



DEPARTMENT OF THE TREASURY

Internal Revenue Service
TE/GE EO Examinations
1100 Commerce Street
Dallas, TX 75424

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

Date: **NOVEMBER 21, 2014**

Release Number: **201515034**
Release Date: 4/10/2015
UIL code: 501.03-00

Person to Contact:
Identification Number:
In Reply Refer to:

**LAST DATE FOR FILING A PETITION
WITH THE TAX COURT:**

CERTIFIED MAIL – Return Receipt Requested

Dear

This is a Final Adverse Determination Letter that your organization was not exempt from taxation under section 501(a) as described under section 501(c)(3) of the Internal Revenue Code (IRC). The revocation of your tax exempt status is effective January 1, 20XX

Our adverse determination was made for the following reasons:

You have not established that you are organized exclusively for an exempt purpose, or that you have been engaged primarily in activities that accomplish one or more exempt purposes. You have not established that no part of your net earnings inure to the benefit of any private shareholder or individual.

Contributions to your organization are not deductible under section 170 of the Internal Revenue Code.

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

Processing of income tax returns and assessment 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 in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claim Court or the District Court of the United States for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment.

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 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 calling, Tel: _____, or write :

Taxpayer Advocate

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.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

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

Sincerely yours,

John A. Koskinen
Commissioner

By



for Stephen A. Martin
Acting Director, EO Examinations

Enclosures:
Publication 892



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities Division
M/S 1112 PO Box 12307
Ogden, UT 84412

Date:
August 21, 2014
Taxpayer Identification Number:

Form:

Tax year(s) ended:
December 31, 20XX, 20XX & 20XX
Person to contact / ID number:

Contact numbers:
Phone Number:
Fax Number:
Manager's name / ID number:

Manager's contact number:
Phone Number:
Response due date:

Certified Mail - Return Receipt Requested

Dear ;

Why you are receiving this letter

We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action – Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Effect of revocation status

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the

IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't 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:

Internal Revenue Service
Office of the Taxpayer Advocate

For additional information

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,

For Barbara L Harris
Acting Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886-A (REV JANUARY 1994)	EXPLANATION OF ITEMS	SCHEDULE NO. OR EXHIBIT
NAME OF TAXPAYER	TAX IDENTIFICATION NUMBER	YEAR/PERIOD ENDED December 31, 20XX, 20XX and 20XX

ISSUE:

Does _____, continue to qualify as an exempt organizations described in section 501(c)(3) of the Internal Revenue Code?

FACTS:

_____ was formed on December 17, 19XX in the State of _____ as a nonprofit corporation.

_____ applied for tax exempt status from the Internal Revenue Service on February 12, 19XX by filing Form 1023, Application for Recognition of Exempt Under Section 501(c)(3) of the Internal Revenue Code.

Form 1023 states that, "The organization was formed to help the unemployed. Through a series of lectures and training and prayer the attendees with be helped in the areas of personal self esteem, guidance in preparation for job interviews and all areas of personal conduct and grooming etc."

_____ received a favorable determination on April 23, 19XX as exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

_____, founder and president of _____, is listed in _____ listing states:

"I have been a counselor since 19XX. I completed my _____ in counseling from _____ in 19XX and my _____ in counseling from the _____ in 19XX. I am ordained as a _____ through the _____ . I am a _____ with _____ . I specialize in sexual issues, eating disorders, anxiety, grief, depression, anger, interventions, and ADD/ADHD, also offering group psychotherapy. I provide therapy for all adults, children, and adolescents. I have extensive experience in executive coaching for individuals wanting specific coaching to advance their career.

"I founded _____ in 19XX as a Christian alternative to traditional counseling. We offer services to both Christians and non-Christians of all ages and ethnic backgrounds."

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website, , lists mission statements as:

“Our purpose is to provide genuine, caring, client-centered, directive, professional, Christian mental health counseling, which includes psychological assessment, training, and consultations to individuals, couples, families, and groups at a fair market value, in a manner that is glorifying to God.

continues to be a viable non-profit ministry meeting the psychological and educational needs for the entire state of .”

website also has information about Seminars & Speaking Engagements. This web page states:

“ spends considerable time in corporate circles addressing issues like conflict resolution, human resource planning, and strategic coaching.”

“Through his consulting firm, , has spent the past 25 years collaborating with companies and organizations to effectively manage strategic change, positive conflict resolution, and employee personal development. goal is to see your objectives accomplished and maximized; to meet that goal, we employ industry tenured professionals who are dedicated to seeing your plans succeed, whatever they are.”

website also states the following information about executive coaching:

“Executive coaching is different from psychotherapy. It is working one on one, and groups with corporate executives on their need to improve areas, to be more effective, productive, and manage better.

“Areas such as:

- Communication
- Inner Personal Skills
- Motivation
- Conflict Resolution
- Hiring/Firing

“Each person has unique needs and the coaching is customized. Contact our office for more in depth discussion on how this could help you and your business today.”

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LAW:

Internal Revenue Code section 501(c)(3) provides exemption from Federal income tax for corporations organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation section 1.501(c)(3)-1(a)(1) provides 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.

Treasury Regulation section 1.501(c)(3)-1(c)(1) specifies the operational test for a 501(c)(3) organization. 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.

Treasury Regulation section 1.501(c)(3)-1(d)(1)(ii) clarifies the meaning of the term exempt purpose. An organization is not organized or operated exclusively for one or more exempt purpose unless it serves a public rather than a private interest. To meet this requirement it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Treasury Regulation section 1.501(c)(3)-1(d)(2) provides that the term "charitable" is used in section 501(c)(3) in its generally accepted legal sense. Such term includes: Relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; lessening of the burdens of Government; and promotion of social welfare by organizations designed to accomplish any of the above purposes, or (1) to lessen neighborhood tensions; (2) to eliminate prejudice and discrimination; (3) to defend human and civil rights secured by law; or (4) to combat community deterioration and juvenile delinquency.

TAXPAYER'S POSITION:

power of attorney, _____, has indicated that _____ has reluctantly agreed that the organization should be operated as a for profit organization.

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NAME OF TAXPAYER	TAX IDENTIFICATION NUMBER	YEAR/PERIOD ENDED December 31, 20XX, 20XX and 20XX

GOVERNMENT'S POSITION:

was initially formed to help the unemployed. Services to the unemployed are considered relief of the poor and distressed or of the underprivileged as outlined in Treas. Reg. 1.501(c)(3)-1(d)(2). It was on the merit of this activity that the organization was granted tax exempt status under section 501(c)(3) on April 23, 19XX. However, as of 20XX this activity has either been discontinued, or constitutes a very minimal activity of .

The Internal Revenue Service, Service, recognizes that does provide meaningful services to those struggling with addiction, including pornography, and those recovering from sexual abuse. However, it does not appear that operates exclusively for these activities.

For the past several years, the principle activity of , doing-business-as , is to provide mental health counseling. As has been detailed in the Facts section of this report, these services entail a very broad range of mental health services and are provided to "Christians and non-Christians of all ages and ethnic backgrounds," and "individuals, couples, families, and groups at a fair market value."

Because of the broad nature of these services and the fact that they are provided to the general public, these activities do not meet the requisite charitable class that is necessary to be considered a charitable purpose as described in Treas. Reg. section 1.501(c)(3)-1(d)(2).

does provide a "Christian alternative to traditional counseling," and the mental health counseling is provided "in a manner that is glorifying to God." However, does not preach a specific religious doctrine. Providing mental health services using a Christian philosophy is not sufficient to be considered operating exclusively for religious purposes.

is used to promote consulting firm, . This consulting appears to be focused on the increasing profitability of for profit corporations. This use of to further the professional interest of the creator, , is in violation of Treas. Reg. 1.501(c)(3)-1d(1)(ii).

Again, does provide good services to those in need. However, because is not operated exclusively for charitable purposes and is used to provide private benefits to , has failed to meet the operational test required by Treas. Reg. 1.501(c)(3)-1(c)(1). Since it has failed the operational test, it is not organized **and** operated exclusively for one or more purposes described in section 501(c)(3).

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CONCLUSION:

is no longer described as an organization that is exempt from Federal income tax under section 501(c)(3). It is proposed that tax exempt status be revoked as of January 1, 20XX and should pay Federal income tax from that date forward. The amount of Federal income tax that is due is \$ for the tax period ended December 31, 20XX plus applicable interest. tax is currently due for the tax periods ended December 31, 20XX and 20XX because of net operating losses incurred during these tax periods.

Also, since tax exempt status has been revoked, it is now liable for Federal Unemployment Tax under section 3301. This tax will be computed in a separate report of examination.