



Department of the Treasury
Internal Revenue Service
Independent Office of Appeals

Date: JUL 09 2025

Form:

Tax periods ended:

Person to contact:

Name:

Employee ID Number:

Phone:

Hours:

Employer ID number:

Release Number: 202540018

Release Date: 10/3/2025

UIL Code: 501.03-00, 501.33-00, 508.01-01

Uniform issue list (UIL):

501.03-00, 501.33-00, 508.01-01

Certified Mail

Dear :

Why you are receiving this letter

This is a final adverse determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3).

We've revoked the favorable determination letter to you dated _____ and you're no longer exempt under IRC Section 501(a) effective _____.

We made the determination for the following reasons:

You have not demonstrated that you are organized and operated exclusively for an exempt purpose as described in I.R.C. § 501(c)(3).

You do not meet the operational test under Treas. Reg. § 1.501(c)(3)-1(c)(1) because your private poker club activities constitute more than an insubstantial part of your activities and do not further an exempt purpose. Further, pursuant to I.R.C. § 502, the fact that some of the profits from your primary activity of operating a private poker club, which constitutes carrying on a trade or business for profit, are allegedly payable to one or more organizations exempt from taxation under I.R.C. § 501, is not a ground for exemption.

Moreover, under Treas. Reg. § 1.501(c)(3)-1(c)(2), 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. Payments to or on behalf of your Executive Director constitute impermissible inurement.

Contributions to your organization are not deductible under IRC Section 170.

What you need to know

After removing identifying information, this letter and the previously sent proposed adverse determination letter will be made available for public inspection under IRC Section 6110.

In a separate mailing to you, we provided Letter 437, Notice of Intention to Disclose. Please review Letter 437 and the attached documents that show our proposed deletions.

What if you disagree

If you disagree with our proposed deletions, follow the instructions in Letter 437.

If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of IRC Section 7428 in either:

United States Tax Court 400 Second Street, NW Washington, DC 20217 ustaxcourt.gov Or eFile by visiting: ustaxcourt.gov/dawson.html	U.S. Court of Federal Claims 717 Madison Place, NW Washington, DC 20439 uscfc.uscourts.gov	U.S. District Court for the District of Columbia 333 Constitution Avenue, NW Washington, DC 20001 dcd.uscourts.gov
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- You must file a petition or complaint within 90 days from the date we mailed this determination letter to you.
- Be sure to include a copy of this letter, any attachments and the applicable filing fee with the petition or complaint.

You can download a fillable petition or complaint form and get information about filing at each court's website listed above.

Note: We won't delay processing income tax returns and assessing any taxes due even if you file a petition for declaratory judgment under IRC Section 7428.

What you need to do in the future

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable.

Find tax forms or publications by visiting IRS.gov/forms or calling 800-TAX-FORM (800-829-3676).

Taxpayer rights and sources for assistance

The Internal Revenue Code (IRC) gives taxpayers specific rights. The Taxpayer Bill of Rights groups these into 10 fundamental rights. See IRC Section 7803(a)(3). IRS employees are responsible for being familiar with and following these rights. For additional information about your taxpayer rights, please see the enclosed Publication 1, Your Rights as a Taxpayer, or visit IRS.gov/taxpayer-bill-of-rights.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that helps taxpayers and protects taxpayers' rights. TAS can offer you help if your tax problem is causing a financial difficulty, you've tried but been unable to resolve your issue with the IRS, or you believe an IRS system, process, or procedure isn't working as it should. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. To learn more, visit TaxpayerAdvocate.IRS.gov or call 877-777-4778.

TAS assistance is not a substitute for established IRS procedures, such as the formal appeals process. TAS cannot reverse a legally correct tax determination, or extend the time fixed by law to file a petition in a United States Court.

Tax professionals who are independent from the IRS may be able to help you.

State bar associations, state or local societies of accountants or enrolled agents, or other nonprofit tax professional organizations may also be able to provide referrals.

If you have questions, contact the person at the top of this letter.

Sincerely,

Michael Faulkender
Acting Commissioner
By

Appeals Team Manager

Enclosures:
Publication 1

cc:



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

Date:
July 20, 2023
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Address:

Manager's contact information:

Name:
ID number:
Telephone:
Response due date:
August 19, 2023

CERTIFIED MAIL – Return Receipt Requested

Dear _____ :

Why you're receiving this letter

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(3).

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.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

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.

Letter 3618 (Rev. 8-2019)
Catalog Number 34809F

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.

For 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,

For: Lynn A. Brinkley
Director, Exempt Organizations
Examinations

Enclosures:
Form 886-A
Form 6018
Form 4621-A
Publication 3498
Publication 892

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
[REDACTED]	[REDACTED]	[REDACTED]

ISSUES:

1. Whether [REDACTED] primary activity of operating a private poker club further their exempt purpose of Charitable, and if they failed the required **operational** test to qualify as an IRC 501(c)(3) organization for years under examination and therefore subject to Revocation.
2. Whether the payments made to the Executive Director credit card and the Executive Director's for-profit businesses from the exempt organizations bank accounts qualify as inurement, therefor the organization is serving a private interest vs a public interest and the operational test is not satisfied, the [REDACTED] is subject to revocation?

FACTS:

The organization [REDACTED] (hereinafter, '[REDACTED]' is exempt from taxation under IRC§ 501(c)(3), with a foundation classification 170(b)(1)(A)(vi). The relevant facts apply. [REDACTED] received tax exempt status effective [REDACTED]. The articles of incorporation were filed with the State of [REDACTED] on [REDACTED]. The purpose for which this Corporation is organized exclusively for charitable, religious and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations describe under section 501(c)(3) of the IRC. The 1023 application stated the activities of [REDACTED] will be fundraising and enterprise activities for the purpose of generating revenue in order to directly support and enrich other charitable organizations with a focus on children through gaming (raffles, golf tournaments, Fireworks sales, Poker Tournaments and food & toy drives).

The [REDACTED] Secretary of State Charities Division sent in a referral stating Directors/Officers/Persons are using income/assets for personal gain, organization is engaged in commercial, for-profit business activities. The [REDACTED] was operating an illegal poker room in [REDACTED] that was paying out cash for winnings, which is violation of [REDACTED] law. The executive director of [REDACTED] was transferring the exempt organizations funds to [REDACTED] a for-profit business owned and operated by [REDACTED]. On [REDACTED] the [REDACTED] Police arrested [REDACTED] on felony count of commercial gambling and a misdemeanor count of keeping a gambling place.

The [REDACTED] was selected for field examination for year ending [REDACTED], on [REDACTED]. During the exit conference of the field examination on [REDACTED] the audit was expanded to subsequent years for year ending [REDACTED] and year ending [REDACTED].

Form **886-A**
(May 2017)

Department of the Treasury - Internal Revenue Service

Explanations of Items

Schedule number
or exhibit

Name of taxpayer

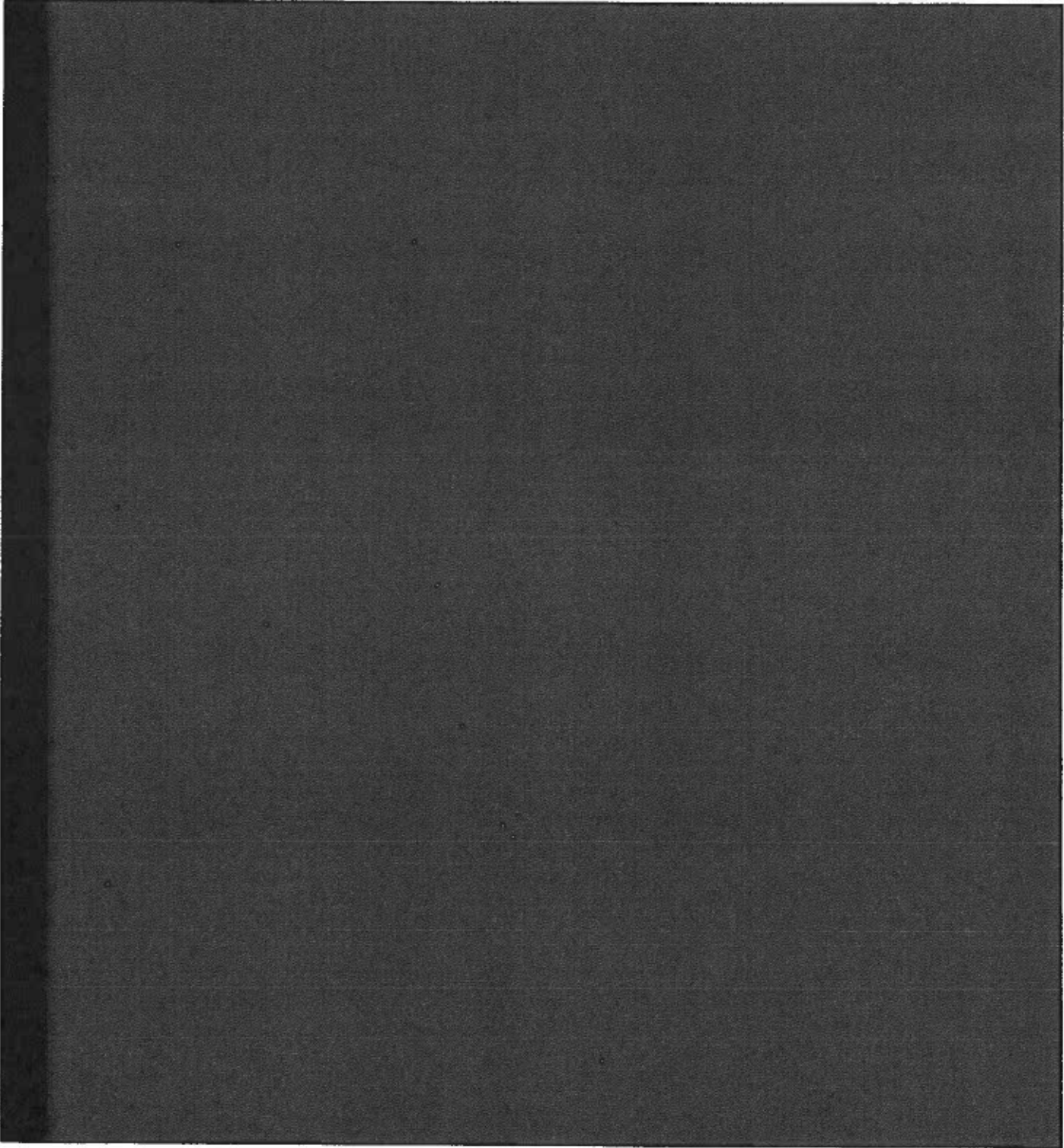
Tax Identification Number (last 4 digits)

Year/Period ended

[REDACTED]

[REDACTED]

[REDACTED]



Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer [REDACTED]	Tax Identification Number (last 4 digits) [REDACTED]	Year/Period ended [REDACTED]

Initial interview with [REDACTED] on [REDACTED] with Executive Director [REDACTED]:

Question- Give a brief history of the organization

Answer- Started [REDACTED] years ago as bargain promotions, started [REDACTED] in [REDACTED] to provide good paying jobs and shed a good light on poker, had raffle licenses and was having poker and casino nights all over the state of [REDACTED]. In [REDACTED] the organization opened up its own poker room for its membership. [REDACTED] started giving money to for profit business, wellness center and under water [REDACTED] in [REDACTED]

Question- Do you have a written mission statement that spells out your exempt purpose?

Answer- Teach other charities and individuals how to make money.

Question- Does the organization document their board meetings?

Answer- No documentation of board meetings.

Question- Does control of the organization rest in a single or a select few individuals?

Answer-Single

Question-What are the primary activities of the organization which accomplish its purpose?

Answer-Charity tournaments open to nonmembers and all other poker events were just for members who had signed contracts.

Question- What type of gaming did the organization conduct?

Answer Poker (live game room & sit in Go), Casino nights (craps, roulette, blackjack)

Question-Who was the gaming manger and gaming employees?

Answer-Had a general manger, security, dealers, had four floor mangers, chip runners and had someone working in the cage. All workers were paid.

Question- What were the procedures for prize payouts?

Answer- Tournaments paid winners by check.

Question- Were there any restrictions (if any) on who may purchase and participate?

Answer- yes, 21 years age and a member, private club.

Question- Was there a maximum size of the prizes for the winners.





Answer- 4k on daily games and weeklong tournaments 30k.

Question- How many days a year does the gaming facility operate?

Answer- seven days a week normally.

Question- What are the hours of operation?

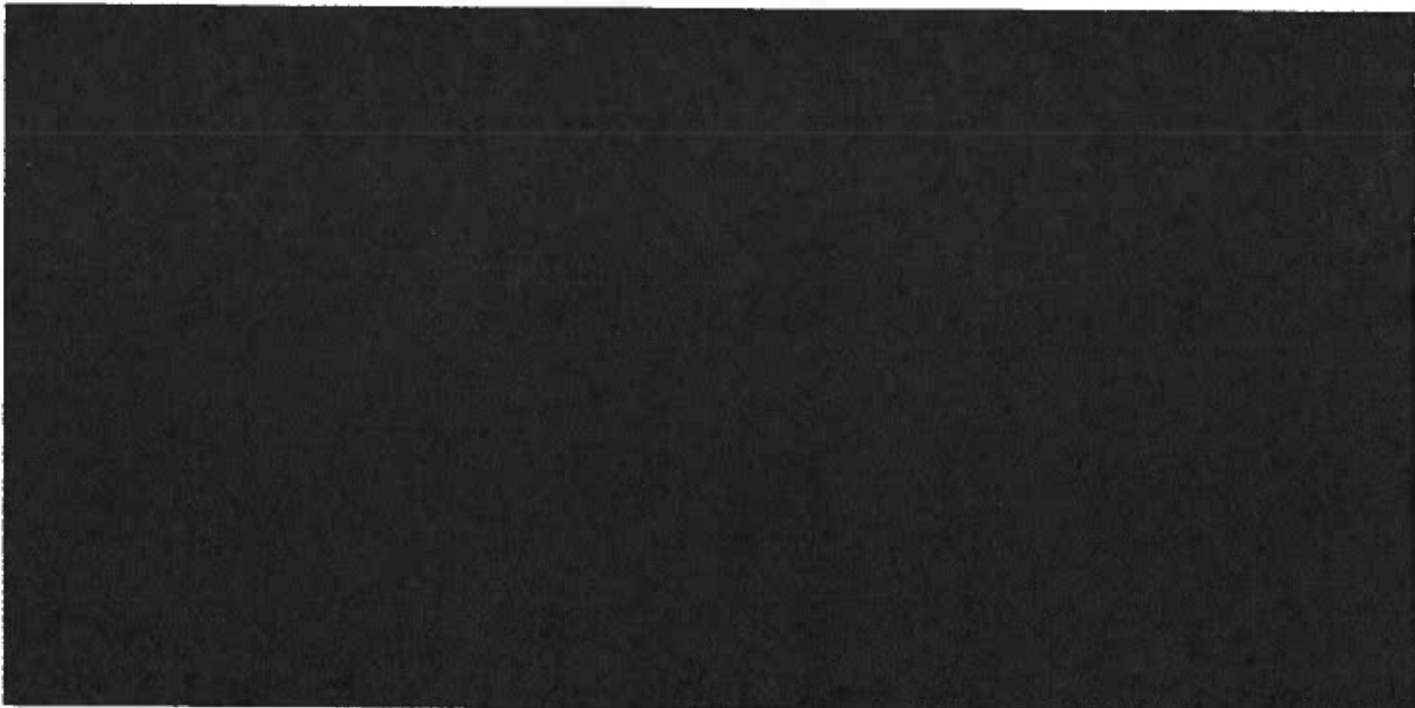
Answer-2 pm to midnight during week and weekend 2 pm to 1 or 2 am.

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  

Membership application provided during field examination on

Below are images of the membership application, the full application will be Exhibit one at end of this report.

- private club
- social charity club for people with like interest in Poker
- its commitment to being the best poker league in the State
- its commitment to creating a team and community of players who build relationships, win prizes and having fun.
- Different memberships and the different benefits certain members get.
-



Form **886-A**
(May 2017)

Department of the Treasury – Internal Revenue Service

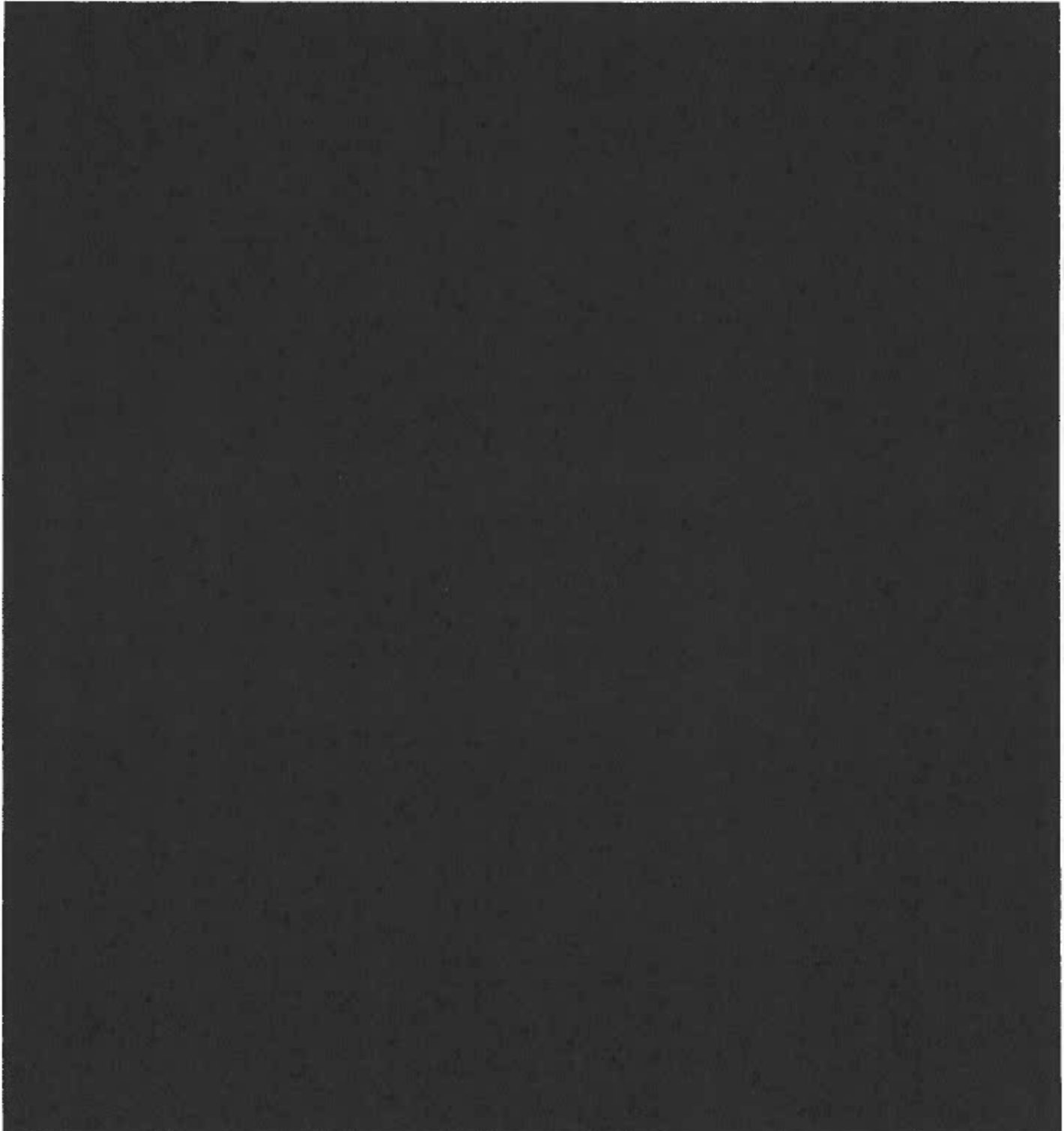
Explanations of Items

Schedule number
or exhibit

Name of taxpayer

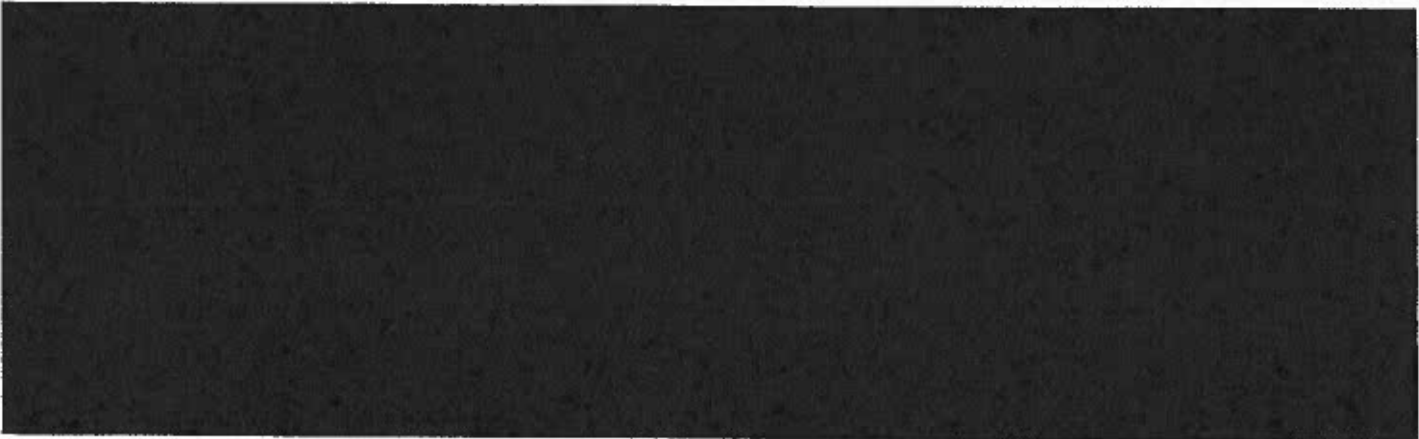
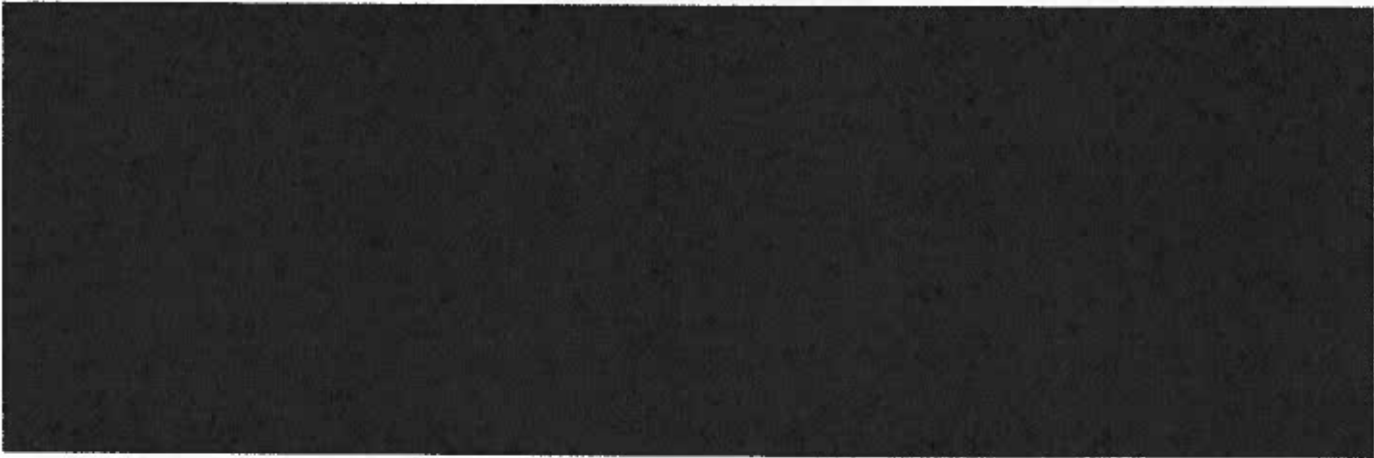
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Year/Period ended



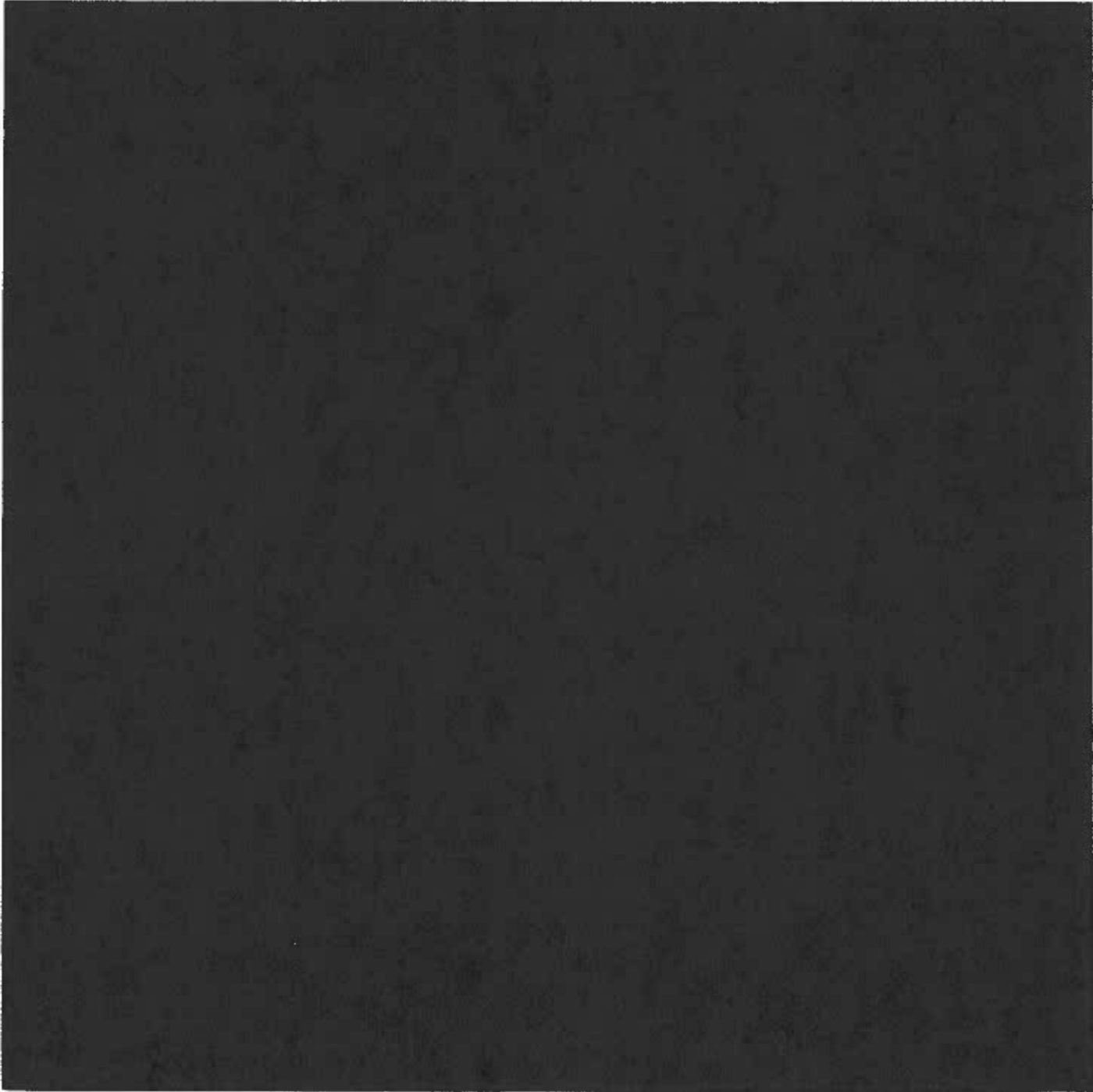
Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer [REDACTED]	Tax Identification Number (last 4 digits) [REDACTED]	Year/Period ended [REDACTED]

Below are images of some of [REDACTED] Credit Card transaction paid by the organization for year ending [REDACTED]:



Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer [REDACTED]	Tax Identification Number (last 4 digits) [REDACTED]	Year/Period ended [REDACTED]

Below are images of some of [REDACTED] Credit Card transactions
for year ending [REDACTED]:



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

LAW:

Treas. Reg. 1.501(c)(3)-1(a)(1): IRC 501(c)(3) requires an organization to be both “organized” and “operated” exclusively for one or more IRC 501(c)(3) purposes. If the organization fails either the organizational test or the operational test, it isn’t exempt.

Section 1.501(c)(3)-1(a) of the Income Tax Regulations (Treas. Reg.) provides that in order to be exempt as an organization described in IRC § 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.

Treas. Reg. § 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 IRC § 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.

Treas. Reg. § 1.501(c)(3)-1(c)(2) provides that the operational test is not satisfied where any part of the organization’s earnings inure to the benefit of private shareholders or individuals, and where the organization serves a private rather than a public interest.

The operational test focuses on the purpose and not on the nature of the activity. A substantial non-exempt purpose will disqualify an organization from tax exemption despite the number or the importance of its exempt purposes. Better Business Bureau v. United States, 326 U.S. 279 (1945).

Treas. Reg. 1.501(c)(3)-1(d)(2) provides that the term “charitable” is used in IRC 501(c)(3) in its generally accepted legal sense. To emphasize that this does not mean simply relief of poverty, the regulation lists the following examples of purposes which are charitable in the legal sense:

1. Relief of the poor and distressed or of the underprivileged,
2. Advancement of religion; advancement of education or science,
3. Erection or maintenance of public buildings, monuments or works,
4. Lessening the burdens of government and
5. Promotion of social welfare by organizations designed to accomplish any of the above purposes or
 - to lessen neighborhood tensions,
 - to eliminate prejudice and discrimination,
 - to defend human and civil rights secured by law or
 - to combat community deterioration and juvenile delinquency.

Treas. Reg. 1.501(c)(3)-1(d)(1)(ii): To operate exclusively for exempt purposes, an organization must serve a public rather than a private interest. Consequently, an organization that operates for the benefit of private interests such as the creator or the creator’s family does not operate exclusively for exempt purposes.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer [REDACTED]	Tax Identification Number (last 4 digits) [REDACTED]	Year/Period ended [REDACTED]

Treas. Reg. Section 1.501(c)(3)-1(e)(1) provides that an organization may meet the requirements of Section 501(c)(3) even though it operates a trade or business as a substantial part of its activities, unless its primary purpose is carrying on of a trade or business that does not further charitable purposes.

All charitable trusts (and by implication all charitable organizations, regardless of form) are subject to the requirement their purposes not be illegal or contrary to public policy. Rev. Rul. 71-447, 1971-2 C.B. 230.

Piety, Inc., 82 T.C. 193 An organization whose sole activity is the operation of bingo games that intends to contribute its profits to exempt organizations may not qualify for exemption on the ground that it will donate its profits to exempt organization.

Variety Club Tent No. 6 Charities, Inc., T.C. Memo. 1997-575 The organization conducted bingo in which inurement was present. The organization "operated in a manner materially different from that originally represented." The organization was revoked retroactively.

B.S.W. Group, Inc. v. Commissioner, 70 T.C. 352 (1978).

If an activity serves a substantial nonexempt purpose, however, the organization does not qualify for exemption even if the activity also furthers an exempt purpose. See Schoger Foundation v. Commissioner, 76 T.C. 380 (1981).

Est. of Hawaii v. Commissioner, 71 T.C. 1067 (1979) where the court found that the organization was set up to subsidize for-profit corporations.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer [REDACTED]	Tax Identification Number (last 4 digits) [REDACTED]	Year/Period ended [REDACTED]

Issue 2:

Whether the payments made to the Executive Director credit card and the Executive Director's for-profit businesses from the exempt organizations bank accounts qualify as inurement, therefor the organization is serving a private interest vs a public interest and the operational test is not satisfied, the [REDACTED] is subject to revocation?

During the initial interview conducted with the Executive Director [REDACTED] on [REDACTED], while providing a brief history of the organization stated [REDACTED] started giving money to for profit business, wellness center and under water scuba academy in [REDACTED]. During the review of the personal credit card statements of the Executive Director and the bank statements of [REDACTED] reflected payments to the Credit card for personal expenses of the Executive director. The personal expenses included multiple airplanes tickets to [REDACTED] which included tickets for his family and the CFO that was stated on the 1023 application [REDACTED]. Multiple personal expenses were paid by the organization for the private benefit of the Executive Director [REDACTED]. Per Treas. Reg. § 1.501(c)(3)-1(c)(2) provides that the operational test is not satisfied where any part of the organization's earnings inure to the benefit of private shareholders or individuals, and where the organization serves a private rather than a public interest. During the initial interview [REDACTED] stated the control of the organization rest in a single person, All these transactions qualify as inurement, based on [REDACTED] position with [REDACTED]. As a 501(c)(3) organization no amount of inurement is allowed. Based on these transactions the operational test is not satisfied, [REDACTED] is serving a private benefit vs a public benefit and is subject to revocation of its exempt status.

TAXPAYER POSITION:

During the initial interview the Executive director stated that "gaming (poker Tournaments) was on the 1023 application for exemption, and it was approved."

During the Exit conference the Executive director stated, "that the Travel and hotel stays were for people in need and considered donations of being charitable."

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer [REDACTED]	Tax Identification Number (last 4 digits) [REDACTED]	Year/Period ended [REDACTED]

CONCLUSION:

Issue 1:

Whether [REDACTED] primary activity of operating a private poker club further their exempt purpose of Charitable, and if they failed the required operational test to qualify as an IRC 501(c)(3) organization for years under examination and therefore subject to Revocation.

Per Treas. Reg. 1.501(c)(3)-1(a)(1): IRC 501(c)(3) requires an organization to be both "organized" and "operated" exclusively for one or more IRC 501(c)(3) purposes. If the organization fails either the organizational test or the operational test, it isn't exempt. Any 501(c)(3) organization whose primary activity is gaming doesn't further its exempt purpose. [REDACTED] primary activity of operating a private poker club (gaming) doesn't further any exempt purpose of an 501(c)(3) organization and therefore it failed the required operational test and its exemption as a 501(c)(3) should be revoked.

Issue 2:

Whether the payments made to the Executive Director credit card and the Executive Director's for-profit businesses from the exempt organizations bank accounts qualify as inurement, therefor the organization is serving a private interest vs a public interest and the operational test is not satisfied, the [REDACTED] is subject to revocation?

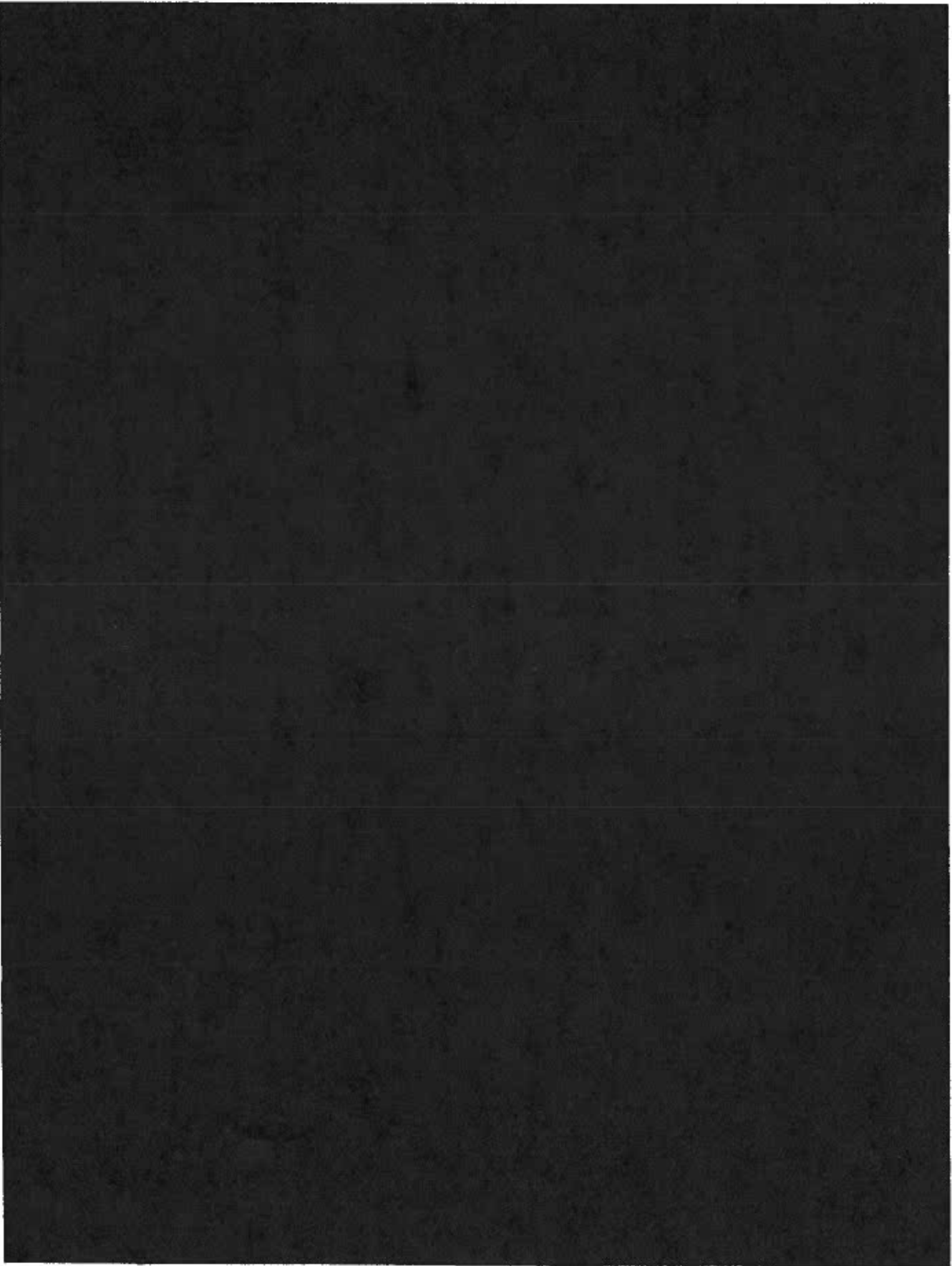
Per Treas. Reg. § 1.501(c)(3)-1(c)(2) provides that the operational test is not satisfied where any part of the organization's earnings inure to the benefit of private shareholders or individuals. No amount of inurement is allowed with a 501(c)(3) organization. The Executive Director of [REDACTED] used the organizations assets to pay his personal expenses on [REDACTED] credit card and also used assets to fund his for-profit businesses in [REDACTED]. Therefore, [REDACTED] was serving a private interest vs a public interest and no longer satisfied the operational test and is subject to revocation of Exempt status.

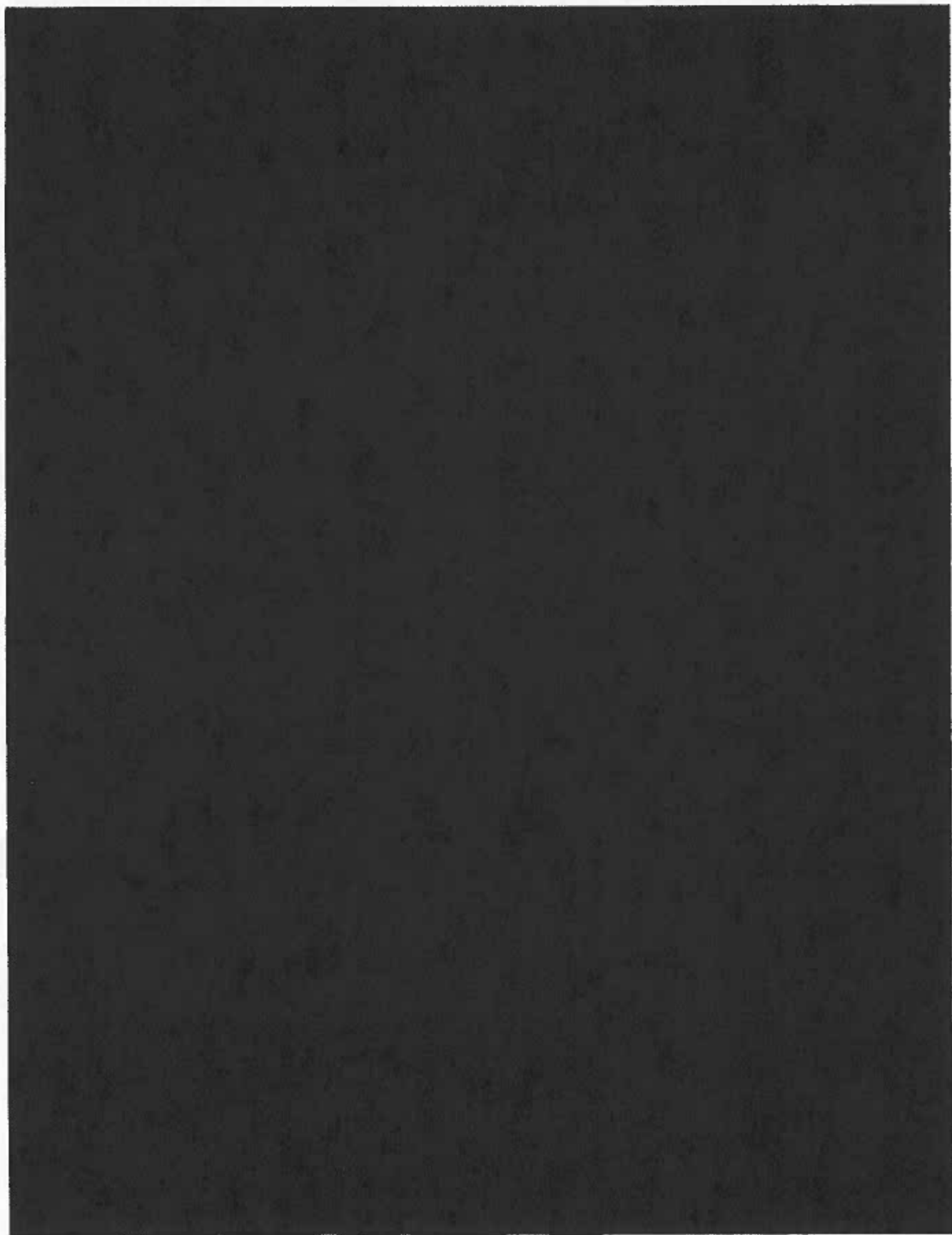
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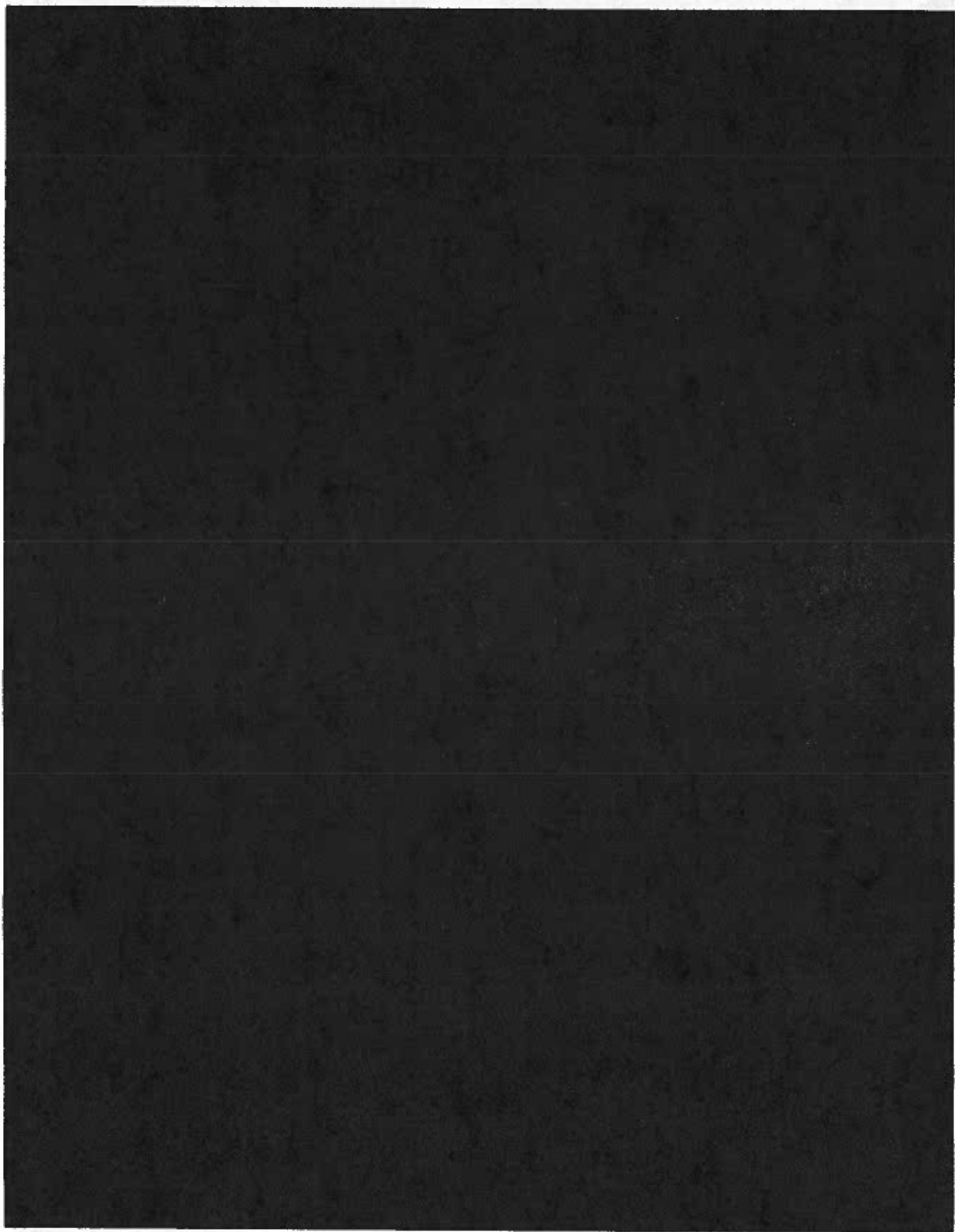
If [REDACTED] agrees with report, please sign [REDACTED] [REDACTED] and return to Agent.

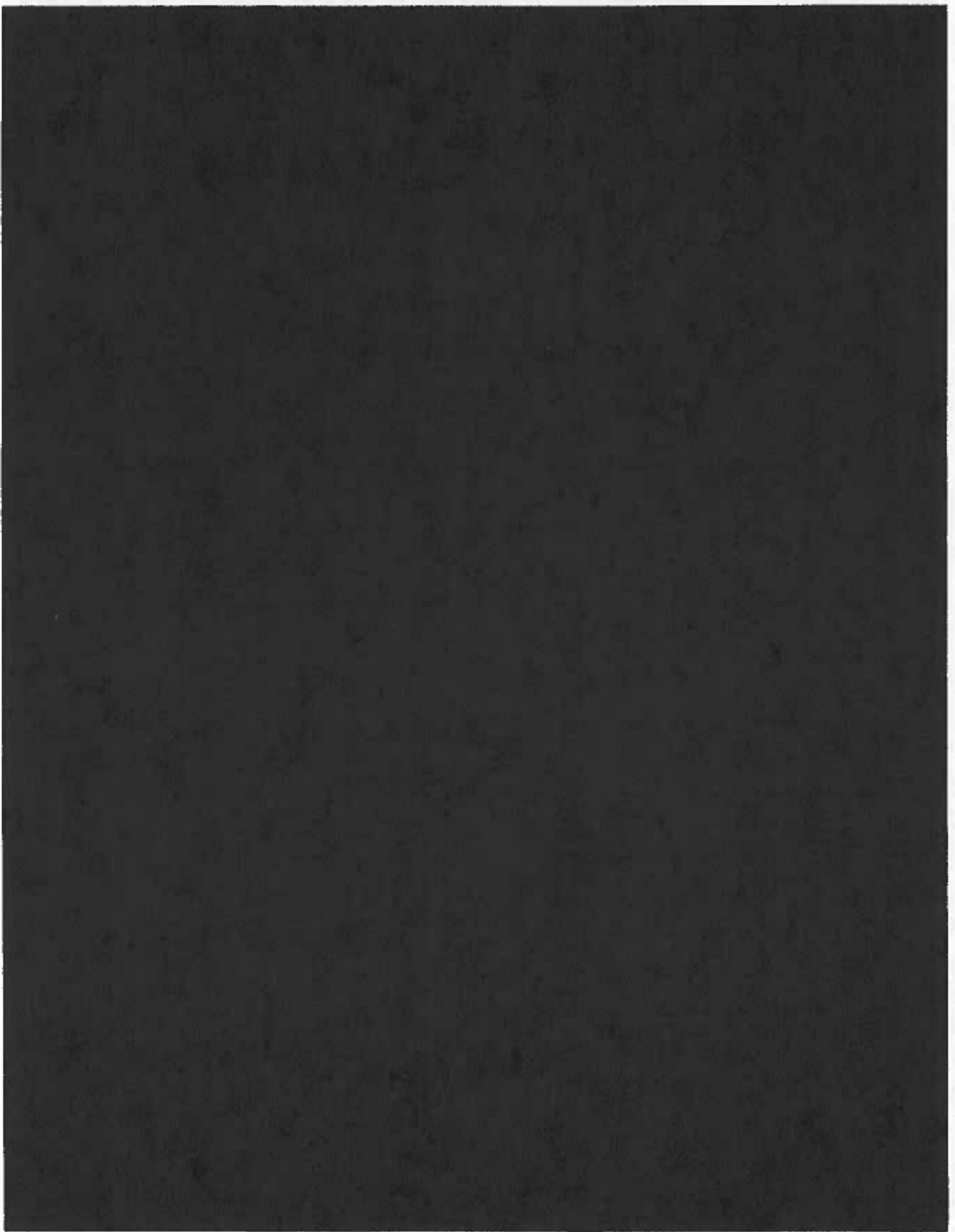
[REDACTED] Tax Returns will be due for years under examination if revocation is upheld.

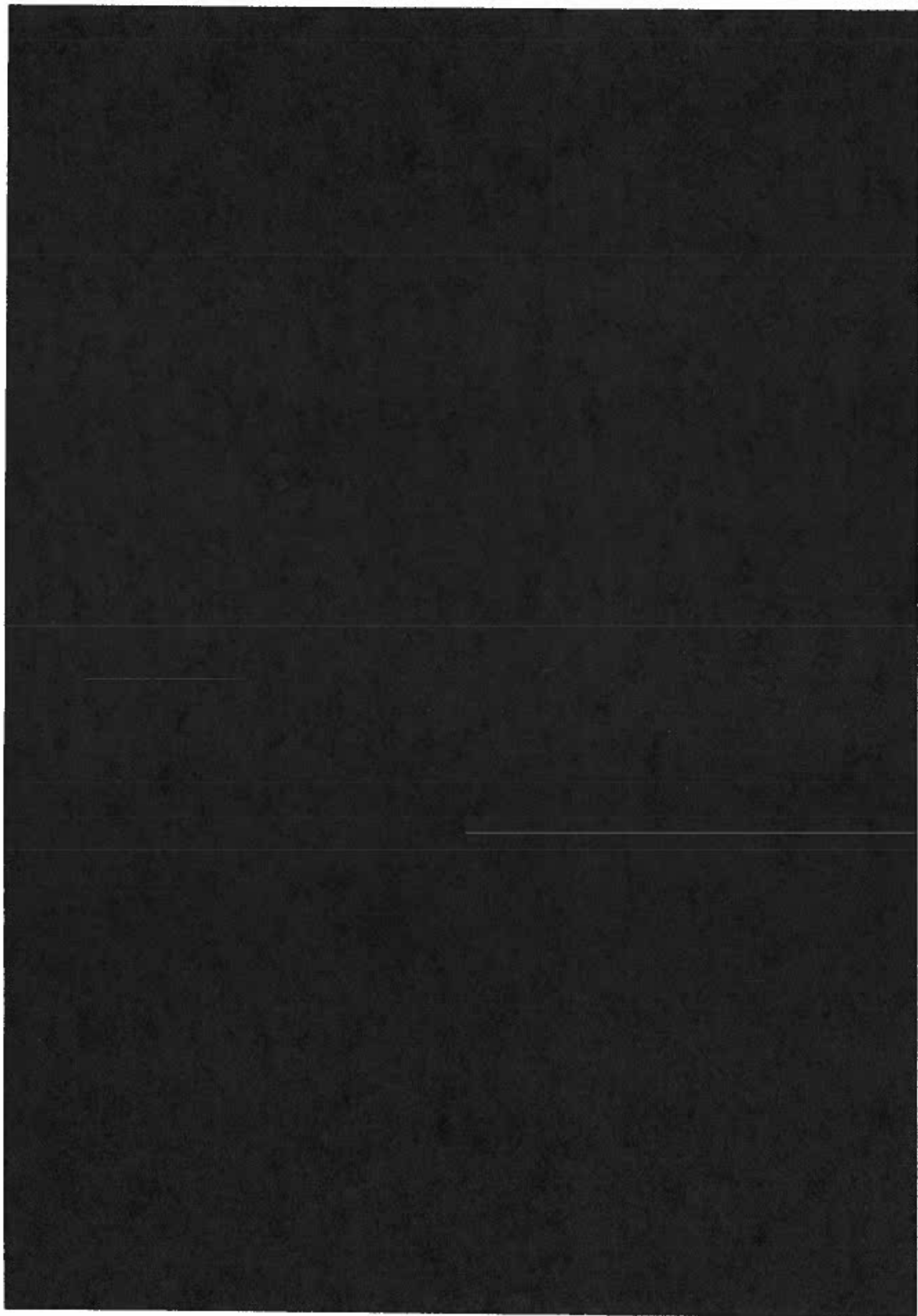
EXHIBIT ONE











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