Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
IRS
[redacted]

[redacted]

Release Number: 202547023
Release Date: 11/21/2025
UIL Code: 501.03-00

Date:
August 27, 2025
Taxpayer ID number (last 4 digits):
[redacted]
Form:
[redacted]
Tax periods ended:
[redacted]
Person to contact:
Name: [redacted]
ID number: [redacted]
Telephone: [redacted]
Fax: [redacted]
Last day to file petition with United States Tax Court:
[redacted]

CERTIFIED MAIL - Return Receipt Requested

Dear [redacted]:

Why we are sending you this letter

This is a final 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), effective [redacted]. Your determination letter dated [redacted], is revoked.

Our adverse determination as to your exempt status was made for the following reasons: You have not demonstrated that you are operated exclusively for exempt purposes within the meaning of section 501(c)(3). Over multiple years you have allowed one or more officers to derive private benefit. Federal tax law mandates that exempt organizations be organized and operated exclusively for purposes described in Internal Revenue Code Section 501(c)(3). Additionally, organizations are strictly prohibited from allowing earnings and/or assets to benefit private individuals.

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit **IRS.gov**.

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

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

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at **ustaxcourt.gov/dawson.html**. You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

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

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439
uscfc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS or if you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Visit **TaxpayerAdvocate.IRS.gov/contact-us** or call 877-777-4778 (TTY/TDD 800-829-4059) to find the location and phone number of your local advocate. Learn more about TAS and your rights under the Taxpayer Bill of Rights at **TaxpayerAdvocate.IRS.gov**. Do not send your Tax Court petition to TAS. Use the Tax Court address provided earlier in the letter. Contacting TAS does not extend the time to file a petition.

Where you can find more information
Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

Find tax forms or publications by visiting **IRS.gov/forms** or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,

[redacted]

Lynn A. Brinkley
Director, Exempt Organizations Examinations

Enclosures:
Publication 1
Publication 594
Publication 892

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

[redacted]

Date:
[redacted]
Taxpayer ID number:
[redacted]
Form:
[redacted]
Tax periods ended:
[redacted]
Person to contact:
Name: [redacted]
ID number: [redacted]
Telephone: [redacted]
Fax: [redacted]
Address: [redacted]
Manager's contact information:
Name: [redacted]
ID number: [redacted]
Telephone: [redacted]
Response due date:
[redacted]

CERTIFIED MAIL – Return Receipt Requested

Dear [redacted]:

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.

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.

   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,

[redacted]

Lynn A Brinkley
Director, Exempt Organizations Examinations

Enclosures:
Form 886-A
Form 886-A, Addendum 1-3
Publication 892
Publication 3498
Publication 01
Form 6018 Form 4621-A

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:

Does the [redacted] continue to qualify as an organization exempt from Federal income tax under Section 501(c)(3) the Internal Revenue Code (IRC) with regard to the following compliance issues?

1. Is the [redacted] operated exclusively for one or more exempt purposes specified in section 501(c)(3)?

2. Did the Organization's earnings inure to the benefit of insiders?

FACTS:

[redacted] (hereinafter referred to as "the organization") was incorporated in the state of [redacted] as a nonprofit corporation on [redacted]. The organization is a [redacted] founded by [redacted].

The Organization was granted tax-exempt status under IRC section 501(c)(3) and 170(b)(1)(A)(ii) with an effective date of [redacted].

The Organization's articles of incorporation states, its organized and operated exclusively for educational and charitable purposes within the meaning of Internal Revenue Code Section 501(c)(3) and that if is not organized and shall not be operated for the private gain of any person.

The Organization's application for exemption, Form 1023, describes the following activities they planned to accomplish in furtherance of its exempt purposes.

1. Provide educational services from [redacted] enrolled at [redacted].

2. Will Seek personal solicitation to raise money to fund the purchase of a facility for the [redacted].

3. Offers enrichment activities, like [redacted] and [redacted] activities like [redacted] and [redacted].

The Organization's [redacted] operations were transferred to [redacted] on [redacted], a for-profit limited liability corporation owned and operated by [redacted]. (See Addendum 1 pg. 3)

The Organization did not engage in activities in furtherance of its exempt purpose in the tax years ending [redacted], through [redacted].

The organization has not filed a tax return for the tax period ending [redacted], due on [redacted], prior to issuance of this report.

As per the Organization's response to Information Document Request #3, The [redacted] operated by the [redacted], formally the [redacted] operated by the Organization, closed [redacted] and the Organization planned to terminate on [redacted]. (See Addendum 2 pg. 6)

The funds received in the tax periods ending [redacted], to [redacted], which included contributions received, [redacted] payments and employment tax refunds were transferred to [redacted] via check and bank transfer disbursements. (See Addendum 2 pg. 6)

LAW:

Internal Revenue Code section 501(c)(3) provides for the exemption from Federal income tax of corporations organized and operated exclusively for religious, charitable, literary, scientific, and educational purposes; no part of the net earnings of which inures to any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides to be exempt as an organization described 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Treasury Regulation Section 1.501(c)(3)-1(c)(1) states, 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 section 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.

Treasury Regulation Section 1.501(c)(3)-1(d)(i) states, an organization may be exempt as an organization described in section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes:

(a) Religious,
(b) Charitable,
(c) Scientific,
(d) Testing for public safety,
(e) Literary,
(f) Educational, or
(g) Prevention of cruelty to children or animals.

Treasury Regulation Section 1.501(c)(3)-1(d)(1)(ii) which holds, an organization is not organized or operated exclusively for one or more of the purposes specified in subdivision (i) of this subparagraph unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, 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.

Treasury Regulation Section 1.503(c)(3)-1(c)(2) states 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.

Treasury Regulation Section 1.501(a)-1(c) defines a private shareholder or individual as those persons having a personal and private interest in the activities of an organization.

In Community Education Foundation v. Commissioner, T.C. Memo 2016-223, it was determined that petitioner, Community Education Foundation, no longer qualified for exemption from Federal income tax under section 501(a) because it did not meet the operational test requirements for a section 501(c)(3) organization. Specifically, the organization in that case over time did not meaningfully organize or allocate resources to any of its activities. Community Education Foundation admitted to a significant period of inactivity and failed to demonstrate that it engaged in activities furthering exempt purposes described in section 501(c)(3).

TAXPAYER'S POSITION:

The Taxpayer's position is unknown at this time.

GOVERNMENTS'S POSITION:

Operating exclusively for one or more exempt purposes specified in section 501(c)(3).

The organization has failed to show that they meet the operational test for an IRC section 501(c)(3) organization form [redacted], through [redacted].

To meet the operational test, they must show that they engage primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3).

As of [redacted], the Organization's [redacted] operations were taken over by the [redacted], a for-profit corporation in the state of [redacted], indicating the Organization no longer engages in the operation of a [redacted] in furtherance of a charitable exempt purpose.

The Organization has provided no evidence it engaged in activities in furtherance of any other exempt charitable purpose from [redacted], to [redacted].

As per the Organization's response to Information Document Request #3.d, the Organization planned to discontinue and no longer be a registered corporation effective [redacted]. (See Addendum 2 pg. 3)

As of the issuance of this report the Organization has not filed a tax return for the tax period ending [redacted].

Therefore, in the absence of any evidence in support of the Organization's exempt purpose activities and current operations, it is the government's position that the organization's IRC Section 501(c)(3) tax exemption should be revoked as it is no longer organized or operated for exclusively charitable, educational, or religious purposes within the meaning of IRC section 501(c)(3).

Inurement to the benefit of the founders.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations states, an organization is not organized or operated exclusively for one or more of the purposes specified in subdivision (i) of this subparagraph unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, 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.

[redacted] registered the organization as a Non-Profit Corporation in the State of [redacted] on [redacted]. The Articles of Incorporation identify [redacted] and [redacted] as incorporators and officers of the Organization. (See Addendum 3)

As per State of [redacted] filings [redacted] "(hereinafter referred to as L.L.C.), registered with the state on [redacted]. (See Addendum 1)

The Organization's [redacted] activities was its primary source of revenue and its only activity in furtherance of a charitable exempt purpose in prior tax years. The Organization would receive [redacted] and donations and used it to support its [redacted] operations. On [redacted], the Organization's [redacted] operations was transferred to the L.L.C. owned and operated by [redacted] and [redacted], the former officers, and founders of the Organization. The Organization did not receive any consideration for the transfer of its primary income producing exempt activity. Substantially all [redacted] payments, charitable contributions and employment tax refunds received from [redacted], through [redacted], by the Organization, were turned over to the L.L.C. (See Addendum 2 pg. 3 and Summarized on the table below) Also, the organization made expense and tax payments on behalf of the L.L.C. (Summarized on the table below) The takeover of the Organization's [redacted] operations to the L.L.C, a for-profit business owned and operated by the Organization's founders for no consideration in return results in the Organization's assets inuring to the benefit of individuals as defined in Treasury Regulation Section 1.503(c)(3)-1(c)(2).

Disbursements made to the L.L.C. or on its behalf.					
Tax period	Total Direct Payment to L.L.C.	Total Payments made on L.L.C. behalf	Total Payments made to or on behalf of L.L.C.	Total Payments	% of Payments paid to or on behalf of L.L.C.
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

For inurement to exist, an "insider" must receive financial gain because of their position within the exempt organization. Insiders include board members, officers, and founders. The Organization's net earnings have inured to the benefit of its founder's for-profit L.L.C, therefore to the founders themselves, [redacted], and [redacted]. This violates section 1.501(c)(3)-1(c)(2) of the Treasury Regulations and warrants revocation of organization's tax exempt status under IRC section 501(c)(3).

CONCLUSION:

Organizations described In IRC Section 501(c)(3) and exempt under Section 501(a) must be both organized and operated exclusively for exempt purposes. [redacted] has not demonstrated that it is operated exclusively for charitable, educational, or other exempt purposes within the meaning of Section 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.

[redacted] has not established that it is operating exclusively for an exempt purpose due to an extended period of inactivity as indicated by the transfer of its [redacted] operations to a for-profit L.L.C, an extended period of inactivity as indicated by turning over revenues and contributions received to the for-profit L.L.C, and a lack of evidence in support of charitable exempt purpose activity.

[redacted] has not established that the transferred funds, such as [redacted] payments, charitable contributions and employment tax refunds received were disbursements that do not inure to the benefit of insiders, because it has not provided substantiation to support that the payments to [redacted] were related to the organization's exempt purpose.

As such, [redacted] has failed to meet the requirements of IRC Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(a), because it has not established that it is operating exclusively for exempt purposes and that no part of the earnings inured to the benefit of private shareholders or individuals. Therefore, the proposed revocation of the organization's exempt statutes is effective [redacted].

Form 1120, U.S. Corporation Income Tax Return, should be filed for [redacted], and each year thereafter as long as the organization remains subject to federal income tax. If the proposed revocation becomes final, appropriate state officials will be notified of such action in accordance with Section 6104(c) of the Internal Revenue Code.