



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

TE/GE: EO Examinations

625 Fulton Street, Room 503

Brooklyn, NY 11201

501.03-00

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

February 1, 2011

Release Number: 201117035

Release Date: 4-29-2011

LEGEND

ORG = Organization name

XX = Date Address = address

Taxpayer Identification Number:

Person to Contact:

Identification Number:

Contact Telephone Number:

ORG

ADDRESS

CERTIFIED MAIL

Dear

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated February 20, 20XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reason(s):

You are not operating exclusively for any charitable purpose, educational purpose, or any other exempt purpose. Our examination reveals that you are not engaged primarily in activities which accomplish charitable, educational or other exempt purposes as required by Treas. Reg. 1.501(c)(3)-1(c)(1). Your activities, including your financial transactions, more than insubstantially furthered non-exempt purposes.

Contributions to your organization are no longer deductible under IRC §170 after January 1, 20XX.

You are required to file income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the tax year ending December 31, 20XX and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessments 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 under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91st Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to these courts at the following addresses:

You also 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 contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosure:
Publication 892



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY

Internal Revenue Service
N14 W24200 Tower Place, Suite 202
Waukesha, Wisconsin 53188

October 27, 2011

ORG
ADDRESS

Taxpayer Identification Number:

Form:

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,

Nanette M. Downing
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

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

LEGEND

ORG = Organization name XX = Date State = state President =
 president CO-1 = 1st COMPANY

Issue

Whether ORG (ORG), meet the qualifications for exemption under section 501(c)(3) of the Internal Revenue Code?

Facts

ORG was first formed as CO-1 and in 19XX did a amendment to change its name to ORG It was formed as Non-stock Corporation in 19XX for the primary purpose of furthering the advancement of all breeds of pure-bred dogs; to conduct dog shows, obedience trails and sanctioned matches under the rules of the CO-2.

In 19XX the organization known as ORG failed to file its annual reports. Then in 19XX the nonstick corporation was administratively dissolved by the State of State.

In 20XX , President mistakenly filed reinstatement of Articles of Incorporation using a for-profit stock corporation form under the same name "ORG" Then in 20XX , the State of State Department of Financial Institutions corrected the error and administratively dissolved the for-profit stock corporation and reinstated the Non-Stock Not-For-Profit Corporation under the same name.

ORG applied for tax exempt status in 20XX and was granted exemption on February 20, 20XX as public charity under section 501(c)(3) of the Code.

The activities of the ORG are focused on conducting annual dog shows, (field trials) (obedience trails) and Sanctioned matches under the rules of the CO-2 and to educate the public about dog shows and matches. Approximately 90 percent of the ORG efforts and resources are directed at providing the shows and matches. The dog shows and matches are the club's primary source of income.

In addition, they provide dog training classes/seminars that are held six months out the year on a weekly basis. Each class/seminar is 30 minutes long and two classes are held per day. ORG holds dog obedience training classes, and awards the dogs a degree after completion of the course and also award, them prizes at the shows events. While the owners received some instruction as to the training of the dogs, it is the dog that is primary object of the training.

Law

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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Internal Revenue Code Section 501(c)(3) 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 to foster national or international amateur sports competition (but only if no 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 provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order for an organization to be exempt under section 501(c)(3) of the Code it 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 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 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.

Rev. Rul. 73-456 held that a training center established to instruct the blind to properly function with the aid of guide dogs met the operational test under IRC 501(c)(3). It operates a training center where programs are conducted to train dogs to lead and assist the blind, and to instruct them to function with their dogs. During the training course the blind person and his dog are together twenty-four hours a day for approximately four weeks. The blind person is instructed in caring for his dog, in giving commands, in reacting to the dog's actions, and in accepting complete confidence in the dog's leadership. The blind person and his dog then receive additional instruction to enable them to maneuver in traffic and in densely populated areas.

The training center maintains a staff consisting of a director and three assistants, and the organization has been recognized as exempt from Federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3).

Rev. Rul. 74-194, 1974-1 C.B. 129, held a nonprofit organization formed to prevent the birth and eventual suffering of unwanted animals in the community was exempt under 501(c)(3) by preventing cruelty to animals. Many of whom would die of starvation, disease, or injury. The organization advocates the spaying or neutering of the mixed breed dog and cat, and raises funds to aid pet-owners who desire to spay or neuter their pets but who cannot afford the rates charged by veterinarians to perform the operations. There is no relationship between any member of the

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Name of Taxpayer ORG		Year/Period Ended December 31, 20XX

organization and the veterinarians who perform the operations. The income of the organization is derived from membership fees, contributions, and fund-raising activities. All funds are expended for the organization's program.

Rev. Rul. 71-421 held that a dog club, formed to promote the ownership and training of pure-bred dogs and conducting obedience training classes, was not exempt under section 501(c)(3). The organization provides facilities and trainers for the conduct of obedience training classes. Weekly classes are conducted under the regulations of the national club. The standard course lasts nine weeks and trains dogs in obedience. The classes are attended by members and their dogs so that the dogs will learn to respond to their owners' commands.

Beyond the obedience course, members are encouraged to continue the training of their dogs in sporting and show events. Members and their dogs participate in trial competitions with judges evaluating the performance of the dogs. The trial competitions are in preparation for an annual dog show conducted by the organization under the auspices of the national club.

Section 1.501(c)(3)-1(d)(3) defines the term 'educational' as relating to (a) the instruction or training of the individual for the purpose of improving or developing his capabilities, or (b) the instruction of the public on subjects useful to the individual and beneficial to the community.

The nature of obedience training requires that the owner of the dog appear at the classes so that the dog is trained to respond to his owner's commands. While the owner receives some instruction in how to give commands to his dog, it is the dog that is the primary object of the training. The dog is also the primary object of the subsequent training in sporting and show events. Therefore, the organization's training program for dogs is not within the meaning of educational as defined in the regulations.

In Ann Arbor Dog Training Club, Inc. v. Commissioner, 74 T.C. 207 (1980) the court held that the training of animals does not come within the meaning of "educational" as set forth in Section 501(c)(3) of the Internal Revenue Code. The organization held dog obedience training classes, awarded the dogs a degree after completion of the course and also awarded them prizes at show events. While the owners of the dogs received some instruction as to the training of dogs, it was the dog that was the primary object of the training and evaluation.

Government's Position

Dog training in the manner you describe is not exempt purposes as described in IRC section 501(c)(3), because the organization's training program for dogs as well as its dog shows is not within the meaning of educational as defined in the regulations. In fact, you primarily serve the private interests of the dog owners and thus not operated exclusively for 501(c)(3) purposes.

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Unlike Rev. Rul. 73-456, you are not training disabled individuals to function with the aid of guide dogs. The facts show that the object of your training is that of the dogs, not the individual. Even though you indicated that some of the dogs you train may be owned by disabled individuals, your focus is on selecting a dog in need of training and not on the provision of necessary services for the disabled individual.

Unlike Rev. Rul. 74-194, 1974-1 C.B. 129, ORG was not formed and operating to prevent the birth and eventual suffering of unwanted animals. The dogs you train are not unwanted, unborn, or non-owned. They are companion animals owned by clients who are in need of or desire dog training services and/or boarding.

Your operations are similar to Ann Arbor Dog Training Club, Inc. v. Commissioner, 74 T.C. 207 (1980), because you regularly provide dog obedience training classes. In addition, it is the dog that is the primary object of the training and evaluation.

You are similar to Rev. Rul. 71-421 because you also conduct obedience training for dogs as indicated in this ruling.

You fail to meet the provisions of Section 1.501(c)(3)-1(a)(1) and 1.501(c)(3)-1(c)(1) of the Regulations because you are not operated exclusively for exempt purposes.

Taxpayer Position

ORG asserts that it provides educational training to the dog owners and meets the requirements of Internal Revenue Code Section 501(c)(3). In addition the club feels that providing dog shows are educational in nature.

Conclusion

ORG provides dog obedience training classes, awards the dogs with a degree after completion of the course and also awards them prizes at show events. The object of training provided by ORG is to train the dogs in obedience. An incidental benefit is to the owner as a recipient of the obedience the dog receives from such training.

ORG was not formed for the purposes of nor does it operate exclusively for educational and charitable purposes as defined in of Section 501(c)(3) of the Internal Revenue Code or the Regulations pertaining thereto. You do not qualify for exemption under section 501(c)(3) of the Internal Revenue Code and should be revoked.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the

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statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.