



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

Release Number: 202641006
Release Date: 10/9/26
UIL Code: 501.04-00

Date:

03/30/2026

Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Person to contact:

Last day to file petition with United States
Tax Court:

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)(4), effective [REDACTED]

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

Our adverse determination as to your exempt status was made for the following reasons: Organizations described in IRC Section 501(c)(4) and exempt under IRC Section 501(a) must be operated exclusively for the promotion of social welfare. Information obtained by the Internal Revenue Service indicates that you have ceased operations and are no longer engaged in activities that promote social welfare. Accordingly, you fail the operational test for exemption under IRC Section 501(c)(4). As such, you have failed to demonstrate that you are operated exclusively for the promotion of social welfare within the meaning of IRC Section 501(c)(4).

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit [IRS.gov](https://www.irs.gov).

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,



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

[REDACTED]

[REDACTED]

Date:

[REDACTED]

Taxpayer ID number:

[REDACTED]

Form:

[REDACTED]

Tax periods ended:

[REDACTED]

Person to contact:

[REDACTED]

Manager's contact information:

[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)(4).

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)(4) 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 Signature]
[Redacted Name]

Supervisor Internal Revenue Agent
Exempt Organizations Examinations

Enclosures:
Form 886-A
Form 6018

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

Date of Notice: [REDACTED]

ISSUE

Whether [REDACTED] continues to qualify for exemption from Federal income tax under Section 501(c)(4) of the Internal Revenue Code.

FACTS:

[REDACTED] (henceforth referred to as “organization” or “the organization”) is a public charitable organization established in [REDACTED]. It was recognized as a tax-exempt organization under IRC section 501(c)(4) per a ruling dated [REDACTED]. The organization provides emergency medical services and fire protection for [REDACTED] and surrounding areas within Denton County, [REDACTED] as confirmed by Form 990 filings and a statement from the organization.

During an initial interview on [REDACTED], the organization’s officials and representatives stated that the 501(c)(4) entity has distributed most of its assets to the [REDACTED] No. 1 [REDACTED] a government entity. The organization has no income, is not operating, and plans to terminate operations. To assist the organization to terminate its operation, Information Document Request (IDR 2) was issued, requesting documents to validate the termination compliances.

The organization provided an overview of its past and current operational status as followings (Exhibit A):

Establishment and Early Operation of the organization:

- [REDACTED] was founded as a [REDACTED] nonprofit corporation on [REDACTED]
- Its original name was [REDACTED], later changed to [REDACTED] with amended and restated articles of incorporation filed on [REDACTED].
- During its operation years, the organization provided fire suppression, fire prevention, rescue, and emergency medical services (EMS) for [REDACTED] and surrounding areas in [REDACTED]
- Its primary funding came from donated funds and fees for service, mainly for emergency medical services.

Formation of [REDACTED]

- In [REDACTED] citizens voted to create [REDACTED]
- [REDACTED] is a special purpose district and political subdivision of [REDACTED] authorized to provide emergency ambulance services, rural fire prevention, and control services.
- These districts are primarily funded through ad valorem property taxes, which are subject to specific constitutional and statutory limits.
- [REDACTED] does not impose a sales or use tax. Its commissioners, appointed or elected, oversee its operations.

Relationship and Transition between the organization and [REDACTED]

- Historically, newly formed ESDs often relied on existing volunteer fire districts due to a lack of initial financial resources for equipment and operation costs.

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- As a result, [REDACTED] initially contracted with the organization to leverage its specialized services, while the organization continued to operate and receive funding from [REDACTED] via its tax levies.
- The organization and [REDACTED] began discussions about transferring operations from the organization to [REDACTED] around [REDACTED] or earlier.
- On [REDACTED], the organization formally transferred its station located at [REDACTED] along with all equipment and other personal property, to [REDACTED].
- Effective [REDACTED], the decision to transfer assets was made due to a "plethora" of legal issues related to fraud and mismanagement.
- Following the dissolution requirements for a 501(C)(4) organization, [REDACTED] assumed operational control in [REDACTED].

The organization also disclosed information regarding its involvement in legal issues related to fraud and mismanagement as following (Exhibit A):

1) **ERISA (Retirement) Claims and Department of Labor**

Background of Legal issues:

- The [REDACTED] had a lack of consistent management and failed to meet minimum ERISA requirements, specifically regarding its 401k plan and employment policies.

Investigation into 401k Mismanagement:

- Concerns Raised: In [REDACTED], [REDACTED] a concerned individual, questioned [REDACTED] about the organization 401K retirement plan. [REDACTED] specifically worried that 401k funds were not segregated from other funds and were not being paid properly to employees.
- [REDACTED] Reaction: When confronted, [REDACTED] became enraged and expelled [REDACTED] from his office, telling him to "mind his own business."
- FBI Involvement: On or about [REDACTED], the Federal Bureau of Investigation (FBI) arrested [REDACTED] for alleged theft from the organization retirement fund.
- Conviction and Sentencing: [REDACTED] was officially terminated by the organization on [REDACTED]. He later pleaded guilty and as sentenced to 50 months in prison.
- Embezzlement Charges: During criminal proceedings, [REDACTED] admitted to embezzling funds from the organization 401(k) account and pleaded guilty to two counts: "Theft concerning programs receiving federal funds" and "Theft or embezzlement from employee benefit plan."

Department of Labor (DOL) Involvement and Resolution:

- DOL Investigation: On [REDACTED], the U.S. Department of Labor – Employee Benefits Security Administration ("DOL") contacted the organization regarding the missing amounts from the fund. [REDACTED] (as fiduciary for the fund) engaged an auditor for a forensic accounting review.
- DOL Findings: As of [REDACTED], the DOL concluded that the organization, as fiduciaries, "may have violated several provisions of ERISA."
- Repayment to Employees: The organization fully cooperated with the DOL. The organization's auditor determined that current and former [REDACTED] employees were owed principal and interest. The organization paid [REDACTED] to make employees whole, with most of this amount deposited into [REDACTED] employee 401(K) accounts in [REDACTED].

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2) Fair Labor Standards Act Violations:

FLSA violation and Overtime Issues:

- During its investigation of the organization's retirement account, the Department of Labor(DOL) discovered that the organization had improperly implemented a "7k overtime schedule."
- "7k schedules" are exemptions to traditional overtime under the FLSA, specifically for law enforcement and fire protection employees, but are limited to State or local governments.
- The organization is a nonprofit corporation, not a state or local government, meaning it was not eligible for the 7k exemption.
- Consequently, the organization was unequivocally liable for lacking proper overtime payments to its [REDACTED]

FLSA Penalties and Liabilities:

- The FLSA includes specific penalty provisions for overtime rule violations, entitling plaintiffs to:
 1. Unpaid overtime.
 2. An additional equal amount as liquidated damages; and
 3. Attorney fees.
- The statute of limitations for FLSA claims is either two years (from the cause of action accrued) or three years (if the violation was willful).
- [REDACTED] while already auditing the organization's books for Fund liability, also had its auditor determine the total overtime owed to [REDACTED] from [REDACTED], through [REDACTED]
- The total overtime liability for this period was [REDACTED]. the organization treated these payments as income, deducting appropriate taxes.

Payment and Settlement of Overtime and Liquidated Damages:

- The majority of the initial back overtime payments were made in [REDACTED].
- Payment of the liquidated damages portion of the settlement was delayed. This delay was agreed upon with the [REDACTED] pending a determination of whether the organization had insurance coverage for FLSA payments.
- The organization's insurer confirmed that the liquidated damages portion of the organization's liability was covered under its policy.
- As a result, the organization paid the liquidated damages portion of the settlement in [REDACTED]
- Through negotiation with the [REDACTED] attorney, the organization successfully reduced the amount of attorneys' fees from \$[REDACTED] to \$[REDACTED]

3) Department of Justice Investigation – PPP loan:

- Initiation of Investigation: On [REDACTED], the U.S. Department of Justice (DOJ) initiated a Civil Investigation Demand against the organization.
- Basis of Investigation: The investigation focuses on two Paycheck Protection Program (PPP) loans that the organization (under [REDACTED] leadership) secured during the COVID-19

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pandemic. The core issue is that the organization, as a 501(C)(4) tax-exempt organization, was not eligible to receive PPP loans.

- Repayment Obligation: There is no dispute that the organization is required to repay these PPP loans, with the amount owed being at least \$ [REDACTED]
- Financial Incapacity and Settlement Negotiations: The organization currently lacks sufficient cash in its bank account to cover the owed amount. Consequently, the organization has been negotiating with the DOJ to settle this debt.
- Proposed Settlement: The organization's proposed settlement includes:
 1. An initial payment of \$ [REDACTED]
 2. Performing all necessary steps to wind up and dissolve the organization.
 3. Paying the remaining balance to the U.S. government.

4) Treasury Department – EIDL Loan:

- Demand for Payment: On [REDACTED], the Department of the Treasury ("Treasury") sent a demand to the organization for payment of \$ [REDACTED] related to an Economic Injury Disaster Loan (EIDL).
- Loan Details: The original principal amount of the EIDL loan was \$ [REDACTED] which the organization received on [REDACTED].
- Non-Forgivable Nature: EIDL loans are not forgivable, meaning the organization is obligated to repay the full amount to the Treasury.
- Unsuccessful Contact and DOJ Involvement: The organization has attempted to contact the Treasury regarding this loan but has been unsuccessful. However, the Department of Justice (DOJ) provided the executed EIDL loan documents to the organization as part of the negotiations concerning their separate PPP loan liabilities.

In response to IDR 2 (Exhibit A) on [REDACTED], the organization also stated:

- Articles of Dissolution: It is in the process of dissolving and will provide its Certificate of Termination once filed.
- Confirmation of No Further Operations: The organization is not currently operating, has no plans for future operations, and aims to resolve all liabilities and dissolve the organization.

As of today, the organization has not submitted all required dissolution document, such as the Articles of Dissolution, necessary for the government to recognize its tax-exempted termination.

Exhibit A, along with oral testimony, were reviewed to determine the organization's continued qualification for Federal income tax exemption under Section 501(c)(4).

Law

Qualification for IRC 501(C)(4) Organizations -General

Section 501(c)(4)(A) of the Code describes civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or

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recreational purposes. Section 501(c)(4)(B) prohibits any part of the net earnings of a Section 501(c)(4) organization from inuring to the benefit of any private shareholder or individual.

To qualify as a social welfare organization under Section 501(c)(4), an organization must be operated exclusively for the promotion of social welfare. An organization is considered to be operated exclusively for the promotion of social welfare if it is primarily engaged in activities which in some way promote the common good and general welfare of the community.

Section 1.501(c)(4)-1(a)(1) of the regulations provides for Federal tax exemption for a social welfare organization if:

- It's operated exclusively for the promotion of social welfare, and
- It's not organized or operated for profit.

Section 1.501(c)(4)-1(a)(2)(i) of the regulations states, in general: "An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements."

Terms and Considerations for IRC 501(C)(4) Organizations

With regard to social welfare organizations, there is no official Service pronouncement construing the terms "civic league" or "social welfare" as embodied in Section 501(c)(4). However, in *United States v. Pickwick Electric Membership Corp.*, 158 F.2d 272 (6th Cir. 1946), the court stated that a civic organization is described as embodying "the ideas of citizens of a community cooperating to promote the common good and general welfare of the community." In *Commissioner v. Lake Forest, Inc.*, 305 F.2d 814 (4th Cir. 1962), the court described a civic organization as being "a movement of citizenry or the community," and stated that "[i]n short, 'social welfare' is the well-being of persons as a community," whereas the court in *Erie Endowment v. United States*, 316 F.2d 151 (3d Cir. 1963), while acknowledging the difficult task in arriving at a specific definition of "civic organization," stated that "the organization must be a community movement designed to accomplish community ends."

With regard to local associations of employees, the term "local" is used in Section 501(c)(4) in the same sense as in benevolent life insurance associations exempt under Section 501(c)(12). See *Treas. Reg. 1.501(c)(4)-1(b)*. Under Section 501(c)(12), benevolent life insurance associations must be purely local in character. *Treas. Reg. 1.501(c)(12)-1(b)* states that an organization is purely local if its business activities are confined to a "particular community, place or district," that is, a particular locality, irrespective of political subdivisions. An employees' association which operates in several widely separated communities is not a local association of employees within the meaning of Section 501(c)(4). See *Treas. Reg. 1.501(c)(12)-1*. The locality requirement for an association of employees under Section 501(c)(4) pertains to the location of the place of employment of the association's members regardless of where the members live. The members of the association must work for an employer or employers at places of employment located in the same community. An employees' association is not "local" if the members work for an employer or employers at locations in different communities.

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With regard to homeowners' associations, Rev. Rul. 72-102 states that for purposes of Section 501(c)(4), a community may comprise "a neighborhood precinct, subdivision or housing development," and provides as an example that "exempt civic leagues in urban areas have traditionally represented neighborhoods or other subparts of much larger political units." Rev. Rul. 74-99 specifically expands and clarifies the definition of "community" contained in Rev. Rul. 72-102. It states that a "community is not simply an aggregation of homeowners bound together in a structured unit formed as an integral part of a plan for the development of a real estate subdivision." The ruling continues by stating that although an exact definition of the parameters of a "community" is not possible, "the term as used in that section [Section 501(c)(4)] has traditionally been construed as having reference to a geographical unit bearing a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof."

Taxpayer's Position:

The taxpayer's representatives assert that their organization is no longer operational, with its assets and operations assumed by [REDACTED] a government entity. They believe this satisfies the IRC 501(C)(4) requirements for asset disposition. The only remaining asset is funds in a checking account, intended solely for the organization's dissolution costs. The representatives are prepared to collaborate with the IRS to finalize the organization's termination.

Government's Position:

The government's position is that the organization no longer qualifies for federal income tax exemption under Section 501(C)(4) of the Internal Revenue Code because it is no longer operational, with its assets and operations having been assumed by [REDACTED] a government entity.

This determination is based on interviews and information indicating the organization is defunct, has no assets, and that its former principal employee has faced prosecution for various crimes. The organization also attempted to pay its debtors.

To qualify as a social welfare organization under Section 501(c)(4) for federal tax exemption, an organization must meet two key requirements:

1. Exclusively for Social Welfare: It must be operated exclusively for the promotion of social welfare. This means its primary activities should be engaged in promoting the common good and general welfare of the community.
2. Not for Profit: It must not be organized or operated for profit.

The government could finalize the organization's termination if the Articles of Dissolution were provided. However, despite its claims and numerous attempts by the government over last five months, the organization has failed to submit this crucial document.

Since the organization is no longer operated exclusively for social welfare, it fails the operational tests for exemption, thus its exempt status should be terminated.

Conclusion:

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The organization does not meet the requirements for tax exemption under Section 501(c)(4), and its tax-exempt status is consequently being revoked.

The government has determined that the organization failed the operational test for 501(c)(4) exemption under the Internal Revenue Code. Therefore, the organization's exempt status is revoked as of [REDACTED] [REDACTED] Form 1120 returns are now required for all tax periods beginning after this date.