



**DEPARTMENT OF THE TREASURY**

**INTERNAL REVENUE SERVICE**

**3730 Elizabeth Avenue  
Independence, MO 64057**

**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

**Release Number: 201321033**

**Release Date: 5/24/2013**

**Legend**

**ORG=Name of Org**

**Date=xx**

**Date: May 21, 2007**

**UIL: 501.04-01**

**Form Number: 990**

**Tax Year Ended: December 31, 20xx**

**Person To Contact:**

**Identification Number:**

**Contact Telephone Number:**

Dear :

In a determination letter issued in September 19xx, you were held to be exempt from Federal income tax under IRC §501(c)(4).

We have determined you are not operating in accordance with the provisions of IRC § 501(c)(4).

On March 12, 20xx you signed Form 6018-A, Consent to Proposed Action, agreeing to the revocation of your exempt status under section 501(c)(4) of the Code. Therefore, your exemption from Federal income tax is revoked effective January 1, 20xx.

You are required to file Form(s) 1120, U.S. Corporation Tax Return, for the years ended December 31, 20xx through 20xx with the Ogden Service Center, currently. In the future, you are required to file a Form 1120 by the due date of the return with the appropriate service center indicated in the instructions for the return.

This is a final adverse determination letter with regard to your status under IRC § 501(c)(4).

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 writing to:

Internal Revenue Service

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.

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

Sincerely yours,

A handwritten signature in cursive script that reads "Lois Lerner".

Lois Lerner  
Director, Exempt Organizations



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY**  
Internal Revenue Service

May 1, 2007

Legend:  
ORG= Name of Organization  
Date= xx  
Address = Address

ORG  
ADDRESS

Taxpayer Identification Number:

Form:  
990-EZ  
Tax Year(s) Ended:  
December 31, 20xx

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 an adjustment of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains 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.

If you request a conference, 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, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

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

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter modifying or revoking exempt status. 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 this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center 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*

Marsha A. Ramirez  
Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Form 6018  
Report of Examination  
Envelope

Form <b>886-A</b>	[Apartment of the Treasury - Internal Revenue Service	Schedule No. or <u>E x h i b i t</u>
<b>Explanation of Items</b>		<b>Year/Period Ended</b> 20xx12
<b>Name of Taxpayer</b> ORG		

**Legend:**

ORG = Name of Organization    State = Name of State

Address- Address of Org

**Issues:**

1. Whether the organization continues to qualify for federal income tax exemption under section 501(c)(4) of the Internal Revenue Code.
2. Whether the organization qualifies for exemption under Internal Revenue Code section 501(c)(7).

**Facts:**

The organization filed the Articles of Incorporation with the State on October 26, 19xx. The Articles state that the purpose of the organization is to "provide for the mutual assistance, enjoyment, entertainment and improvement of its members socially and physically by encouraging them in participation in some form of athletics or physical recreation." The organization received tax exempt status under section 501(c)(4) of the Internal Revenue Code in September of 19xx.

The organization has a facility located at Address. The facility is not owned by the organization but they pay rent, utilities and the taxes assessed on the property. There is no rental agreement with the owner of the property.

The initial purpose of the organization was to operate a youth football league in the Address area. In recent years the organization has not been able to gather enough coaches and players to operate a football league as they did in the past. During the 20xx tax year the organization did not engage in any sporting or athletic activities. All revenues received by the organization in 20xx were from gaming operations carried on by the organization. The gaming revenue was classified incorrectly on the Form 990-EZ on Line 1 as contributions.

The gaming events are normally conducted four nights a week and occasionally the organization holds tournaments. Poker, rummy and other card games are played at these events. The organization receives a percentage of each pot. The percentage differs based on what game is being played and how many individuals are playing. The organization does not advertise their gaming events to the general public. A group of elderly individuals from the area attend these gaming events. Food and beverages are served to these individuals at the organization's expense.

The organization did not maintain a cash receipts journal or other records to determine the total revenue received by the organization. In addition, there were no documents to show how the organization's percentage of the pot was calculated. A majority of the expenses incurred went to operate the gaming events. The organization did contribute \$3,600 to another youth athletic organization which is exempt under IRC section 501(c)(3).

**Explanation of Items**Schedule No. or  
Exhibit**Name of Taxpayer**

ORG

**Year/Period Ended**  
20xx**Law:**

Internal Revenue Code section 501(c)(4) exempts from federal income tax civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes. No part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Treasury Regulation section 1.501(c)(4)-1(a) states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people in the community. An organization is not operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure and recreation of its members.

Internal Revenue Code section 501(c)(7) exempts social and recreational clubs from Federal income tax. Generally, social clubs are membership organizations supported by dues, fees, charges or other funds paid by their members.

**Taxpayers Position:**

The president has signed a Form 6018-A, agreeing to the proposed revocation. A copy of the signed Form 6018-A is attached to this Form.

**Governments Position:**

The organization's primary activity during the examination year was gaming. The organization's only source of revenue was derived from gaming events. No athletic or sporting events were held during this period. The Internal Revenue Code and Treasury Regulations state that an organization cannot qualify for exemption under section 501(c)(4) if they are not operating exclusively as a social welfare organization. Gaming does not qualify as an activity promoting social welfare.

The organization is not organized and operated exclusively for social and recreational purposes. ORG is not a membership organization and it is not supported by member dues or assessments. The organization does not meet the criteria for exemption under section 501(c)(7) of the Internal Revenue Code.

**Conclusion:**

The organization is not operating exclusively for social welfare purposes. Accordingly, revocation of the organization's tax exempt status is proposed effective January 1, 20xx. Based on the facts above, the organization does not qualify for exemption under any other subsection of I RC 501(c).