



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
3730 Elizabeth Avenue
Independence, MO 64057

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Release Number: 200743039
Release Date: 10/26/07

Date: May 16, 2007

A = Organization
Y = Tax Years Ended
NUM = EIN
Date 1 = Specific Date
X = Year
TAN = Taxpayer Advocate Number
TA = Taxpayer Advocate Address

UIL Code: 501.03-01

Person To Contact:
Identification Number:
Contact Telephone Number:
Form: 990
Tax Years Ended: Y
In Reply Refer to: TE/GE Review Staff
EIN: NUM

LAST DATE FOR FILING A PETITION WITH THE TAX COURT: _____

Dear :

This is a Final Adverse Determination as to the exempt status of A under section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reasons:

A has not been operating exclusively for exempt purposes within the meaning of I.R.C. §501(c)(3) and Tres. Reg. §1.501(c)(3)-1(d). It is not an organization which operates exclusively for one or more of the exempt purposes which would qualify it as an exempt organization. It has been operating substantially for a non-exempt purpose.

Based upon these reasons, we are retroactively revoking A IRC §501(c)(3) tax exempt status for all years beginning on or after Date 1.

Contributions to your organization are no longer deductible under IRC §170.

A is required to file Form 1120, U.S. Corporation Income Tax Return, for all of the open years including X with the appropriate Service Center immediately and by the due date of Form 1120 for all subsequent years. Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under §7428.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claims Court or the District Court of the United States for the District of Columbia before the 91st day after the date that this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment by referring to the enclosed Publication 892.

You have the right to contact the Office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers.

You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling TAN or writing to:

Internal Revenue Service
Taxpayer Advocates Office
TA

Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

We will notify the appropriate state officials of this action, as required by IRC §6104(c).

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter.

Sincerely,

Lois Lerner
Director, Exempt Organizations

Enclosure: Publication 892

Explanation of Items

Name of Taxpayer

Year/Period Ended

A

Y

A = Organization

D = Deleted disclosure information

S = State

Y = Tax Years Ended

Date 1 = Specific Date

Issue under Consideration

Should the tax-exempt status granted to the A by Internal Revenue Code section 501(c) (3) be revoked effective Date 1?

Facts

The A was granted tax exemption under Internal Revenue Code IRC 501(c) (3) as a charitable organization under IRC 509(a) (1) and 170(b) (1) (A) (vi) from a letter from the Internal Revenue Service dated Date 1.

The organization was incorporated in the State of S on Date 1. The Articles of Incorporation states the purpose was to establish, maintain, operate, promote and conduct an educational institution of learning for the purpose of providing instruction in vocational and skill trade. To reconstruct deprived neighborhoods by organizing job training programs, food and clothing bank, drug programs, crime watch programs, and promoting better communications and relationships with police department. To join together for the betterment of the community in collective way with individual firms, institutions, and residential organizations.

Article II continuation states to achieve charitable and educational objectives including the following: reversing community deterioration; encouraging commercial and residential rehabilitation and development; obtaining municipal improvement and services for the community; securing better protection against crime and people and residents in order to combat deterioration and blight; and developing services and facilities designed in to better the community generally. To improve living conditions in the area by channeling resources, funds, and responsibility necessary and proper. To hire, train, equip, and supervise individuals to carryout the foregoing objectives of the corporation, or otherwise obtain the services of individuals to carry out the foregoing purposes. To acquire, own, lease, sell, encumber, or otherwise dispose of personal property, including equipment, supplies, materials, uniforms, and vehicles, necessary or incidental to carrying out the foregoing purposes. To accept, solicit, receive, hold invest, reinvest, and use funds and property furnished by members, any governmental, subdivision, unit or agency, individuals in the fore mentioned area, or the general public, exclusively to carry out the foregoing purposes.

A Certificate of Amendment to the Articles of Incorporation was filed on Date 1 to include the 501(c) (3) purpose and dissolution clauses. A second Certificate of Amendment was filed on Date 1 to include the language: All of the above provisions are for the personal and cultural improvement of participants and the community without recognition of achievement such as the conferring of credits, certificates, degrees or other

Explanation of Items

Name of Taxpayer

Year/Period Ended

A

Y

recognition of achievements and in no event to conduct a school, academy, seminary, college or other institution of learning.

D

D, it was very unclear as to whether the activities engaged in were those of the organization or the individual. Case in point, the individual reflected all of the activities on his Form 1040, U.S. Individual Income Tax Return, Form Schedule C Profit or Loss from Business, as a sole proprietor. Records were inadequate and funds were commingled to the point where it was not clear who was conducting the activities. Despite the poor recordkeeping, there does not appear to be any obvious private or excess benefit to the individual.

Law and Argument

Section 501(c)(3) of the Code exempts from Federal income tax: corporations, and any community chest, fund or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for religious, charitable, or educational purposes so long as no part of the organization's net earnings inures to the benefit of any private shareholder or individual. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, 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 organization or operational test, it is not exempt.

Section 1.501(c)(3)-1(c)(1) of the regulations 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 section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of any exempt purpose.

Section 1.501(c)(3)-1(d)(ii) of the regulations states that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Accordingly, 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, shareholders, or persons controlled, directly or indirectly, by such private interests.

Explanation of Items

Name of Taxpayer

Year/Period Ended

A

Y

Rev. Rul. 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.

Section 6033(a)(1) of the Internal Revenue Code states that every organization/foundation exempt from taxation under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and other information for the purpose of carrying out the Internal Revenue laws as the Secretary may by forms or regulations prescribe, and shall 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.

Section 2.6001-1(c) of the Federal Tax Regulations states in addition to such permanent books and records as are required by paragraph (a) of regulation 1.6001-1(a) 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 organization shall also keep such books and records as are required to substantiate the information required by section 6033.

Government's Position

An organization's inability to comply with the provision of section 6033 of the Code and the regulations which implement it may result in the termination of the exempt status, on the grounds that the organization has not established that it is observing the conditions required for the continuation of an exempt status. Revenue Ruling 59-95-1 C.B. 627, 1959.

Due to poor recordkeeping and failure to establish a legitimate exempt purpose, revocation of the exempt status was proposed. President of the exempt organization agreed to revocation by executing the Form 6018 Consent to Proposed Action – Section 7428. Exempt status should be revoked and Form 990, Return of Organization Exempt from Income Tax, filing requirement should be removed. D.

D.

Organization's Position

President of the exempt organization agreed to the revocation by execution of the Form 6018, Consent to Proposed Action – Section 7428.

Explanation of Items

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Year/Period Ended

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Conclusion

Based upon the information noted above, it is proposed the exempt status of the organization be revoked as of Date 1.



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY

Internal Revenue Service
1100 Commerce Avenue
Dallas, Texas 75242

January 20, 2005

A = Organization/Address
NUM = Employer ID Number
Date 1 = Tax Year Ended
TA = Taxpayer Advocate Address
TAN = Taxpayer Advocate Number

Taxpayer Identification Number:

NUM

Form:

990

Tax Year(s) Ended:

Date 1

Person to Contact/ID Number:

A

Contact Numbers:

Telephone:

Fax:

Certified Mail - Return Receipt Requested

Dear _____ :

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

Letter 3618 (04-2002)
Catalog Number 34809F

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

TA
TAN

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

R.C. Johnson
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination