

are required to file Form 1120 with the appropriate service center indicated in the instructions for the return.

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 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

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

Sincerely,

Marsha A. Ramirez
Director, EO Examinations

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit 1
Explanation of Items		
Name of Taxpayer		Year/Period Ended
ORG		Dec. 31, 20XX & Dec. 31, 20XX

LEGEND

ORG = Organization name XX = Date motto = motto

ISSUE

Whether ORG continues to satisfy the requirements for exemption under Section 501(c)(6) of the Internal Revenue Code.

FACTS

In our letter dated April 28, 20XX, ORG was granted exemption from federal income tax under Section 501(c)(6) of the Internal Revenue Code, effective January 1, 20XX. Exemption, per our determination letter, was conditioned on the organization's agreement to cease motto to its members.

Our examination was initiated as a result of information submitted to our attention alleging that funds collected by the organization were not properly accounted for or reported. An examination of the years referenced above was conducted to determine if the allegation was correct.

For each of the years under examination the organization was unable demonstrate that it conducted any exempt purpose activity described under Section 501(c)(6) of the Code. It was also unable to produce records to substantiate the income, expense and balance sheet items as reported on the returns, Forms 990. The examination also determined that, notwithstanding the organization's agreement to discontinue the practice of motto, the practice was continued and was determined to be the organization's primary activity.

LAW

Regulations 1.501(c)(6)-1 defines a business league as an association of persons having a common business interest. Internal Revenue Code Section 501(c)(6) provides exemption from Federal income tax for business leagues, chambers of commerce, real estate boards, and boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual. Thus, in order for an organization to be exempt under the provision of statute, no financial benefit can inure to a shareholder or private individual.

Revenue Ruling 67-251, 1967-2 CB 196 describes a business league which extends financial aid and welfare services to its members does not qualify for exemption under section 501(c)(6) of the Internal Revenue Code of 1954 since part of its net earnings is inuring to the benefit of private individuals.

Revenue Ruling 66-59, 1966-1 CB 142 held that an organization of employees whose purpose is to pay lump sum retirement benefits to its eligible members or death benefits

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit 1
Explanation of Items		
Name of Taxpayer		Year/Period Ended
ORG		Dec. 31, 20XX & Dec. 31, 20XX

to their survivors does not qualify for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954 as a local association of employees.

Revenue Ruling 81-58, 1981-1 CB 331 describes a nonprofit police office association whose primary activity is providing lump-sum retirement payments to its members or death benefits to their beneficiaries will not qualify as a social welfare organization for taxable years beginning after August 23, 1981 under section 501(c)(4) of the Internal Revenue Code.

Revenue Ruling 75-199, 1975-1 CB 160 describes a nonprofit organization that restricts its membership to individuals of good moral character and health belonging to a particular ethnic group residing in a stated geographical area and provides sick benefits to members and death benefits to their beneficiaries is not exempt under section 501(c)(4) of the Code for tax year beginning after June 2, 1975

Revenue Ruling 59-95, 1959-01 CB 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 IRC Section 6033 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.

TAXPAYER'S POSITION

The organization has agreed to the revocation of tax-exempt status under Section 501(c)(6) of the Code by executing the Form 6018-A and filing the Forms 1120, U.S. Corporation Income Tax Return.

GOVERNMENT'S POSITION

The organization fails to conduct exempt activities as described in Section 501(c)(6) of the Internal Revenue Code. The organization's primary activity, like those of the organizations described in the Revenue Rulings cited above, is the performance of particular services for its members, in the form of motto to its members and their families.

Like the organization described in Revenue Ruling 59-95, 1959-01 CB 627, the organization failed to maintain adequate financial records to accurately report items of gross revenue and expenditures, as reported on the Forms 990 under examination.

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit 1
Name of Taxpayer ORG		Year/Period Ended Dec. 31, 20XX & Dec. 31, 20XX

CONCLUSION:

We have determined that the organization does not meet the requirements for continued tax exemption under Section 501(c)(6) of the Code. We have also determined that the organization is not described under any other subsection of 501(c).

Accordingly, we propose to revoke the organization's exempt status, effective as of January 1, 20XX.



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

1100 Commerce Street

Dallas, TX 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES

DIVISION

June 25, 2008

LEGEND

ORG = Organization name XX = Date Address = address

ORG
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

December 31, 20XX & 20XX

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Dear

We have enclosed a copy of our report of examination explaining why we believe an adjustment of your organization's exempt status is necessary.

We have also enclosed Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*, and Publication 3498, *The Examination Process*. These publications include information on your rights as a taxpayer, including administrative appeal procedures within the Internal Revenue Service.

If you request a conference with Appeals, we will forward your written statement of protest to the Appeals Office, and they will contact you. For your convenience, an envelope is enclosed. If you and Appeals do not agree on some or all of the issues after your Appeals conference, the Appeals Office will advise you of its final decision

If you elect not to request Appeals consideration but instead accept our findings, please sign and return the enclosed Form 6018-A, *Consent to Proposed Adverse Action*. We will then send you a final letter modifying or revoking your exempt status under I.R.C. § 501(c)(6). If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and send a final letter advising of our determination.

In either situation outlined in the paragraph above (execution of Form 6018-A or failure to respond within 30 days), you are required to file federal income tax returns for the tax period(s) shown above, for all years still open under the statute of limitations, and for all later years. File the federal tax return for the tax period(s) shown above with this agent within 60 days from the date of this letter, unless a request for an extension of time is

granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

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:

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:
Publication 892
Publication 3498
Form 6018-A
Report of Examination
Envelope