



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

1100 Commerce Street

Dallas, TX 75242

501-03-00

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**Date:** December 4, 2009

Release Number: **201013063**

Release Date: 4/2/10

LEGEND

ORG = ORGANIZATION NAME

XX = DATE

ADDRESS = ADDRESS

ORG  
ADDRESS

**Person to Contact:**  
**Badge Number:**  
**Contact Telephone Number:**  
**Contact Address:**  
**Employer Identification Number:**  
**Deadline to Petition Tax Court:**

**CERTIFIED MAIL**

Dear

This is a final notice of adverse determination that your exempt status under section 501(c) (3) of the Internal Revenue Code is revoked. Recognition of your exemption under Internal Revenue Code section 501(c)(3) is revoked effective January 1, 20XX for the following reason(s):

You have failed to produce documents to establish that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3), and that no part of your net earnings inure to the benefit of private shareholders or individuals. Also, you have failed to keep adequate books and records as required by IRC section 6001 and the regulations thereunder. In our letters dated June 11, 20XX; June 21, 20XX; August 2, 20XX; September 5, 20XX; and September 21, 20XX we requested information necessary to conduct an examination of your Form 990 for the year ended December 31, 20XX. We have not received the requested information.

Section 1.6033-2(h)(2) of the Income tax Regulations provides, in part, that every organization which is exempt from tax, shall submit such additional information as may be required by the Internal Revenue Service for the purpose of inquiring into its exempt status. You have not provided the requested information.

You fail to meet the operational requirements for continued exemption under IRC 501(c)(3). You have not provided requested information. We hereby revoke your organization's exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code, effective January 1, 20XX.

Contributions to your organization are no longer deductible effective January 1, 20XX.

Since your exempt status has been revoked, you are required to file Form 1120, U.S. Corporation Income Tax Return, for all years beginning on or after January 1, 20XX.

Income tax returns for subsequent years are to be filed with the appropriate Service Center identified in the instructions for those returns.

It is further determined that your failure to file a written appeal constitutes a failure to exhaust your available administrative remedies. However, 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 (ninety-first) 91st day after the date that this determination was mailed to you. Contact the clerk of the appropriate court for rules for initiating suits for declaratory judgment. To secure a petition form, write to the following address:

Please understand that filing a petition for a declaratory judgment under IRC section 7428 will not delay the processing of subsequent income tax returns and assessment of any taxes due.

The last day for filing a petition for declaratory judgment is March 5, 20XX.

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 and ask for the Taxpayer Advocate assistance or you can contact the Advocate from the site where this issue was determined by writing to:

Taxpayer Advocate assistance cannot be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in 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.

This letter should be kept within your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely,

Sunita Lough  
Director, EO Examinations

Enclosures:  
Publication 892



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
1100 Commerce Street  
Dallas, Texas 75242

Taxpayer Identification Number:

Form:

ORG  
ADDRESS

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.

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:

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  
Report of Examination

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
<b>Name of Taxpayer</b> <b>ORG</b>		<b>Year/Period Ended</b> 12-31-20XX

**LEGEND**

ORG = Organization name      XX = Date      Address = Address      City = city  
 State = state      President = President      Vice President = Vice President  
 EMP-1, EMP-2, EMP-3 & EMP-4 = 1<sup>st</sup> Employee, 2<sup>nd</sup> Employee, 3<sup>rd</sup> Employee & 4<sup>th</sup>  
 Employee      CO-1, CO-2, CO-3, CO-4, CO-5 & CO-6 = 1<sup>ST</sup> COMPANY, 2<sup>ND</sup> COMPANY 3<sup>RD</sup>  
 COMPANY 4<sup>TH</sup> COMPANY 5<sup>TH</sup> COMPANY & 6<sup>TH</sup> COMPANY

**Issue:**

Whether The ORG also (formerly known as The ORG, ORG, or ORG), qualifies for exemption under Section 501(c) (3) of the Internal Revenue Code?

**Facts:**

On June 19, 20XX, the Service granted your organization (ORG) exemption from federal income tax under section 501(a) of the Internal Revenue Code described in section 501(c) (3). There were no addendums noted in your determination letter. Your organization received your determination letter (1045 DO/DIR) from the Service, where you were a newly created organization, and the Service was not making a final determination of your foundation status under section 509(a) of the Code. However, letter 1045 explained that your organization could reasonably expect to be a publicly supported organization described in section 509(a) (2). Letter 1045 showed your advance ruling period began on January 22, 20XX and your advance ruling period ended on December 31, 20XX, with an accounting period ending of December 31.

The Form 1023, Application for Recognition of Exemption Under Section 501(c) (3) of the Internal Revenue Code was postmarked on October 18, 20XX and received by the City Service Center on October 22, 20XX.

The Articles of Incorporation were filed for The ORG on October 15, 20XX, along with subsequent organizing documents filed on January 22, 20XX, per the Service's request.

The ORG was administratively dissolved pursuant to State Code sections 504.1421(1) and 504.1422 effective August 6, 20XX due to failure to file the 20XX Biennial Report as required by State Code section 504.1613. The letter regarding the administrative dissolution dated August 7, 20XX from the state reflected the officer's home address listed for the corporation: The ORG, President, Address, City, State.

The organization was shown for having filing requirements for **Form 941**, Employment Quarterly Federal Tax Return, and **Form 990-EZ**, Short Form Return of Organization Exempt from Income Tax. However, the Service showed no information of any prior Forms 941 filing history.

The organization's filing history with the Service included one tax return filed for tax year 20XX, Form 990-EZ, Short Form Return of Organization Exempt from Income Tax, received on April 29, 20XX with City Service Center, and a duplicate filed return received on May 4, 20XX by City, State. There was no change in any figures reported on the duplicate filing, but was a return originally sent to the state and forwarded to the Service. The Form 990-EZ return for tax year 20XX was timely filed. Total revenues reported on the 990-EZ was \$ received from three individual donors, along with expenses reported on the return, <\$>, and line 26 reported \$ owed to Money Management Firm,

Other than the (20XX) Form 990-EZ filed, no other annual returns were filed. The organization has no employees for the Exempt Organization and used the officer's administrative support from a personal financial service company that performed its activities in the same office as The ORG.

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 12-31-20XX

Letter 4041 DIR (1-20XX) dated February 27, 20XX was sent regarding your Form 990, tax year ending December 31, 20XX with a response date of March 27, 20XX, along with inclusion of four (1-4) items: . The letter was asking organizations that provide credit counseling services to answer questions about their operations. In addition, letter 4041 DIR explained that our records indicated that you are not required to file Form 990, Return of Organization Exempt from Income Tax. However, the Service wanted to confirm that you continued to be exempt from filing Form 990, as generally, you must file Form 990 if your organization's annual gross receipts are normally more than \$. 1) Included with the letter (4041 DIR) was Form 13770, **Credit Counseling and Form 990 Filing Requirement Questionnaire**, which you completed all Parts (I-IV), and an officer signed and dated Part V of the questionnaire. 2) Form 13663, **Annual Gross Receipts Computation Worksheet**. On the Form 13663, your organization indicated that in the year 20XX you had gross receipts in the sum of \$ coming from contributions, gifts, grants, and similar amounts received. 3) Publication 4386, **Compliance Checks.. Examination, audit or Compliance Checks?**; with 4) EOCU Attachment #1 (Revised 10-08-20XX), **Reasonable Cause for a Late Filed Return or Payment**.

The IRS received the forms, including questionnaire by the organization on March 30, 20XX.

The organization agreed to meet with the agent. Letter 3613 was mailed on June 11, 20XX confirming the initial interview on June 20, 20XX, along with Information Document Request (IDR) 1, and Publication 1, Right's of a Taxpayer (Rev. May 20XX), sent as enclosures with the appointment letter.

The initial interview was held on June 20, 20XX (9:30 a.m.) with the revenue agent and President at the IRS Office for Tax Exempt Government Entities (TEGE) located at Address, City, State.

**President provided the following items During the Initial Interview  
Held on June 20, 20XX:**

- Hand-written sketch of **Rule 72** demonstrating earnings and potential accumulated savings using a 3%, 6%, and 15% reflection over 24 years, 12 years, and 5 years, respectively
- A two page summary sheet in response to IDR #
- 20XX Profit & Loss (P&L) Statement that showed revenues and expenses at \$ netted to \$ profit amount.
- A contract for CO-1
- A contract for EMP-1
- Minutes of meeting for January 4, April 12, September 7, and November 30, 20XX
- Photocopy of bank statement dated 10-21-20XX for checking account #, CO-2, City, State
- Photocopy of a miscellaneous debit document dated May 25, 20XX for checking account # to close, with \$ cash amount withdrawn
- Excel spreadsheet program used for budgetary analysis for ORG
- A letter addressed to EMP-2 from ORG acknowledging a \$ contribution received on December 20, 20XX
- Volunteer Grant Program Form from the CO-3 showing that the foundation was matching an amount for EMP-2
- Letter dated March 16, 20XX from EMP-3 of CO-3 stating they were sending a \$ contribution to ORG
- Letter from ORG to CO-4 regarding the donation of a one year fitness club membership (\$ value) received on May 11, 20XX

*During the initial interview on June 20, 20XX, President stated there was a contract with a management company, CO-5 (a State Corporation), which the agent would need.*

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**Records Requested:**

The organization did not provide the requested financial, employment records, or contracts, including the contract for CO-5. Below is a summation of the records and information requested in the form of a questionnaire provided, and a series of Information Document Requests (IDR's), described below, along with a more detailed description of records requested on the IDR's (see following page).

**Information Document Requests (IDR's) were mailed throughout the Examination to ORG:**

**Abbreviated Summary of the IDR's Mailed to the Exempt Organization**

No further records were provided by the organization, as a result of the mailed questionnaire and IDR's 1-3, 1A – 3A, and Mod 1A – Mod 3A.

IDR #1 was issued on June 11, 20XX, IDR's 2 & 3 were issued on June 21, 20XX, IDR 1A – 3A were issued on August 2, 20XX, Mod-1A – Mod 3A were issued on September 5, 20XX and again on September 21, 20XX.

IDR 4A was issued on September 21, 20XX regarding termination activities, winding down the affairs of the ORG, and financial records.

**Generalized and Specific Items Requested on the IDR's to the Exempt Organization**

- **IDR 1** issued June 11, 20XX, requested financial statements, affiliation with other entities with contracts and lease agreements, and employment information.
- **IDR 1A** issued August 2, 20XX, included additional probes for information on activities of the organization and affiliation with other entities, particularly the relationship between ORG and CO-5, and financial records and further explanation of the meaning repeatedly stated in the minutes that CO-5 receives any/all money except under special circumstances.
- **IDR Mod - 1A** issued twice on September 5 and September 21, 20XX, requested the same information as above, giving a new response due date of October 1, 20XX (which already had due dates stipulated previously of September 4 and 17, 20XX), for the information to be supplied to the agent at the next appointment scheduled October 1, 20XX, with President at his City business office location. IDR Mod – 1A asked for information regarding relationship with other parties, i.e., CO-6, as was described in your organization's 20XX Minutes of Meeting dated April 12, 20XX, which stated that your organization was contacted by EMP-4 from CO-6 with requests to partner with his organization, with ORG as part of their counseling teams to assist his organization's people to get on their feet inside of the community. No records were provided by the ORG organization to make a determination on the relationship of parties with other entities, i.e., CO-5, or CO-6.
- **IDR 2** issued June 21, 20XX, asked for information regarding organizational documents, information regarding officers, questions relating to credit counseling activities, publications and newsletter used for training, list of all education and counseling services held in-house, as your organization had replied to Compliance Questionnaire and 990, Form 13770.
- **IDR 2A** issued August 2, 20XX, asked for the same information as stated above with due dates of July 31, 20XX, extended through September 4, 20XX.
- **IDR Mod – 2A** issued twice on September 5 and September 21, 20XX, had a new response due date of October 1, 20XX, from the previously extended due dates of September 4 and 17, 20XX. The modified IDR (Mod -2A) had 15 items removed, with the agent only requesting two

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repeated items: **1) Item 5** -- List any ownership interest held by any past or present officer, director, or key employee, (and members of their families) in any business that provides services and/or materials to the organization in the course of the organization's activities.

**2) Item 15**-- The 990 return for 20XX showed there was money owed to the money management firm, CO-5. Did a similar event happen in 20XX, 20XX, and 20XX? If so, provide the copy of the contract held between parties, and describe the activity.

- **IDR 3** issued June 21, 20XX, requested information to determine if the ORG was still exempt and to verify employment taxes, with records requested for financial recordkeeping of all subsidiary ledgers, accounts receivables, accounts payable, petty cash, payroll, and receipts journal. Responses were due on July 31, 20XX, extended to August 1-2, 20XX.
- **IDR 3A** issued August 2, 20XX asked for the same items as in IDR 3, with another extension of September 4, 20XX.
- **IDR Modified 3A** issued twice on September 5 and September 21, 20XX with three items removed (items #2, #4, and #5), as previously requested in IDR's 3 & 3A. IDR Modified 3A also had additional probes for information relating to employment and financial records. IDR Modified 3A had the information due by October 1, 20XX, which was the date of the appointment set for ORG at President's business location.
- **IDR 4A** issued September 21, 20XX, requested information on the winding down of the affairs of ORG, and substantiation of all revenues, including the \$ deposit from EMP-2' contribution on December 20, 20XX; and disbursements, including two disbursements reflected on the 20XX P&L as paid out to CO-5, on both May 25 for \$ and on December 20, 20XX, \$. No records were provided by the organization to substantiate income and expenses, other than the documents provided during the initial interview on June 20, 20XX. IDR 4A also sought information including substantiation of the deposit regarding the contribution from Juergens on December 20, 20XX, following the closing of the CO-2 checking account.

***Contacts and Written Correspondence to/from the Exempt Organization***

On **August 14, 20XX**, President **telephoned** the agent that The ORG was administratively dissolved by the state (effective August 6, 20XX) for failure to file a biannual report as required by State Code Section 504.1613. President stated a board member completed the biannual filing online, but somehow the State of State was not showing that they had filed it. In addition, he stated that bank money orders were used to pay CO-5 for management fees following the closing of ORG's checking account on May 25, 20XX. No records were provided to support this explanation. President also said, "We are going to continue doing what we are doing because it serves a good charitable purpose in helping people with their finances, even if we were not exempt." President stated he will meet with board members to decide what they were going to do.

On **August 27, 20XX**, agent received a **telephone message** from President regarding the board's recent meeting held on August 22, 20XX.

With a **letter** dated **August 30, 20XX**, President notified the agent that no one is, or will be available to spend any more time on this dissolved entity. Furthermore, no one on the former Board wishes to continue working on behalf a defunct organization/charity, nor did they believe they have the authority or responsibility to do so.

On **September 5, 20XX**, **agent sent IRS letter** in response to President's telephone conversation with agent on August 30, and an earlier telephone message left for the agent on August 27, 20XX. The agent's letter requested information regarding the winding down of the affairs of ORG, and IDR 4A was



Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
<b>Name of Taxpayer</b> <b>ORG</b>		<b>Year/Period Ended</b> 12-31-20XX

issued at that time with responses due September 17, 20XX. Publication 892 and IDR's 1A, 2A, 3A were added enclosures along with IDR 4A.

On **September 6, 20XX**, agent received a letter prepared by President addressed to the Service regarding dissolution of ORG, which explained that a board meeting held on August 22, 20XX, discussed the Administrative Dissolution of The ORG by the State Secretary of State (effective August 6, 20XX).

On **September 20, 20XX**, the agent was contacted by President regarding ORG, where a phone message was left late evening, which stated President was having a teleconference with the management company's (CO-5) certified public accountant on September 26, 20XX. He would have more information to provide to the agent following that telephone conversation. President's message also stated that he did not have the contract for CO-5, when during the earlier conversation on August 14, 20XX; President stated the contract was in his possession.

The agent recontacted President on **September 21, 20XX**. Agent left a telephone message instructing President to fax the CO-5 contact, along with copies of all invoices billed from the management company to ORG, and a list of all payments sent to CO-5 by ORG, immediately following President's scheduled teleconference with CO-5's certified public accountant set for September 26, 20XX. In addition, agent's phone message to President confirmed the appointment set for October 1, 20XX with tentative follow-up dates on October 9-10, 20XX, to be held at the business location, Address, City, State. Further instructions were also given to President with a deadline of October 9, 20XX to complete responses to line items, and all remaining items due on IDR 1A (pp.1-2), 2A, 3A.

Following the agent's telephone message to President on September 21, 20XX, agent mailed a letter dated same (**September 21, 20XX**), to ORG, % President. The letter explained additions made to Mod – IDR 1A for additional financial information, including bank statements and cancelled check copies/money orders for any payments made to CO-5 from the date of inception of the contract, to the time of dissolution of the charity. Furthermore, the letter asked for an explanation in the relationship of parties between CO-5 and ORG, and all disbursements that were made to this entity, a narrative to include what exactly were the services performed, for the various fees paid to management firm, CO-5.

No further information was submitted by President regarding the contract held between the management company (CO-5) and ORG.

In response to the agent's IDR 4A mailed on September 21, 20XX, the exempt organization mailed two letters to the Service, along with a copy of a certificate of administrative dissolution for The ORG. A letter was addressed to the IRS dated **September 26, 20XX**. It was received on the same date, along with a **subsequent letter** that contained the same basic information, as the earlier letter dated **September 6, 20XX**. *The only exception was that there was an addition of a line penned in at the bottom of letter with a signature/title and date for a second officer. Vice President, Vice President of your organization then signed and dated the (resubmitted) letter received on **September 6, 20XX**, which was used to explain your organization's position and request for the Service to acknowledge ORG as administratively dissolved by the state. A copy of the Certificate of Administrative Dissolution was received by the IRS in a second mailing received by the IRS on **September 26, 20XX**, along with a second letter dated September 26, 20XX from President regarding the final act of the board. The letter stated that The ORG did not, does not, nor will not have any assets to distribute. Facilities and/or equipment were leased as used, by contract(s); thus, there are no assets of any kind/manner to dispose to include bank accounts.*

In that same **letter from your organization received on September 26, 20XX**, President cancels the agent's visits to City scheduled for October 1, 20XX, along with the follow-up visits tentatively set for

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
<b>Name of Taxpayer</b> <b>ORG</b>		<b>Year/Period Ended</b> 12-31-20XX

October 9-10, 20XX. President stated that no one is/will be available to spend any more time on this dissolved entity.

Both of the **two letters of correspondence** addressed to the IRS agent dated **September 26, 20XX**, stated that they (ORG) would continue doing what it has been doing all along, without their exempt status. Other items mentioned in both of the letters dated September 26, 20XX included the following:

- 1) *Advantages of running a charitable organization recognized by the State for receiving grants or gifts [were (sic)] was never professionally sought or pursued;*
- 2) *The leaders, staff, nor volunteers of The ORG never received compensation in the past, present, or anticipated in the future;*
- 3) *The amount of time, resources, and energy recently required the IRS to prove charitable activities seem to be extremely excessive and/or potentially unwarranted, etc.*
- 4) *The charitable/community service activities conducted by The ORG were being performed long before being recognized by the State as 501(c) (3) and will long continue doing the exact activities despite not having a non-profit or charitable status.*

**Law:**

Regs. § 1.501(c)(3)-1(d)(1)(i) states that 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.

To meet the organizational and operational tests defined in IRC § 1.501(c)(3)-1(a)(1), 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.

Regs. § 1.501(c)(3)-1(c) defines the Operational Test, where 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.

IRC § 6001 provides that every person liable for any tax imposed by the IRC, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

IRC § 6033(a)(1) provides, except as provided in IRC § 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and 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.

Treas. Reg. § 1.6001-1(a) in conjunction with Treas. Reg. § 1.6001-1(c) provides that every organization exempt from tax under IRC § 501(a) and subject to the tax imposed by IRC § 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by IRC § 6033.

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
<b>Name of Taxpayer</b> <b>ORG</b>		<b>Year/Period Ended</b> 12-31-20XX

Treas. Reg. § 1.6001-1(e) states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Treas. Reg. § 1.6033-1(h) (2) provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), Chapter 1 of the Code and IRC § 6033.

*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 IRC § 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.

In accordance with the above cited provisions of the Code and regulations under IRC §§ 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

**Government's Position:**

The organization was dissolved by the State of State effective August 6, 20XX. President stated they are not going to establish themselves under state law. The exempt organization did not comply with adequate production of records, or documentation to the agent for a decision if the activities were considered exempt. Thus, the organization has not provided any records or proof that its activities met the requirements of Regs. 1.501(c)(3)-1(b). These facts indicate the organization is not conducting any exempt activities. Therefore, ORG is not exempt.

The Exempt Organization's exempt status should be revoked back to January 1, 20XX, the first day of the taxable period when they were dissolved by the state, effective August 6, 20XX. It is the IRS's position that the organization failed to meet the reporting requirements under IRC §§ 6001 and 6033 to be recognized as exempt from federal income tax under IRC § 501(c)(3).

**Conclusion:** Accordingly, the organization's exempt status is revoked effective January 1, 20XX. Form 1120 returns should be filed for the tax period beginning January 1, 20XX.