no other contemporaneous documentation, no criteria, no application, no approval records, and no explanation of the organization's connection to the recipient.

Multiple IDRs were sent, an extension given, and finally a delinquency notice issued, which warned of revocation if the documents were not sent by [redacted]—this deadline was missed.

Furthermore, even if the response was timely submitted, [redacted], as shown above, has failed the organizational test under Treas. Reg. Section 1.501(c)(3)-1(b)(4) by (1) distributing its assets to an individual upon its dissolution, and (2) ceasing all exempt operations in [redacted].

Conclusion:

Based on the foregoing reasons, the organization does not qualify for exemption under section 501(c)(3) and its tax-exempt status should be revoked.

The organization has failed to meet the organizational test for two reasons: (1) in its distribution of assets upon dissolution, and (2) by failing to engage in any exempt-purpose activity beginning in [redacted].

Form 1120, *U.S. Corporation Income Tax Return*, should be filed for the tax periods after [redacted].