



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
1100 Commerce Street, MC 4920DAL
Dallas, TX 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date **AUG 08 2019**

Number: **202001024**
Release Date: 1/3/2020

EIN:
Person to Contact:
Identification Number:
Telephone Number:
Fax:

UIL: 501.03-00

CERTIFIED MAIL- Return Receipt Requested
LAST DAY FOR FILING A PETITION WITH THE TAX COURT:

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 January 01, 20XX. Your determination letter dated September 06, 20XX revoked.

Our adverse determination as to your exempt status was made for the following reasons:

You did not respond to our requests for information about your finances and activities necessary to complete the examination. You have not demonstrated that you are organized and operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3).

As such, you failed to meet the requirements of I.R.C. § 501(c)(3) and Treasury Regulation §1.501(c)(3)-1(a), in that you have not established that you were organized and operated exclusively for exempt purposes and that no part of your earnings inured to the benefit of private shareholders or individuals.

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

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.

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 was mailed to you. Please contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment. Please refer to the enclosed Publication 892 for additional information. 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

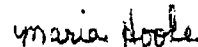
U. S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

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.

You may be eligible for help from the Taxpayer advocate Service (TAS). 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 yours,



Enclosures:
Publication 892

Maria Hooke
Director, EO Examinations



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

Date:
08/21/2018
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Employee ID:
Telephone number:
Fax:
Address:

Manager's contact information:

Employee ID number:
Telephone number:
Response due date:

CERTIFIED MAIL – Return Receipt Requested

Dear _____ :

Why you're receiving this letter

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,

Brett A. Dietrich

for Maria Hooke
Director, Exempt Organizations Examinations

Enclosures:
Form 886-A
Form 6018

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 December 31, 20XX

Issues

Whether (Organization) continues to qualify for exemption from Federal income tax under Internal Revenue (IRC) section (Sec.) 501(c)(3).

Facts

The Organization's Form 1023- *Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code* was received by the Internal Revenue Service on May 9, 20XX. The Organization stated on Form 1023, it was organized and operated exclusively for charitable and educational purposes. Specifically, the organization will (a) combat juvenile delinquency, (b) instruct and train youth for improving or developing their skills and capabilities and (c) providing relief to the poor, distressed and underprivileged. The Organization received its determination letter dated September 6, 20XX, granting the Organization exempt status under IRC Section 501(c)(3), with an effective date of March 23, 20XX.

According to the Articles of Incorporation and Bylaws, the organization's specific purpose is to provide a summer camp program for abused, neglected and abandoned teens.

Address Information

The Organization's website state the Organization's address is

The Form 990 for the periods ending December 31, 20XX & 20XX show the Organization's address as . Internal Revenue Service internal information confirms the Organization's address as the same stated on the Organization's website and Forms 990.

According to the Secretary of State website, status is suspended as of April 26, 20XX. The Secretary of State website states "Suspended" means, the business entity's powers, rights and privileges which include the right to use the entity's name in , were suspended or forfeited in the .

The Organization was selected for audit to ensure the organization's activities and operations align with its approved exempt status. The Organization failed to respond to the Internal Revenue service attempts to obtain information to perform an audit on Form 990 for period ending December 31, 20XX. The following are the Agent's attempts to contact the Organization.

1. On July 17, 20XX, the Agent mailed Letter 3611 (initial contact letter), Information Document Request and Publication 1 to .
2. On July 26, 20XX the Agent was unable to contact an officer of the Organization, so, the Agent called the management company that prepared the 20XX Form 990 (to obtain officer contact

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information only). The Organization states on its 20XX Form 990, the management company has permission to discuss Form 900. An individual at the management company stated they no longer work with the Organization and did not provide any contact information.

3. On July 26, 20XX, the Agent called the phone number listed on foundation's website and a left a message for Organization's president,

4. On September 27, 20XX, the Agent resent Letter 3611, Information Document Request and Publication 1 by mail to . Additionally, Form 4759-postal tracer was sent to the Postmaster in for verification of the address.

5. On October 5, 20XX, the Agent called the phone number shown on the organization's website and left a message for the Organization's President, . The Agent received a telephone call by an unidentified individual who asked for the Agent's IRS identification number and hung up. The Agent called the number shown on the caller ID; the Agent's call went directly to voicemail. So, the Agent left another voicemail and stated, "I am with the Internal Revenue Service, please give me a call back to discuss the initial contact letter and IDR sent to , I will provide you with the IRS phone number to verify my identification number and employee status". The Agent received no response from the president.

6. On October 10, 20XX, Form 4759-postal tracer (see item 4 above) was returned and confirmed the mail is delivered to the address given. Additionally, the Form 4759-postal tracer provide the boxholder's street address was provided, it is

7. On October 23, 20XX, the Agent called the number on the organization's website and the left another message to discuss an initial interview location, time and information needed.

8. On October 24, 20XX, the Agent mailed Letter 3611, Information Document Request and Publication 1 to the address.

9. On October 29, 20XX, the mail (See item 8) sent to was returned and stated undeliverable, unable to forward and return to sender.

10. On November 8, 20XX, the Agent mailed Letter 3611, Information Document Request and Publication 1, by Certified Mail to and to

11. On November 16, 20XX, a U.S. Postal Services Certified Mail Receipt was returned and signed by confirming receipt and delivery of Letter 3611, Information Document request and Publication 1 to . (see item 10 above)

12. On November 17, 20XX, Letter 3611, Information Document Request and Publication 1 sent to was returned, unable to forward and refused. (see item 10)

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No further communication was made and no information was provided by Organization or its President. The Organization did not provide evidence to support its conducting activities in furtherance of its exempt purpose.

Law

Internal Revenue Code Section (IRC Sec.) 501(c)(3) provides that an organization organized and operated exclusively for charitable or educational purposes is exempt from Federal income tax, provided no part of its net earnings inures to the benefit of any private shareholder or individual.

IRC Sec. 11(a) imposes a tax for each taxable year on the taxable income of every corporation.

IRC Sec. 11(b)(1) provides the amount of the tax imposed by subsection (a), which shall be the sum of:

- IRC Sec. 11(b)(1)(A) 15 percent of so much of the taxable income as does not exceed \$50,000,
- IRC Sec. 11(b)(1)(B) 25 percent of so much of the taxable income as exceeds \$50,000 but does not exceed \$75,000,
- IRC Sec. 11(b)(1)(C) 34 percent of so much of the taxable income as exceeds \$75,000 but does not exceed \$10,000,000, and
- IRC Sec. 11(b)(1)(D) 35 percent of so much of the taxable income as exceeds \$10,000,000.

IRC Sec. 511 imposes a tax at corporate rates under Section 11 on the unrelated business taxable income of certain tax-exempt organizations, including those described in section 501(c)(3).

IRC Sec. 162(a) allows as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including:

- IRC Sec. 162(a)(1) - a reasonable allowance for salaries or other compensation for personal services actually rendered;
- IRC Sec. 162(a)(2) - traveling expenses (including amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances) while away from home in the pursuit of a trade or business; and
- IRC Sec. 162(a)(3) - rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity.

IRC Sec. 6001 provides 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.

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Whenever in the judgment of the Secretary it is necessary, he may require any person, by notice served upon such person or by regulations, to make such returns, render such statements, or keep such records, as the Secretary deems sufficient to show whether or not such person is liable for tax under this title.

IRC Sec. 6020(a) states that if any person shall fail to make a return required by this title or by regulations prescribed thereunder, but shall consent to disclose all information necessary for the preparation thereof, then, and in that case, the Secretary may prepare such return which being signed by such person, may be received by the Secretary as the return of such person.

IRC Sec. 6020(b)(1) states that if any person fails to make any return required by any Internal Revenue law or regulation made thereunder at the time prescribed therefore, or makes, willfully or otherwise, a false or fraudulent return, the Secretary shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise.

IRC Sec. 6020(b)(2) states that any return so made and subscribed by the Secretary shall be prima facie good and sufficient for all legal purposes.

IRC Sec. 6033(a)(1) provides, except as provided in section 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.

Treasury Regulation Section (Regulation Sec.) 1.501(c)(3)-1(a) states 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).

Regulation Sec. 1.501(c)(3)-1(a)(1) states 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.

Regulation Sec. 1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as "operated exclusively" for one or more exempt purposes described in section 501(c)(3) of the Code if more than an insubstantial part of its activities is not in furtherance of a 501(c)(3) purpose. Accordingly, the organization does not qualify for exemption under section 501(c)(3) of the Code.

Regulation Sec. 1.61-1 provides that gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in

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money, property, or services. Income may be realized, therefore, in the form of services, meals, accommodations, stock, or other property, as well as in cash.

Regulation Sec. 1.6001-1(c) provides that such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on unrelated business income of certain exempt organizations, 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 such books and records as are required to substantiate the information required by Section 6033. See IRC Sec. 6033 and Regulation Sec. 1.6033-1 through 1.6033-3.

Regulation Sec. 1.6001-1(e) provides that the books or records required by this section shall be kept at all times available for inspection by authorized Internal Revenue Service officers or employees and shall be retained as long as the contents thereof may be material in the administration of any Internal Revenue law.

Regulation Sec. 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 and Section 6033 of the Code.

Revenue Ruling 59-95, 1959-1 C.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 section 6033 of the Code 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.

Organization's Position

The Organization failed to provide information as requested through correspondence and during a conversation with the President.

Government's Position

The Organization failed to provide information and/ or documentation to support that it is conducting activities in furtherance of its exempt status, which was requested by correspondences. Therefore, exempt status of Organization should be revoked and Form 1120, U.S. Corporation Income Tax Return, should be filed for 20XX and each year thereafter as long as the organization remains subject to Federal income tax. If the proposed revocation becomes final,

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appropriate State officials will be notified of such action in accordance with Section 6104(c) of the Internal Revenue Code.

Conclusion

Since the organization was not operating exclusively for the exempt purpose under IRC Section 501(c)(3), for which it obtained its exempt status, its Federal tax-exempt status under such section should be revoked effective January 1, 20XX. is liable for filing Form 1120 U.S. Corporation Income Tax Return for the tax year ended December 31, 20XX and all years thereafter.