



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY

Internal Revenue
Service TEGE EO
Examinations
1100 Commerce Street
Dallas, TX 75242

Date: JAN 31, 2018

Number: **201829019**
Release Date: 7/20/2018

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

LAST DATE FOR FILING A PETITION WITH
THE TAX COURT:

UIL: 501.03-00

CERTIFIED MAIL – Return Receipt Requested

Dear :

This is a Final Adverse Determination Letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. Your exemption from Federal income tax under section 501(c)(3) of the code is hereby revoked effective January 1, 20XX.

Our adverse determination was made for the following reasons:

Organizations described in I.R.C. § 501(c)(3) and exempt under section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to produce documents or otherwise establish that you are operated exclusively for exempt purposes and that no part of your net earnings inures to the benefit of private shareholders or individuals. You failed to respond to repeated reasonable requests to allow the Internal Revenue Service to examine your records regarding your receipts; expenditures; or activities as required by I.R.C. § 6001; 6033(a)(1) and Rev. Rul. 59-95, 1959-1 C.B. 627.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120. If you have not already filed these returns and the agent has not provided you instructions for converting your previously filed Form 990 to Form 1120, you should file these income tax returns with the appropriate Service Center for the tax year ending December 31, 20XX and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessments 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, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues:

United States Tax Court, the United States Court of Federal Claims, or the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed before the 91st day after the date this determination was mailed to you if you wish to seek review of our determination. Please contact the clerk of the respective court for rules and the appropriate forms regarding filing petitions for declaratory judgment by referring to the enclosed Publication 892. Please note that the United States Tax Court is the only one of these courts where a declaratory judgment action can be pursued without the services of a lawyer. You may write to the courts at the following addresses:

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

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20005

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

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.:

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

Sincerely yours,

A handwritten signature in black ink that reads "Maria Hooke". The signature is written in a cursive, flowing style.

Maria Hooke
Director, EO Examinations

Enclosures:
Publication 892



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

Date:
July 14, 2017
Taxpayer Identification Number:
Form:
Tax year(s) ended:
Person to contact / ID number:
Contact numbers:
Phone Number:
Fax Number:
Manager's name / ID number:
Manager's contact number:
Phone Number:
Response due date:

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,

Maria Hooke

Director, EO Examinations

Enclosures:

Report of Examination

Form 6018

Form 4621

Publication 892

Publication 3498

Form 1023EZ

Determination Letter 5436

Explanation of Items

Name of Taxpayer

Year/Period Ended
20XX

Date of Notice: July 14, 20XX

Issues:

Whether qualified for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code by meeting the organizational and operational requirements.

Facts:

The organization filed Form 1023EZ for exemption on July 31, 20XX and was granted exemption as a 501(c)(3) on August 11, 20XX with an effective date of July 31, 20XX.

The organization was selected for audit to ensure the 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 and to foster national and amateur sports competition.

Letter 3606 was sent to organization with Information Document Request (IDR) on December 20, 20XX. IDR was requesting copy of Articles of Incorporation, description of activities, statement of revenues, expenses, assets and liabilities and meeting minutes from January 1, 20XX. Questions were also asked regarding paying compensation to officers, trustee or directors and donating or paying funds or expenses for individuals.

The organization responded on January 4, 20XX with a phone call from President. She stated she was confused because she just received a letter telling her that the organization had been dissolved then she received my letter asking about the audit. I asked her if the first letter was from the State of as I can see on the state website their organization had been dissolved for not filing their annual return.

said she had not been able to come up with any funding for the organization. The only grant she could get was one from who wanted her to take the words Jesus off of the Teddy Bears they were going to give to children. She said without Jesus in her life when she was a young girl she would never have survived and turned the grant down.

said she wants to terminate.

has been involuntarily dissolved by the state for not filing an annual report.

Have not received requested information in regard to termination. On February 3, 20XX I called and was unable to leave voicemail because her voicemail was full. Called again on Februarys 10, 20XX and still no way to leave voicemail. Sent letter 3844-A with IDR (Information Document Request) certified asking her to provide a dissolution statement and to file the 20XX 990-N and mark the termination box. Request was made that if she has

Explanation of Items

Exhibit

Name of Taxpayer

Year/Period Ended

20XX

changed her mind and no longer wishes to terminate then she needs to send me the information from my original Letter 3606 with IDR dated December 10, 20XX.

Received fax from on February 10, 20XX showing me she has e-filed her 990-N for 20XX and marked the termination box. She wrote on her copy of the 990-N print out that organization is closing due to lack of funding.

Received signed certified receipt back on February 16, 20XX.

On February 14, 20XX I tried to call to ask her for dissolution of assets statement. There was no way to leave voicemail because voicemail box is full. Tried to call again on February 15, 20XX and no pickup or anyway to leave voicemail.

On March 3, 20XX sent Letter 3844-A with IDR certified asking for dissolution of asset documents. Letter came back undeliverable.

Found phone numbers for officers identified on Form 1023EZ. Called , and on April 13, 20XX and left voicemails to have them call me regarding

Received call from on April 13, 20XX and she said she thought this had all been taken care of. sent statement of dissolution of assets on April 19, 20XX. Statement from states she wants to dissolve and there are no assets and account is in the negative. She has taken responsibility to pay any outstanding bills and debts.

still has not dissolved with the state of . Since the organization was dissolved by the state the organization can come back in and pay the late annual report fee and be reactivated.

Organization has failed to file the proper dissolution forms with the State of .

Calls have been made to at and to dissolve with the state and send proof of the dissolution but as of this date no response has been received.

Requirements of the State of request organizations to report to the Secretary of State any change in the corporate name, duration or purpose will require the Articles of Incorporation be amended, using the proper form. Also, should the corporation need to report a merger, dissolution or reinstatement; it should use the proper form. All forms for these reports are available from the Secretary of State and should be filed upon the occurrence of the particular event.

Law:**501(c)(3)**

§501(c)(3) Requires tax exempt entities 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.

Name of Taxpayer

Year/Period Ended
20XX

Treas. Reg. § 1501(c)(3)-1(a) In order to be exempt under §501(c)(3) the organization must be both organized and operated exclusively for one or more of the purposes specified in the section. (Religious, charitable, scientific, testing for public safety, literary or educational)

IRC § 6001 provides that every person liable for any tax imposed by the IRC, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

Treas. Reg. § 1.6001-1(a) in conjunction with Treas. Reg. § 1.6001-1(c) provides that every organization exempt from tax under IRC § 501(a) and subject to the tax imposed by IRC § 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by IRC § 6033.

Treas. Reg. § 1.6001-1(e) states that 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 as long as the contents thereof may be material in the administration of any internal revenue law.

IRC § 6033(a)(1) provides, except as provided in IRC § 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

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

IRC § 6043(b) Every organization which for any of its last 5 taxable years preceding its liquidation, dissolution, termination, or substantial contraction was exempt from taxation under section 501(a) shall file such return and other information with respect to such liquidation, dissolution, termination, or substantial contraction as the Secretary shall by forms or regulations prescribe.

Rev. Rul. 59-95, 1959-1C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of IRC § 6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

Name of Taxpayer	Explanation of Items	Exhibit
		Year/Period Ended 20XX

Taxpayers Position:

E-filed 990-N for December 31, 20XX and marked termination box.

Sent statement stating they want to close and there were no assets.

Government's Position:

Based on the above facts, the organization did not respond to verify that they are organized and operated exclusively for one or more of the purposes specified in IRC Section 501(c)(3). If an organization fails to meet either the organizational test or the operational test, it is not exempt.

In accordance with the above cited provisions of the Code and regulations under IRC §§ 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information return (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

Also based on the above facts, the organization also did not respond to verify that they have properly dissolved the corporation under the State of for us to acknowledge a proper termination per IRC § 6043(b).

Organizations in the State of must notify the state attorney general or other appropriate state office of the organization's intent to dissolve, liquidate, or terminate. You failed to provide a certified copy of your articles of dissolution to the state and to the Internal Revenue Service.

This is relevant in the examination process to determine if an organization has properly terminated.

Section 1.6033-1(h)(2) of the regulations specifically state that exempt organizations shall submit additional information for the purpose of enabling the Internal Revenue Service to inquire further into its exempt status.

Conclusion:

It is the Internal Revenue Service's position that the organization failed to meet the reporting requirements under IRC §§ 6001, 6033, and 6043.

The organization has not established that it is observing the conditions required for the continuation of its exempt status or that it is organized and operated exclusively for an exempt purpose.

Furthermore, by failing to file the articles of dissolution with the state and providing the Internal Revenue Service a copy of the articles of dissolution we are unable to acknowledge that the organization has been properly terminated. The organization's tax exempt status is revoked with the effective date of January 1, 20XX.

Form(s) 1120, U.S. Corporation Income Tax Return should be filed for the tax periods ending on or after December 31, 20XX.