



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: **FEB 08 2018**

Number: **201829020**
Release Date: **7/20/2018**

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

**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 regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated September 13, 20 , is hereby revoked and you are no longer exempt under section 501(a) of the Code, effective January 1, 20 .

Our adverse determination was made for the following reasons:

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 as required by Treas. Reg. section 1.501(c)(3)-1(a)(1).

Contributions to your organization are no longer deductible under section 170 of the 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, 20 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. 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.

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,

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

Maria Hooke
Director, Exempt Organizations Examinations

Enclosures:
Publication 892



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

Date:
September 12, 2017
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact / ID Number:

Employee ID:
Contact numbers:
Telephone:
Fax:
Manager's Name / ID Number:

Employee ID:
Manager's Contact 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,



for Maria Hooke
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	Schedule No. or Exhibit
Name of Taxpayer:		Year/Period Ended: December 31, 20XX

Issues:

Does () continue to qualify for exemption from Federal income tax under Internal Revenue Code (Code) section 501(c)(3)?

Facts:

incorporated on 03/14/20XX in the state of . Article III of the Articles of Incorporation enumerates the seven purposes for which was created:

- To provide instruction in English as a Second Language (ESL) and the language.
- To provide assistance in filling out government forms such as INS and Social Security Forms.
- To provide space and support for a Youth Club.
- To provide translation and interpretation services between English and .
- To provide assistance in the job seeking process.
- To assist the Muslim community and mosque.
- To engage in any other lawful activity which may hereafter be authorized from time to time by the Board of Directors, provided, however, that the purposes for which the corporation is formed shall at all times be consistent with Section 501(c)(3) of the Internal Revenue Code (the "Code") of 19XX, as it now exists or as hereafter amended, including within such purposes the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Code.

submitted Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, to the Internal Revenue Service (Service) on 06/12/20XX. The narrative description in Part II provides the following excerpts regarding past, present, and future activities:

INFORMATION DELETED

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer:		Year/Period Ended: December 31, 20XX

INFORMATION DELETED

The Service issued an Advance Ruling Letter (Letter 1045) dated 09/13/20XX recognizing as an organization described in Code section 501(c)(3). The letter also advised that it could reasonably expect to be a public charity as described in Code section 107(b)(1)(A)(vi). A copy of the final determination letter was not available. Current Service records show that is recognized as an organization described in Code section 501(c)(3) and as a Private Non-Operating Foundation. Service records show has on a Form 990PF code 3 filing requirement. Code 3 indicates is presumed to be a private foundation and required to file a Form 990PF.

Service records show filed Forms 990-EZ, *Short Form Return of Organization Exempt From Income Tax*, for the 20XX and 20XX tax years. filed a Form 990PF, *Return of Private Foundation*, beginning with the 20XX through the 20XX tax years.

The 20XX Form 990-EZ indicates is exempt under Code section 501(c)(3) and Schedule A indicates it's a public charity under Code section 170(b)(1)(A)(vi). The 20XX Form 990-PF indicates is a Section 501(c)(3) exempt private foundation and Schedule B is not required. The 20XX Form 990-EZ and the 20XX Form 990-PF were prepared by the same tax firm, the same individual preparer, and both were signed by the same President. An explanation for the change in public charity status was not attached to the 20XX Form 990-PF.

In May of 20XX an examination of books and records for the period ending 12/31/XX was initiated by the Service and on 06/02/XX contact was made with the current President. The case was discussed and the President's statements are paraphrased:

stopped operating in late 20XX or 20XX. was operated by volunteers; it stopped receiving donations, it could not pay its rent, it was evicted, all records were lost, and it was dissolved. did not receive any donations or incur any expenses subsequent to 20XX and stopped operating completely.

The President subsequently provided a written statement (Attachment 1).

The State of Secretary of State (SOS) administratively dissolved on 08/04/XX, (Attachment 2). The action was taken by SOS because failed to file a required report within the time set forth by law. Under the Revised Code of section a domestic entity that is administratively dissolved may apply for

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer:		Year/Period Ended: December 31, 20XX

reinstatement no later than five years after the effective date of dissolution, in this case 08/04/XX.

Law:

Code section 501(c)(3) exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Code section 4942 imposes a tax on the undistributed income of a private foundation for any taxable year, which has not been distributed before the first day of the second (or any succeeding) taxable year following such taxable year (if such first day falls within the taxable period), a tax equal to 30 percent of the amount of such income remaining undistributed at the beginning of such second (or succeeding) taxable year.

Federal Tax Regulations:

Federal Tax Regulations (Regulations) section 1.501(c)(3)-1(a) states in part that in order to be exempt as an organization described in Code section 501(c)(3), the 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. The term "exempt purpose or purposes", as used in this section, means any purpose or purposes specified in section 501(c)(3).

Regulations section 1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

Taxpayer's Position:

The President conceded that has not carried on a charitable activity since the latter part of 20XX and stopped operating completely in the early part of 20XX.

Government's Position:

 does not continue to qualify for exemption under Code section 501(c)(3) because it did not demonstrate that it is carrying on any charitable activities and in fact stopped does not carry on any activities.

The facts and circumstances did not warrant an examination expansion to the subsequent years because the President conceded completely stopped operating in the early part of 20XX.

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The facts indicate that _____ prepared and filed a Form 990-PF for the 20XX tax year erroneously. Because _____ filed a Form 990-PF the Service presume it was a private foundation but the Service did not make a determination that _____ was in fact a private foundation. Therefore _____ is not a private foundation and is not liable for taxes under Code section 4942.

Because _____ was administratively dissolved by SOS and because _____ has the right to apply for reinstatement the examination must be closed as a proposed revocation and not a termination.

Conclusion:

_____ does not continue to qualify for exemption under Code section 501(c)(3) because it failed to demonstrate that it carries on a charitable activity and its tax exempt recognition revoked effective 01/01/20XX.