



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Mail Stop 1112, PO Box 12307
Ogden, UT 84412

Release Number: 201321038

Release Date: 5/24/2013

February 8, 2007

Legend:

ORG = Name of ORG

Address = Address of ORG

Date = xx

Person to Contact:

Identification Number:

Contact Telephone Number:

In Reply Refer to: TE/GE Review Staff

UIL: 501.04-01

Dear :

This is a Final Adverse Determination as to your exempt status under section 501(c)(4) of the Internal Revenue Code.

Our adverse determination was made for the following reasons:

The ORG failed to establish that they meet the requirement for exemption under IRC 501(c)(4). Section 1.501(c)(4)-1(a)(1) and (2) of the Treasury Regulations reads in part, "(a) Civic organizations (1) *In general.* —A civic league or organization may be exempt as an organization described in section 501(c)(4) if: (i) It is not organized or operated for profit; and (ii) It is operated exclusively for the promotion of social welfare. (2) Promotion of social welfare (i) *In general.* —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 of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

As a result of our recent audit of your organization's activities for the period ended December 31, 20xx, you did not respond to our requests for information to aid in our determination of whether you met the criteria for entities described in section 501(c)(4) if the code; therefore, we are revoking your organization's exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code effective January 1, 20xx.

You are required to file Form 1120, U.S. Corporation Income Tax Return. These returns should be filed with the appropriate Service Center for all years beginning after December 31, 20xx. Form 1120 must be filed by the 15th day of the third month after the end of your annual accounting period. A penalty of \$20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it. You are required to file Form 1120 with the appropriate Internal Revenue Campus.

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 Advocates 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.

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



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Mail Stop 1112, PO Box 12307
Ogden, UT 84412

May 5, 2006

Legend:
ORG= Name of ORG
Date = xx

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)(4) 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:

Taxpayer Advocate

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 Ramirez
Director, BO Examinations

Enclosures:

Publication 892

Publication 3498

Report of Examination

Form 886-A (Rev. January 1994)	REPORT OF EXAMINATION	Schedule number or exhibit 0001
Name of taxpayer ORG	Tax Identification Number	Year/Period ended December 31, 20xx December 31, 20xx

Issue Name: Tax Exempt Status

Per Return: 990

Per Exam: December 31, 20xx

LEGEND:

ORG= Name of ORG Address= Address

Date= xx

Agent = Name of Revenue Agent

Issue:

Whether Organization qualifies for exemption under Section 501(c)(4) of the Internal Revenue Code

Facts:

Organization failed to file the required Form 990 for the tax period(s) ending December 31, 20xx. and December 31, 20xx. Organization failed to respond to the Internal Revenue Service attempts to obtain information to perform an examination of form 990 for the above mentioned tax period. The Service requested information as follows:

- September 30, 20xx — Organization was contacted during a compliance check. They were told that they had bingo income in excess of \$, and that they should file Form 990.
- May 12, 20xx — A follow-up letter was sent as part of the compliance check. The organization was again advised to file Form 990. The letter was sent certified and the receipt was signed on 5/17/20xx.
- February 13, 20xx — The compliance check was changed to an examination. The organization was contacted by Agent , and various records and Form 990s were requested.
- April 3, 20xx — A follow-up letter was sent certified mail. A copy of the initial examination letter was attached, which request records and Form 990s. The certified receipt was signed on 4/10/20xx.
- April 3, 20xx — The United States Postal Service was sent a request to confirm the organization's address. The Postal Service responded on 4/12/20xx stating that mail is delivered to address given.
- 5/5/20xx — The organization was issued a report of examination, revoking their exempt status due to lack of response. The report was sent certified mail. The organization was allowed 30 days to respond. No response was received.

Law:

Section 1.61-1 of the regulations provides that gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in

Form 886-A (Rev. January 1994)	REPORT OF EXAMINATION		Schedule number or exhibit 0001
Name of taxpayer ORG	Tax Identification Number	Year/Period ended December 31, 20xx December 31, 20xx	

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

Section 1.6001-1(e) of the regulations states that the books or records required by this section shall be kept at all time 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.

Section 6033(a)(1) of the Code provides, except as provided in section 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.

Section 1.6033-1(h)(2) of the regulations 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 section 6033.

Section 1.501(c)(3)-1(a)(1) of the regulations states 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.

Section 501(c)(3) of the Code provides that an organization organized and operated exclusively for charitable or educational purposes is exempt from Federal income tax, provided no part of its net earnings inures to the benefit of any private shareholder or individual.

Section 501(c)(4) of the Code provides that a civic organization not organized for profit but operated exclusively for the promotion of social welfare is exempt from Federal income tax.

IRC section 501(c)(19) provides for the exemption from federal income tax of a post or organization of veterans of the United States Armed Forces if such post or organization is:

- a. organized in the United States or any of its possessions,
- b. at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all of the other members of which are individuals who are cadets or are spouses, widows, or widowers of past or present members of the Armed Forces of the United States or cadets, and
- c. no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treas. Reg. section 1.501(c)(19)-1 provides that an organization described in section 501(c)(19) of the Code must be operated exclusively for one or more of the purposes listed in that section.

Form 886-A (Rev. January 1994)	REPORT OF EXAMINATION		Schedule number or exhibit 0001
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Treas. Reg. section 1.501(c)(19)-1(c) in order to be described in section 501(c)(19) an organization must be operated exclusively for one or more of the following purposes:

1. To promote the social welfare of the community;
2. To assist disabled and needy war veterans and members of the United States Armed Forces and their dependents;
3. To provide entertainment, care, and assistance to hospitalized veterans;
4. To carry on programs to perpetuate the memory of deceased veterans;
5. To conduct programs for religious, charitable, scientific, literary, or educational purposes;
6. To sponsor or participate in activities of patriotic nature;
7. To provide insurance benefits for their members;
8. To provide social and recreational activities for their members.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will not be regarded as "operated exclusively" for one or more exempt purposes described in section 501(c)(3) of the Code if more than an insubstantial part of its activities is not in furtherance of a 501(c)(3) purpose. Accordingly, the organization does not qualify for exemption under section 501(c)(3) of the Code.

Section 1.501(c)(10)-1(a)(2) of the regulations provides that a domestic fraternal beneficiary society order, or association will only qualify if it devotes its net earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes.

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 section 6033 of the Code 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.

Conclusion:

In accordance with the above-cited provisions of the Code and regulations under sections 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.

It is the IRS's position that the organization failed to meet the reporting requirements under sections 6001 and 6033 to be recognized as exempt from federal income tax under 501(c)(4) of the Internal Revenue Code. Accordingly, the organization's exempt status is revoked effective January 1, 20xx.

Form 1120 returns should be filed for the tax periods after January 1, 20xx.

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In accordance with IRM 4.75.22.12(9)(e), the effective date of the revocation will be the first day after the end of the 90-day period (August 3, 2006).