



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

Release Number: 202643020
Release Date: 10/23/26
UIL Code: 501.03-00

Date:

April 2, 2026

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:

July 1, 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: Your organization does not meet the operational test described in Treasury Regulation §1.501(c)(3)-1(c)(1), which requires that an organization be operated exclusively for exempt purposes by engaging primarily in activities that accomplish one or more such purposes. An organization will not qualify if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. The facts show that more than 67 percent of your organization's activities consist of the sale of alcohol. These activities do not further an exempt purpose and represent more than an insubstantial portion of your operations. Accordingly, your organization is not operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3), and its exempt status is proposed to be revoked pursuant to Treasury Regulation §1.501(c)(3)-1.

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. 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.

We'll notify the appropriate state officials (as permitted by law) of our determination that you aren't an organization described in IRC Section 501(c)(3).

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,

A large black rectangular redaction box covering the signature of Lynn A. Brinkley.

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:

January 28, 2026

Taxpayer ID number:

[REDACTED]

Form:

[REDACTED]

Tax periods ended:

[REDACTED]

Person to contact:

Name:

ID number:

Telephone:

Manager's contact information:

Name:

ID number:

Telephone:

Response due date:

February 27, 2026

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,

A large black rectangular box redacting the signature of the Supervisory Tax Compliance Officer.

Supervisory Tax Compliance Officer

Enclosures:

Form 886-A

Form 6018

Form 4621-A

Publication 892

Publication 3498-A

Administrative File

(Form 1023, Ltr 947, F990-EZ for period ending)

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

Date of Notice: ,

ISSUES:

- 1) Whether the exempt status of (the organization) under IRC § 501(c)(3) should be revoked, effective , because it is not operating exclusively for exempt purposes within the meaning of section 501(c)(3) and Treas. Reg. § 1.501(c)(3)-1(b)?

FACTS:

filed Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code* on , and subsequently received Letter 947, 501(c)(3) Exemption with Definitive Ruling of Public Charity Status, granting exemption under IRC 501(c)(3), with 509(a)(1) and 170(b)(1)(A)(vi) Public Support Status, effective / . The organization filed Form 990-EZ for tax period ending .

A copy of these documents is being provided to you with this report.

An organization exempt under 501(c)(3) needs to be organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes and to foster national and amateur sports competition.

Form 1023 shows the organization is a corporation incorporated in the State of on , . The organization signed and agreed to amend their organizing document to include an appropriate Purpose, Powers, and Dissolution Clause for a 501(c)(3) organization, dated .

Section 501(c)(3) requires that an organizing document must limit your purposes to one or more exempt purposes within section 501(c)(3). The organization agreed to amend their organizing document to contain this limitation.

The organization agreed to amend their organizing document to contain the dissolution provision required under section 501(c)(3) or that they did not need an express dissolution provision in your organizing document because they rely on the operation of state law in the state in which you are formed for your dissolution provision.

The State of does require a dissolution provision. Per the State of website, it lists the organization as in existence.

The organization's most recently amended organizing documents, dated , include an appropriate Purpose, Powers, and Dissolution Clause for a 501(c)(3) organization

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

Correspondence for the audit was as follows:

The initial contact package was mailed to the organization on . The package included Letter 6031, *Information Document Request (IDR)*, Publication 1, *Your Rights as a Taxpayer*, Notice 609, *Privacy Act Notice*, and Publication 5295, *Secure Messaging*, with a due date of ,

A copy of the initial contact package was also mailed to the representative on file,
On , the organization verbally indicated that is no longer their representative.

The initial contact package was sent by certified mail to the organization on . The package included Letter 6031, *Information Document Request (IDR)*, Publication 1, *Your Rights as a Taxpayer*, Notice 609, *Privacy Act Notice*, and Publication 5295, *Secure Messaging*, with a due date of ,

Received a partial response to the Information Document Request . The information included bank statements, bylaws, activity flyers, and meeting minutes. The information was received from the taxpayer through the Document Upload tool on ,

Received an additional response to the Information Document Request . The information included a list of board members and financial information. The information was received from the taxpayer through the Document Upload tool on

Received an additional response to a verbal request from the TCO. The information included membership financial information, rental financial information and alcohol sales information. The information was received from the taxpayer through the Document Upload tool on

Received an additional response to a verbal request from the TCO. The information included weekly ledgers for the organization. The information was received from the taxpayer through the Document Upload tool on

Received an additional response to a verbal request from the TCO. The information included financial information regarding two activities held during the year. The information was received from the taxpayer through the Document Upload tool on

Information Document Request was sent to the taxpayer on with a due date of . The request included the organization provide a complete list of all activities with the hours of each activity, the number of times the activity was held during the year, was alcohol sold during the activity, the total hours for the activity during the year, the revenue before expenses and the total hours spent selling alcohol.

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Received a response to the Information Document Request from the taxpayer through the Document Upload Tool on . The organization provided the information below regarding their activities.

	Hours/activity	Times a year	Alcohol sold	Total hrs during yr	Total hrs selling alcohol
Rental with bar					
Rental no bar					
Social					
General mtgs					
New Years Eve					
Open House					
Paint n Sip					
Senior Breakfast					
Sunday Funday					
Super Bowl					
Trunk or Treat					
4 th of July					
Turkey Bowl					
Yoga					
AA meetings					
Boy Scouts					
Wed Bar					
Thu Bar					
Fri Bar					
Sunday Bar					
Memorial Day					
Total					

% of activity hours were spent selling alcohol

% of gross income was alcohol sales

LAW AND ANALYSIS:

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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Under Title 26 Code of Federal Regulations 1.501(c)(3)-1 it states: Organizations organized and operated for religious, charitable, scientific, testing for public safety, literary or educational purposes, or for the prevention of cruelty to children or animals.

a. Organizational and operational tests

1. 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 organization test or the operational test, it is not exempt.
2. The term exempt purpose or purposes, as used in this section, means any purpose or purposes specified in section 501(c)(3), as defined and elaborated in paragraph (d) of this section.

b. Operational test –

1. Primary activities. An organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more 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.

c. Exempt purposes –

1. In general

- (i) 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:
 - (a) Religious
 - (b) Charitable
 - (c) Scientific
 - (d) Testing for public safety
 - (e) Literary
 - (f) Educational, or
 - (g) Prevention of cruelty to children or animals

1.501(c)(3)(d) Exempt purposes -

In general, 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, Literary, Educational, or Prevention of cruelty to children or animals.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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Legal Information and Case Law: *Starving v. Commissioner* (T.C. Memo. 2026-1)

In *Starving v. Commissioner*, T.C. Memo. 2026-1 (Jan. 6, 2026), the U.S. Tax Court upheld the IRS's revocation of a nonprofit corporation's tax-exempt status under Internal Revenue Code (IRC) § 501(c)(3). The taxpayer, originally granted exemption for distributing powdered milk to children, had ceased its charitable activities and was primarily operating a coffee shop and renting out property. The court found no evidence that the funds generated were used for charitable purposes. The Tax Court held that the organization failed the operational test for § 501(c)(3) status because it was not operated exclusively for exempt purposes. The presence of a single substantial non-exempt purpose—here, commercial activities not in furtherance of the exempt purpose—was sufficient to preclude continued exemption, regardless of any other charitable activities. The organization failed to demonstrate that its commercial activities furthered its exempt purposes and thus was properly disqualified from tax-exempt status under the operational test.

Appropriate applicable case law regarding revocation for not meeting the definition of a 501(c)(3) is below:

Legal Principles Applied

- **Operational Test:** To qualify for and maintain tax-exempt status under IRC § 501(c)(3), an organization must be operated exclusively for exempt purposes. The existence of a single substantial non-exempt purpose is enough to deny or revoke exemption, even if the organization also engages in charitable activities .
- **Commercial Activities:** If a nonprofit's primary activities are commercial in nature and not in furtherance of its exempt purpose, the organization fails the operational test. The court emphasized that merely engaging in some charitable activities does not save exemption if substantial non-exempt (commercial) activities are present .
- **Burden of Proof:** The taxpayer bears the burden of demonstrating that its activities further its exempt purposes. Failure to provide evidence that commercial activities are in furtherance of the exempt purpose will result in loss of exemption .

Implications

- Nonprofit organizations must ensure that their primary activities are in furtherance of their stated exempt purposes. Engaging in commercial activities that are not substantially related to the exempt purpose can result in revocation of tax-exempt status.
- The case reinforces the principle that the IRS and courts will look beyond the organization's stated purpose to its actual operations and use of funds.

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- The decision is consistent with longstanding IRS and judicial guidance that a single substantial non-exempt purpose is fatal to § 501(c)(3) status, regardless of the presence of other charitable activities.

Summary

Starving v. Commissioner is a recent Tax Court memorandum decision affirming the IRS's authority to revoke tax-exempt status when a nonprofit ceases to operate primarily for its exempt purpose and instead engages in substantial commercial activities unrelated to that purpose. The case underscores the importance of the operational test and the need for exempt organizations to ensure that all significant activities are in furtherance of their charitable mission.

GOVERNMENT'S POSITION:

failed to satisfy the operational requirement under Title 26 Code of Federal Regulations 1.501(c)(3)-1 that states the organization will be regarded as exclusively for exempt purposes only if it engages primarily in activities which 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.

The organization conducts activities for the benefit of the community, and they conduct activities for members only. A large majority of the organization's activities involve the sale of alcohol. The sale of alcohol is not considered an exempt activity under 501(c)(3). A breakdown of the number of hours for the benefit of the community compared to the number of hours the organization sells alcohol indicates that % of the hours spent on activities were spent on a non-exempt purpose. Therefore, the organization is not fulfilling the exempt purpose for a 501(c)(3) organization.

Because a substantial part of the organization's activities are not in furtherance of the exempt purpose under IRC 501(c)(3), the exempt purpose is not fulfilled. Therefore, we are revoking the exempt status of your organization.

TAXPAYER'S POSITION:

Taxpayer's position is unknown.

OPPORTUNITY FOR APPEAL:

You may appeal when you don't agree with the IRS's proposed determination that you do not qualify for tax-exempt status, as the result of an audit.

Certain appeals rules apply. See Special Considerations below.

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Appeals are considered by the Appeals Office, an independent function within the IRS. The appeals process offers an opportunity to resolve disputes before they lead to litigation.

You may then appeal by filing a protest or requesting a conference with the manager of the IRS employee who issued the letter. If after meeting with the manager you agree with the proposed adverse determination, we'll ask you to sign a consent form. By signing a consent, you do not waive your rights to file a suit for declaratory judgment, discussed below. If you still disagree after the conference, you may exercise your appeal rights by filing a protest. You have 30 days from the date of the IRS's letter to file the protest.

Limits on appeals rights apply in some cases. The right to an appeal or an appeals conference does not apply in cases where a delay in the proceedings would harm the interests of the IRS. These cases might include fraud, jeopardy, the statute of limitations or where other immediate action is necessary to protect the interests of the government.

To appeal a proposed adverse determination, you must file your protest statement within 30 days of the date of the formal written letter from the IRS (sometimes called a "30-day letter"). Your protest should include:

- your organization's name, address, employer identification number (EIN) and a daytime phone number.
- a statement that the organization wants to protest the proposed determination.
- a copy of the 30-day letter showing the findings that you disagree with (or the date and IRS office symbols from the letter).
- an explanation of your reasons for disagreeing, including any supporting documents.
- the law or authority, if any, on which you are relying. You must also state if you want an appeals Conference.

Include the following declaration with your protest statement:

"Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts, and such facts are true, correct and complete."

The protest statement should be signed by an officer of your organization or your representative. Submit your protest and any supporting documents to the address shown on the letter.

Note: The Internal Revenue Code provides that a court will not issue a declaratory judgment unless the court determines that you have exhausted your administrative remedies. If you don't file a protest with respect to adverse determination, the court may determine that you have not exhausted your administrative remedies.

CONCLUSION:

failed to satisfy the operational requirement under Title 26 Code of Federal Regulations 1.501(c)(3)-1 that states the organization will be regarded as exclusively for

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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exempt purposes only if it engages primarily in activities which 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. The sale of alcohol consists of more than % of the organization's activities and therefore they are not fulfilling its exempt purpose.

Taxpayer's exempt status should be revoked by operations of law pursuant to Title 26 Code of Federal Regulations 1.501(c)(3)-1(b) due to the organization not fulfilling its exempt purpose as defined above. If finalized, the effective date of this revocation will be