DEPARTMENT OF THE TREASURY
Internal Revenue Service
TE/GE EO Examinations
1100 Commerce Street MC 4920 DAL
Dallas, TX 75242

TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION

Date: SEP 21 2017

Number: **201809011**
Release Date: 3/2/2018

Person to Contact: Identification Number:
Telephone Number:
In Reply Refer to:

LAST DATE FOR FILING A PETITION
WITH THE TAX COURT:

CERTIFIED MAIL – Return Receipt Requested

UIL Code : 501. 03-00

Dear :

This is a Final Adverse Determination Letter that your exempt status under section 501(c)(3) of the Internal Revenue Code (IRC) is revoked. Recognition of your exemption under IRC section 501(c)(3) is revoked effective January 1, 20xx.

Our adverse determination was made for the following reason(s):

> You have not established that you are operated exclusively for an exempt purpose or that you have been engaged primarily in activities that accomplish one or more exempt purposes within the meaning of IRC section 501 (c)(3).
>
> You have not established that no part of your net earnings inure to the benefit of any private shareholder or individual.

Contributions to your organization are not deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending December 31, 20xx and for all years thereafter.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claim Court or the District Court of the United States for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. We 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 our assistance, which is always free, we will do everything possible to help you. Visit taxpayeradvocate.irs.gov or call 1-877-777-4778.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

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

Sincerely yours,

Maria Hooke
Director, Exempt Organizations Examinations

Enclosure:
Publication 892

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

Date:
July 14, 2017
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact / ID Number:

Contact numbers:
Telephone:
Fax:

Manager's Name / ID Number:

Manager's Contact Number:

Certified Mail – Return Receipt Requested

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:

Internal Revenue Service
Office of the Taxpayer Advocate

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,

Director, EO Examinations

Enclosures:
Form 6018
Form 4621
Final Report of Examination
Publication 892
Publication 3498

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended 20xx12

Date of Notice:

Corrected - Final Report

Issues:

Whether the Organization continues to qualify for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Facts:

was incorporated in the state of on June 30, 20xx. Per the Articles of Incorporation, they were formed for the following purposes:

"The specific purpose of this corporation is to promote and facilitate trade, commerce, tourist and friendship between and ".

filed Form 1023 for exemption on November 10, 20xx and was granted exemption as a 501(c)(3) on November 19, 20xx with an effective date of exemption of June 30, 20xx.

The Organization was selected for audit to ensure that the examined organization's activities and operations align with its approved exempt status.

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 or to foster national and amateur sports competition.

Letter 3606 with Form 4564 IDR, Information Document Request, dated September 13, 20xx was sent to Organization requesting copy of Articles of Incorporation, description of activities, statement of revenue, expenses, assets and liabilities and meeting minutes for the tax year ending December 31, 20xx.

Reply from Organization was received on November 14, 20xx. Organization sent Articles of Incorporation, dated June 30, 20xx. Articles of Incorporation met the organizational test for Section 501(c)(3). Along with the Articles of Incorporation was an amendment dated October 10, 20xx. The amendment was for updating the name to from to the correct spelling .

Description of activity was received. The only activity they had for tax year December 31, 20xx was a Trade, Commerce and Cultural Exchange Event.

The purpose for the event serves as a bridge that connects elites in different industry to gather together to share their experience and insights. This event helps elites from to learn more about , and supports them in expanding their business or specialties to . Moreover, elites from different countries get to understand other country's cultural and industries' policies and opportunities. In addition, specialists have the opportunity to learn from professionals in other industries, and have a better understanding of different industries. This also serves as a networking opportunity for professionals and investors from different industries to promote potential cooperation among them.

Attendants of this activity are business owners, investors, specialists from ; Specialist and professionals in industries such as real estate, education, restaurant, media, art, hospitality, and finance from ; Business executives and student leaders from and .

Additional Form 4564 IDR, Information Document Request, was sent to Organization on December 28, 20xx asking for more information regarding their activities. Requested current officer's name, title and a good phone number and where the officer can be reached to discuss the examination.

Received reply through E-Fax on January 11, 20xx.

Organization only had one activity, The Trade, Commerce and Cultural Exchange Event. Organization gave the same example as in original reply of November 14, 20xx. The reply did state the event format was for networking and has no relationship with the government.

This is a free event for people to get to know more about the business culture, environment and any other topics in different countries, especially , and the .
For example, attendants such as business owners and investors from attended this event to get to know more about the business related policies and environment. This will help them in investing in the . Moreover, they get the chance to meet real estate agents who can offer them with different investment projects, and also residential houses for their own dwelling. In addition, they have the chance to interact with student leaders to get to know more about the school life in the and help them to make better decision on where they want to send their kids to school.
Vice versa, people living in the also have the chance to network with professional in and to learn more about the living and business environment in .
This is a networking event where elites from different industry can gather together to share their experience, learn from each other, and broaden their minds.

There are no members and one donation was received in the amount of $x,xxx from .

Law:

Section 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt under § 501(c)(3), an organization must be both organized and operated exclusively for one or more of the exempt purposes specified in that section. If an organization fails to meet either the organizational test or the operational test, it does not qualify for exemption.

Section 1.501(a)(1)-1(c) defines a "private shareholder or individuals" as "persons having a personal and private interest in the activities of the organization." Thus, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests, such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(c)(1) provides that 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 § 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.

Section 1.501(c)(3)-1(c)(2) provides that "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...."

Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. To meet the requirement of this subsection, the burden of proof is on the organization to show that it is not organized or operated for the benefit of private interests, such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) states, in part, that the term "charitable" in § 501(c)(3) includes relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; lessening of the burdens of government; and promotion of social welfare by organizations designed to accomplish any of the above purposes.

Section 1.501(c)(3)-1(d)(3)(i) states that the term "educational" in § 501(c)(3) includes the instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(e)(1) provides that an organization may meet the requirements of § 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business as defined in § 513. In determining the existence or nonexistence of such primary purpose, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes. An organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under § 501(c)(3).

Organizational and operational tests

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that, in order to be exempt as an organization described in IRC 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 organization fails to meet either the organizational test or the operational test, it is not exempt.

Operational test

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 such exempt purposes specified in section 501(c)(3).

Exempt purposes

Charitable defined

-Relief of the poor and distressed or of the underprivileged
-Advancement of religion
-Advancement of education or science;
-Erection or maintenance of public buildings, monuments, or works;
-Lessening the burdens of Government;
-Promotion of social welfare by organizations designed to accomplish any of the above purposes.

In Better Business Bureau of Washington D.C., Inc. v. U.S., 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. The Court found that a trade association had an "underlying commercial motive" that distinguished its educational program from that carried out by a university, and therefore, the association did not qualify for exemption.

In B.S.W. Group, Inc. v. Commissioner, 70 T.C. 352 (1978), the Tax Court considered an organization that provided consulting services to groups that were mostly § 501(c)(3) organizations. The organization charged fees for its services set at or close to its own cost. The court concluded that there was nothing to distinguish these activities from those of an ordinary commercial consulting enterprise, and affirmed the Service's denial of exemption under § 501(c)(3).

In Easter House v. United States, 12 Cl.Ct. 476, 487 (1987), citing section 1.501(c)(3)-1(d)(1)(ii) of the regulations, without opinion, 846 F.2d 78 (Fed. Cir. 1988), an organization is not operated exclusively for exempt purposes if it serves a private rather than a public interest.

Governments Position

You do not satisfy the requirement of Treas. Reg. Section 1.501(c)(3)-1(e). Your activities do not directly further an exempt purpose. You operate for the primary purpose of carrying on a trade or business that does not further an exempt purpose. A review of the facts indicates you operate a networking event for business owners and investors.

You state this will help them to invest in the , and they get the chance to meet real estate agents who can offer them different investment projects and also residential houses for sale for their own dwelling.

You do not meet the requirements of Treas. Reg. Section 1.501(c)(3)-1(c)(1) because you are not operated exclusively for charitable purposes. An organization is operated for charitable purposes only if it engages primarily in activities that accomplish one or more exempt purposes. More than an insubstantial part of your activities furthers non-charitable purposes.

Your activities do not fall within the definition of charitable as found in Treas. Reg. Section 1.501(c)(3)-1(d)(2). While you state your purpose is to benefit a charitable class of individuals, you have not demonstrated that the activities you conduct are exclusively charitable.

Section 1.501(c)(3)-1(d)(ii) of the regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Taxpayers Position:

President signed Form 6018 on May 27, 20xx and agrees to the revocation of their 501(c)(3) tax exempt status.

Conclusion:

Based on the information provided in your Form 1023EZ and supporting documentation, we conclude that you are not operated exclusively for purposes described in § 501(c)(3).

Accordingly, you do not qualify for exemption as an organization described in § 501(c)(3) and you must file federal income tax return 1120.

Contributions to the organization are not deductible under § 170.

exempt status is revoked to effective date of exemption, January 1, 20xx.