



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



Release Number: 202550043
Release Date: 12/12/2025
UIL Code: 501.03-00

Date:
07/30/2025
Taxpayer ID number (last 4 digits):
[REDACTED]
Form:
[REDACTED]
T
[REDACTED]
Person to contact:
Name: [REDACTED]
ID number: [REDACTED]
Telephone: [REDACTED]
Fax: [REDACTED]
Last day to file petition with United States
Tax Court:
10/28/2025

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: Organizations described in Section 501(c)(3) of the Internal Revenue Code and exempt under Section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to demonstrate that you have engaged in any activity to accomplish an exempt purpose, so you have failed to establish that you operate exclusively for exempt purposes. Thus, you did not meet exemption requirements under IRC Sec. 501(c)(3).

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,

A large black rectangular redaction box covers the signature area. To its right, a smaller black rectangular redaction box covers the typed name and title area.

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



Date:



Taxpayer ID number:



Form:

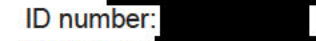


Tax periods ended:

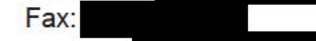


Person to contact:

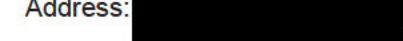
Name:



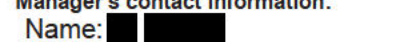
ID number:



Telephone:



Fax:



Address:



Manager's contact information:

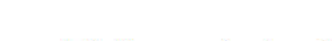
Name:



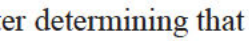
ID number:



Telephone:



Response due date:



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 IRC 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,



for Lynn A. Brinkley

Director, Exempt Organizations Examination

Enclosures:

Form 886-A

Form 6018

Form 4621

Pub 1

Pub 3498

Pub 898

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 [REDACTED]

ISSUES:

- 1) Does [REDACTED] (the Foundation) conduct activities that satisfy the operational test requirement for the purposes of exemption under § 501 (c)(3) of the Internal Revenue Code ("Code")?
- 2) Should the taxpayer continue to be recognized as tax exempt under § 501(a) of the Code as an organization described in § 501 (c)(3)?

FACTS:

The [REDACTED] hereinafter referred to as the Foundation, was incorporated under the laws of the state of [REDACTED] as a nonprofit corporation. In a determination letter dated [REDACTED], it was held to be exempt from federal income tax as an organization described in Code § 501 (c)(3) and classified as a public charity described in Code § 509(a)(3).

On [REDACTED], Letter 6031 was mailed to the Foundation and notified of examination of Form [REDACTED] for the year ending [REDACTED]

The Foundation declared on their Form [REDACTED] for the year ending [REDACTED], Schedule A, Part V Type III Non-Functionally Integrated 509(c)(3) Supporting Organization reports a Distributable Amount of [REDACTED] for the period ending [REDACTED]. The Schedule A for the period ending [REDACTED], did not contain a computation for the required distributable amount. During the years under examination, the Foundation did not make any distributions to any organization.

The Foundation failed to submit their annual written notice (supporting transaction report as well as [REDACTED] and governing documents) to each supported organization. Type III-Non-Functionally Integrated (NFI) Supporting Organization (SO) failed to distribute at least one-third of its distributable amount each tax year, as required.

On [REDACTED], the Foundation POA responded to Information Document Request Form 4564 as follows:

Item 1 - 1. Copy of Form 1023 Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code and Schedule D from the Form 1023 application packet must also be submitted along with all supplemental information.

- A. We cannot locate and never had access to the Form 1023 Application for Recognition of Exemption Under Section 501(c)(3). All application documents were prepared by the law firm [REDACTED]. We at no time had any correspondence with this firm.

Item 3 - 3. Names of the primary contributors. –

- A. [REDACTED] -it is my understanding that there has only been one contributor – making an initial contribution of [REDACTED] on [REDACTED]. Some earnings followed. Within a couple of years, [REDACTED] was loaned to an entity called [REDACTED]. It is my recollection that this loan had a variable interest rate; and in the early years, interest was paid regularly. I cannot locate any written note agreement related to this loan.

Item 4 – Please provide a list of your activities and beneficiaries.

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.

- A. The Foundation bank account has had no activity and has been dormant for at least the last years. The only bank activity in those years was payments to our firm for preparation of the annual tax returns. I have enclosed a copy of the bank statement dated [REDACTED], to illustrate the current balance in the account.

Item 5 - Please provide the names of all officers or trustees and their relationship to the organization and their relationship to each other.

- A. The original Trustee resigned years ago -- that was the [REDACTED], the person who assisted with the establishment of the organization. Since his resignation, [REDACTED] has served as Trustee.

Item 6 - Please describe the relationship the organization has with its supported organization, include the activities that directly further the exempt purpose of the supported organization(s) or payments, such as grants, to or for the use of the supported organization.

- A. I believe the supported organization was originally the [REDACTED]. There is no relationship between the [REDACTED] and this entity.

Item 7 – Please provide copies of the annual notification requirement to the supported organization and, please describe how the supported organization has a significant voice in how the supporting organization manages and uses its assets.

- A. To my knowledge, none of these items exist.

Item 8 -As noted above, I am not aware of any formal written note backing up the note(s) receivable.

Item 9 - Please provide copies of minutes of board of directors' meetings for the year ending [REDACTED]

- A. No minutes exist.

Item 10 - Please provide list of charts of account's, general ledger, trail balance, adjusted trail balance, income statement and balance sheet.

- A. None of these items have been updated for a number of years. If created, the assets would include the bank account, the Note Receivable from [REDACTED], and that would be it. No liabilities exist.

Item 11 - Please provide all bank statements with canceled checks (front and back) and bank account reconciliation for each activity from [REDACTED], thru [REDACTED].

- A. As noted previously, there has been no activity in the bank account for these years other than the payments to our firm for the preparation of the annual tax returns.

As stated by the Foundation POA, this entity has not been a functioning entity for many years. And the best answer for all parties would be to terminate and end this entity.

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

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

Code § 509(a)(3) includes in the definition of an organization described under § 501 (c)(3) an organization which is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations described in paragraph (1) or (2), operated in connection with one or more such organizations, and is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more organizations described in paragraph (1) or (2).

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 Code § 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 Code § 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. § 1.509(a)-4(b)(1) provides that in order to qualify as a supporting organization, an organization must be both organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of (hereinafter referred to in this section as being organized and operated to support or benefit) one or more specified publicly supported organizations. If an organization fails to meet either the organizational or the operational test, it cannot qualify as a supporting organization.

Treas. Reg. § 1.509(a)-4(e) establishes the requirements of the operational test to include permissible beneficiaries and permissible activities. It provides that a supporting organization will be regarded as operated exclusively to support one or more specified publicly supported organizations only if it engages solely in activities which support or benefit the specified publicly supported organizations. Such activities may include making payments to or for the use of, or providing services or facilities for, individual members of the charitable class benefited by the specified publicly supported organization.

Treas. Reg. § 1.509(a)-4(i)(1) provides that for each taxable year, a supporting organization is operated in connection with one or more supported organizations (that is, is a “Type III supporting organization”) only if it is not disqualified by reason of paragraph (f)(5) or paragraph (i)(10) of this section, and it satisfies the notification requirement, which is set forth in paragraph (i)(2) of this section; the responsiveness test, which is set forth in paragraph (i)(3) of this section; and the integral part test, which is satisfied by maintaining significant involvement in the operations of one or more supported organizations and providing support on which the supported organization(s) are dependent. In order to satisfy this test, the supporting organization must meet the requirements either for (A) Functionally integrated Type III supporting organizations satisfy the requirements set forth in paragraph (i)(4) of this section; or (B) Non-functionally integrated Type III supporting organizations set forth in paragraph (i)(5) of this section.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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Revenue Ruling (Rev. Rul.) 58-617, 1958-2 CB 260, (Jan. 01, 1958) Rulings and determinations letters granting exemption from federal income tax to an organization described in § 501 (a) of the Internal Revenue Code of 1954, to which contributions are deductible by donors in computing their taxable income in the manner and to the extent provided by section 170 of the Code, are effective only so long as there are no material changes in the character of the organization, the purposes for which it was organized, or its methods of operation. Failure to comply with this requirement may result in serious consequences to the organization for the reason that the ruling or determination letter holding the organization exempt may be revoked retroactively to the date of the changes affecting its exempt status, depending upon the circumstances involved, and subject to the limitations on retroactivity of revocation found in § 503 of the Code.

ISSUE #1 - Do the Foundation conduct activities that satisfy the operational test requirement for the purposes of exemption under § 501 (c)(3) of the Code?

TAXPAYER'S POSITION

30-day letter and Revenue Agents Report sent to organization and POA

GOVERNMENT'S POSITION

It has been determined that the Foundation did not operate for the benefit of, perform the functions of, or carry out the purposes of its specified publicly supported organization, as required under § 509(a)(3). Furthermore, the Foundation does not qualify for exemption as an organization described in Code § 501(c)(3) because it does not meet the operational test under Code § 501(c)(3) and Treas. Reg. § 1.501 (c)(3)-1 (a)(1). It does not meet the operational test because it is not operated exclusively for a § 501(c)(3) purpose as required by Treas. Reg. § 1.501 (c)(3)-1 (c)(1). It is not operated exclusively for a § 501 (c)(3) purpose because it does not engage in activities that accomplish and exempt purpose, and its sole activity is not in the furtherance of an exempt purpose.

Based on The Foundations POA response to information document request number 1, the Foundation has not engaged in any activities for the last years. During the periods under examination, there were no distributions made to the supported organization or any other beneficiaries. There were no activities conducted for the benefit of the supported organization.

In addition, the Foundation is directly controlled by disqualified persons, as defined in Code § 4946. No written notice describing the type and amount of support for the taxable year has been provided to the supported organization. No officers, directors, or trustees of either organization are elected or appointed by the other. There is no close or continuous working relationship between the organizations.

As such, the Foundation fails to pass the tests required of supporting organizations under Treas. Reg §1.509(a)-4, specifically the organizational, operational, control, and relationship test, or the additional tests required of Type III supporting organizations, which are the notification requirement, responsiveness, and integral part tests. Therefore, under the guidance of Treas. Reg. § 1.509(a)-4(b)(1), the Foundation would not qualify as a supporting organization.

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

Furthermore, as there are no exempt activities, the Foundation fails to meet the statutory requirements to continue its exemption status under Code § 501 (c)(3).

As previously discussed, the Foundation does not engage in any exempt activity and per POA statement on [REDACTED] The Foundation has been dormant for [REDACTED] to years. As such, the organization is not regarded as “operated exclusively” for one or more exempt purposes because it has no activity that accomplishes one or more of such exempt purposes specified in Code § 501 (c)(3).

As demonstrated in Rev. Rul. 58-617, an organization's exempt status will remain in effect only so long as there are no material changes in the character of the organization, the purposes for which it was organized, or its methods of operation. In the case of the Foundation, the organization has ceased the support of other IRC 501(c)(3) exempt organizations and does not operate as an exempt organization.

Therefore, the Foundation no longer operates for the purposes for which it was originally organized and does not operate exclusively for charitable, religious, or other exempt purposes. It is concluded that the Foundation does not conduct activities that satisfy the operational test requirement for the purposes of exemption under § 501 (c)(3) of the Code.

ISSUE #2 - Should the taxpayer continue to be recognized as tax exempt under § 501 (a) of the Code as an organization described in § 501 (c)(3)?

TAXPAYER'S POSITION

30-day letter and Revenue Agents Report sent to organization and POA

GOVERNMENT'S POSITION

The Foundation should not continue to be recognized as tax exempt under § 501 (a) of the Code as an organization described in § 501 (c)(3) because it does not meet the operational test under Code § 501 (c)(3) and Treas. Reg. § 1.501(c)(3)-1 (a)(1).

The Foundation fails the operational test because it does not engage in any activities that accomplish an exempt purpose, and more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

CONCLUSION

The Foundation is not an organization described in Code § 501(c)(3) and therefore is not exempt from federal income tax. The government will propose revocation of exemption on the first day of the tax year in which the noncompliant activities were substantiated, which is the first period under examination. Therefore, the effective date of revocation is [REDACTED]. Forms 1120, U.S. Corporate Income Tax Return should be prepared and filed by the organization for the period of examination forward.