

Department of the Treasury
Internal Revenue Service

Release Number: 200748023

Release Date: 11/30/07

Legend:

ORG= Name of Organization

NUM= EIN number

Date1= Effective Date

UIL: 501.03-01

ORG

Person to Contact:

Identification Number:

Contact Telephone Number:

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 your exempt status under I.R.C. section 501(a) as an organization described in I.R.C. section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reasons:

has not been operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3). You are not a charitable organization within the meaning of Treasury Regulations 1.501(c)(3)-1(d). As a result of a recent examination of your organization's activities and Form 990 for the period ended December 31, it was determined that you had ceased all activity.

Based upon the above, we are revoking your organization's exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code retroactively to Date1.

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

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending Date1 and for all years thereafter.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

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 Claim Court or the District Court of the United States for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment.

You also 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 writing to: Internal Revenue Service, Taxpayer Advocates Office, Local Office.

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax 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 section 6104(c) of the Internal Revenue Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Marsha A. Ramirez
Director, EO Examinations

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer ORG		Year/Period Ended

Legend:

ORG= Name of Organization

STATE =Name of State

Date1=Effective Date

ISSUE #1:

Should ORG.'s tax exemption under section 501(c)(3) of the Internal Revenue Code be revoked because their activities have not met the requirements of section 501(c)(3) of the Internal Revenue Code?

FACTS:

ORG. was recognized as a tax exempt organization under 501(c)(3) of the Internal Revenue Code. The primary activity of the organization was to provide housing to low to medium income families. The organization was involved with these activities through the Housing and Urban Development (HUD) program. The organization also donated money as well as volunteer time to a youth organization located in STATE. Per Vice President, he stated that the organization donated as much as \$ to this youth organization. Vice President also volunteered as a drama instructor for this youth organization. The organization also got involved with the distribution of food to families who were hungry and in need of it.

A field audit was conducted at Vice President's residence. The organization does not maintain an office for its operations. During the field audit it was noticed that the organization ceased operations at the end of the calendar year. Per Vice President, he stated that due to the rising prices of homes and the decreased amount of foreclosures for purchase, the organization started to decrease its activities with the HUD program. During the audit year, the organization did not own any property nor did it make any sales of any homes to low to medium income families. The organization also ceased volunteering and donating money to a youth organization as well as providing food to hungry families. Vice President indicated that he would like to terminate the operations of the organization as the organization ceased operations at the end of and has no plans in the future to participate in the HUD program. Currently the organization does not participate in any exempt activities nor does it own any assets.

Agent recommended that the EO provide a statement of dissolution to terminate the organization. However the EO still has not provided the statement of dissolution to proceed with the termination process. Agent informed Vice President that we will proceed with revocation of the EO instead of termination as the EO has not been able to provide the statement of dissolution. Vice President was in agreement with this process.

LAW:

Internal Revenue Code Section 501(c)(3) exempts from Federal income tax "Corporations, and any community chest, fund, or foundation, organized and operated

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exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if nor part of its activities involve the provision of athletic facilities or equipment), 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 (except as otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), and political campaign on behalf of (or in opposition to) any candidate for public office.”

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

Income Tax Regulation 1.501(c)(3)-1(c)(1) states, “Primary Activities. 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.”

Regulation section 1.501(c)(3)-1(c)(2) provides that 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. The words "private shareholder or individual" refer to persons having a personal and private interest in the activities of the organization. The term “private shareholder or individual” is defined in regulation section 1.501(a)-1(c).

Regulation section 1.501(c)(3)-1(d)(1)(ii) provides an organization is not organized or operated exclusively for one or more exempt purposes 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 the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

GOVERNMENT POSITION:

ORG. is not operated exclusively for 501(c)(3) purposes as defined by the Internal Revenue Code and the Regulations. The organization has ceased its operations at the end of the calendar year. Based on the initial interview during the field audit it appears that the organization has been idle and has no plans to operate in the future. Vice President indicated that he would like to terminate the operations of the organization. Due to the organization’s idleness with their exempt activities, the organization is not operating exclusively for one or more exempt

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purposes specified in 501(c)(3) of the Internal Revenue Code. The organization is not furthering its exempt purpose by being inactive and not planning to perform any exempt activities in the future. The organization does not qualify for exemption under 501(c)(3) of the Internal Revenue Code effective DATE1 due to the organization's inactivity and the absence of performing any exempt activities.



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service
1100 Commerce Street, M/C 4900-DAL
Dallas, TX 75242

ORG

Taxpayer Identification Number:

Form:

990

Tax Year(s) Ended:

Person to Contact/ID Number:

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:

Taxpayer Advocate
Local Office

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,

Marsha A. Ramirez
Director, EO Examinations

Enclosures:
Form 6018
Form 886-A
Publications 892 & 3498