



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

Date: August 28, 2017

Release Date: 201752009
Release Date: 12/29/2017
UIL Code: 501.03-00

Tax Year Ending:

Taxpayer Identification Number:

Person to Contact:

Employee Identification Number:

Employee Telephone Number:

CERTIFIED MAIL – RETURN RECEIPT

Dear ..

This is a final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code (the "Code") section 501(a) as an organization described in Code section 501(c)(3) effective . Your determination letter dated is revoked.

The revocation of your exempt status was made for the following reason(s):

Organizations described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to provide information that you are organized and operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3) and that no part of your net earning inure to the benefit of private shareholders or individuals. You did provide information stating that your organization has been inactive for several prior years and that there have been no operations or financial activities conducted or planned. As such, you fail to meet the operational requirements for continued exemption under section 501(c)(3).

Contributions to your organization are no longer deductible under IRC §170 after

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

If you decide to contest this determination, you may file an action for declaratory judgment under

the provisions of section 7428 of the Code in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination letter was mailed to you. Please contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment by referring to the enclosed Publication 892. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, N.W.
Washington, D.C. 20217

U.S. Court of Federal Claims
717 Madison Place, N.W.
Washington, D.C. 20439

U.S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, D.C. 20001

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under section 7428 of the Internal Revenue Code.

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 1-877-777-4778.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Director, EO Examinations

Enclosure:
Publication 892



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

Date:
03/01/2017
Taxpayer Identification Number:

Form:
Tax year(s) ended:

Person to contact / ID number:

Contact numbers:

Phone Number:

Manager's name / ID number:

Manager's contact number:

Phone Number:

Response due date:
03/31/20xx

UPS Next-Day – Proof of Delivery provided to agent via Email

Dear

Why you are receiving this letter

We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action – Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

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 revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Effect of revocation status

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the

IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

For additional information

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Acting Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items – Proposed Revocation	Schedule No. or Exhibit Exhibit #3
Name of Taxpayer	Page 1 of 4 Year/Period Ended	

ISSUE:

Whether _____, an organization exempt from taxation under Internal Revenue Code (IRC) section 501(c)(3), and which no longer functions in a manner sufficient to carry out or serve its exempt purpose, should be permitted to retain its exempt status, or whether substantial evidence exists to support revocation of an inactive organization. That is, where there is evidence to show that _____ has ceased its business operations, does such evidence support the conclusion that where an organization no longer furthers an exempt purpose due to inactivity, should tax-exempt status be revoked?

FACTS:

The audited organization, _____, is recognized as tax-exempt under Internal Revenue Code section 501(c)(3).

Its Articles of Incorporation were filed on _____, the name of the organization prior to the amendment filed on _____, changing the name to _____.

The examination/audit of _____ was begun by Revenue Agent _____ on 12/07/xx. The responsibility for completing the examination/audit was transferred to Revenue Agent _____, the author of this report. _____ had attempted to allow _____ to survive an automatic revocation by receipt of Form 990 returns for the periods ended _____. She had been advised of an ongoing termination process.

_____ notes in the agent's work papers that "The purpose of the organization is to operate exclusively to provide social services and for the charitable and educational purposes and, more specifically, to meet the physical and psychological needs of persons diagnosed as being mentally retarded and/or physically handicapped in the areas of social services, food, clothing, shelter, legal aid and counseling... (and)...to provide services in conjunction with existing service organizations. They also exist to instruct the public on subjects useful to the individual and beneficial to the community, in particular to conduct educational programs through meetings, conferences, workshops and publications, to foster understanding of the needs and problems of persons with mental retardation and/or physical handicaps through community education."

Form 990 for _____ describes _____ purpose as: To provide residential treatment services to developmentally disabled persons under the _____ Program.

The following returns were inspected _____. None of these returns is marked as final and there is no indication of termination or dissolution as required of an organization that claims to be terminating; nor is there a completed copy of Schedule N, *Liquidation, Termination, Dissolution, or Significant Disposition of Assets* with required attachments to show that _____ has prepared its articles of dissolution. On termination, an organization exempt under section 501(c)(3) is required to show its termination plan and how assets are to be transferred or distributed. None of these steps appear to have been taken by _____, and no termination documents have been provided to the Internal Revenue Service (IRS).

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Name of Taxpayer	Year/Period Ended	Page 2 of 4

On 02/27/xx, received a letter that was delivered by electronic facsimile (EFax) from the offices of . . . , is the representative with power-of-attorney for letter advises that “Prior to the audit, the taxpayer had ceased business operations”, and in a separate paragraph it identifies cessation as occurring sometime prior to These statements are being relied upon as evidence that during the year examined no longer functioned to further an exempt purpose.

In addition to the authority provided in the Internal Revenue Code (IRC) and the related Treasury Regulations, an agent will rely on procedural guidance in the Internal Revenue Manual (IRM). IRM sections 4.75.13.9 and 4.75.15.8.10 both address the proper treatment of Inactive Organizations. In each section, it is evident that, where an organization (exempt under section 501(c)(3)) is no longer active and cannot pass the **operational test** (*see Treasury Regulation section 1.501(c)(3)-1(a) below*), its tax-exempt status must be revoked.

An inspection of the Form 990 or 990-EZ returns filed from 20xx to 20xx will show that operated at a net loss. That is to say that, on conversion of these information returns to tax returns, the tax liability is zero. For that reason, the agent will not convert these returns (convert information returns into tax returns). However, on revocation, the process will automatically generate a Form 1120 filing requirement.

LAW:

Applicable Internal Revenue Code Sections

Authority to grant tax-exempt status

IRC section 501(c)(3) – 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.

Authority to require an annual return

IRC section 6033(a)(1) – holds, in general that , except as provided in paragraph (3), every organization exempt from taxation 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 purpose of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and shall 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; except that, in the discretion of the Secretary, any organization described in section 401(a) may be relieved from stating in its return any information which is reported in returns filed by the employer which established such organization.

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Authority to impose recordkeeping requirements

IRC section 6001 - holds 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.

Authority to revoke exempt status

IRC section 6033(j)(1) In general. — If an organization described in subsection (a)(1) or (i) fails to file an annual return or notice required under either subsection for 3 consecutive years, such organization's status as an organization exempt from tax under section 501(a) shall be considered revoked on and after the date set by the Secretary for the filing of the third annual return or notice. The Secretary shall publish and maintain a list of any organization the status of which is so revoked.

IRC section 6033(j)(2) Application necessary for reinstatement. — Any organization the tax-exempt status of which is revoked under paragraph (1) must apply in order to obtain reinstatement of such status regardless of whether such organization was originally required to make such an application.

Taxpayer's right to Declaratory Judgment

IRC section 7428 provides for the judicial review of certain final adverse EO determinations by the United States Tax Court, the United States Court of Federal Claims, and the United States District Court for the District of Columbia.

Applicable Treasury Regulations

Authority regarding the organizational and operational tests under section 501(c)(3)

Treasury Regulation section 1.501(c)(3)-1(a) – provides in general 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. Where an organization no longer operates to further an exempt purpose, it fails the operational test.

Authority regarding record-keeping requirements

Treasury Regulation section 1.6001-1(a) – provides in general that, 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

Treasury Regulation section 1.6001-1(c) - 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

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Name of Taxpayer	Year/Period Ended	Page 4 of 4

such books and records as are required to substantiate the information required by section 6033. See section 6033 and §§1.6033-1 through -3.

Treasury Regulation section 1.6001-1(e) - 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

Citable U.S. Tax Court Cases

The COUNCIL FOR EDUCATION, Petitioner v. Commissioner of the Internal Revenue Service, Respondent, No. 17890-11X. Dec. 16, 2013.

The Tax Court held that the corporation failed to establish it would be operated exclusively for a charitable purpose. Decision for IRS.

PARTNERS IN CHARITY v. Commissioner of the Internal Revenue Service, 141 T.C. No. 2, 2013 WL 4516112

The Tax Court held that: (1) taxpayer's program was not operated to serve charitable purpose, and (2) IRS acted within its discretion in retroactively revoking its recognition of taxpayer's tax-exempt status. Decision for IRS.

TAXPAYER'S POSITION:

The taxpayer's representative, _____, has indicated that the organization has no plan to continue operations.

GOVERNMENT'S POSITION:

The IRS finds that where _____ has ceased business operations since a point in time prior to July 20xx, and has no plan to either continue (due to lack of assets) or terminate, then revocation is required as provided in the Regulations.

CONCLUSION:

This report has been issued under cover of Letter 3618, also known as a 30-Day Letter. The agent proposes final revocation of exempt status. Agreement may be demonstrated by the signature, on Form 6018, of someone empowered to bind the organization in such agreements. A copy of Form 6018, Consent to Proposed Action - Section 7428, is provided as an attachment to this report. The signed, original copy must be returned to the examining agent, as shown below.