



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
1100 Commerce Street, MC 4920 DAL
Dallas, TX 75242

Date: JUL 27 2017

Release Number: 201752011
Release Date: 12/29/2017
UIL Code: 501.03-00

Person to Contact:

Identification Number:

Contact Telephone Number:

Telephone Number:

Fax:

EIN:

CERTIFIED MAIL - Return Receipt Requested

Dear :

This is a final 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):

IRC §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.

Treasury Regulation §1.501(c)(3)-1(c)(1) states 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 exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than in insubstantial part of its activities is not in furtherance of an exempt purpose.

During the conduct of an examination, the President stated that had been inactive since sometime during 20xx. During 20xx conducted no training of any kind and provided no facilities for services to anyone as it stated it would do in its Articles and in its Form 1023. Neither were these activities conducted during the year ended December 31, 20xx.

As such, you failed to meet the requirements of Internal Revenue Code section 501(c)(3) and Treasury Regulation Section 1.501(c)(3)-1(d), in that you failed to establish that you were operated exclusively for an exempt purpose.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code effective January 1, 20xx.

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 subsequent years.

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, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination letter was mailed to you. Please contact the clerk of the respective court for rules and the appropriate forms regarding filing petitions for declaratory judgment by referring to the enclosed Publication 892. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20005

U. S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

You may also be eligible for help from the Taxpayer Advocate Service (TAS). TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778.

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

Sincerely yours,

Enclosures:
Publication 892

Maria Hooke
Director, EO Examinations



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
Exempt Organizations Examinations

Date:
June 22, 2016
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:
Dec 31, 20xx
Person to Contact/ID Number:

Contact Numbers:
Telephone:
Fax:

Manager's Name/ID Number:

Manager's Contact Number:

Response due date:
July 23, 2016

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,

Margaret A. Von Lienen
Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended Dec 31, 20xx

ISSUE:

Should the income tax exemption of Section 501(c)(3) be revoked since the organization fails the operational test on the grounds that the failure to conduct any activities violates the requirement that it be operated exclusively for exempt purposes?

FACTS:

, herein referred to as " " is recognized as an IRC 501(c)(3) and as a 509(a)(2) public charity. received its exemption from the Internal Revenue Service on April 27, 19xx.

The Amended Articles of Incorporation filed on April 11, 19xx state in Article IV that the purpose of the organization is to "provide training facilities for hearing impaired individuals who are in need of job training or supervision, services to the deaf; etc." Part II of Form 1023 states that since 9-1-19xx has provided a residential treatment facility for chemically dependent, hearing impaired individuals and that since 11-1-19xx they have "provided interpreter services for hearing impaired." These activities were all included in the application form 1023.

Agent performed an examination of Form 990 filed by (" ") for the year ended Dec 31, 20xx. This examination disclosed that there had been no activities conducted by during the year under exam. The 20xx Form 990 was marked in its heading as a "Final Return".

During the conduct of the examination, the President stated that had been inactive since sometime during 20xx. During 20xx conducted no training of any kind and provided no facilities for services to anyone as it stated it would do in its Articles and in its' Form 1023. Neither were these activities conducted during the year ended December 31, 20xx.

Information Document Request #2 dated April 20, 20xx was provided to to assist in completing the steps required to terminate the organization. Managing Director told Agent during the examination that he wished to terminate the organization. As of June 20, 20xx, no reply had been received to show that he had completed any of the steps towards termination. The reply was due on May 11, 20xx.

The final return of showed income from investments of \$xxx.xx but showed no investments on the balance sheet. Upon inquiry, provided selected monthly statements from where they maintain a savings account. The balance on the October 31, 20xx account statement was shown as \$xxx,xxx.xx. The Managing Director showed me a cumulative list of earnings and losses for the organization to show that it had lost money over its' life. Agent stated that such losses did not carry forward and obviate the need to donate all funds to another public charity in connection with its (proposed) termination.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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LAW:

IRC Section 501(c)(3) of the Internal Revenue Code ("IRC") exempts from federal income tax organizations which are organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Tax Reg. 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.

Tax Reg. Section 1.501(c)(3)-1(d)(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: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals.

Reg. 1.501(c)(3)-1(c)(1) provide that an organization is "operated exclusively" for charitable purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3).

REG 1.501(c)(3)-1(b)(4) provides that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, **upon dissolution**, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

IRC Section 509(a)(2) of the IRC specifies such public charities normally receive more than one-third of its support in each taxable year from any combination of gifts, grants, contributions, or membership fees, and from gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities.

Rev Proc. 90-27, 1990-1 C.B. 514, (April 30, 1990) states that a ruling or determination letter recognizing exemption may be revoked or modified by (1) a notice to the taxpayer to whom the ruling or determination letter originally was issued, (2) enactment of legislation or ratification of a tax treaty, (3) a decision of the United States Supreme Court, (4) issuance of temporary or final regulations, or (5) issuance of a revenue ruling, revenue procedure, or other statement published in the Internal Revenue Bulletin. The revocation or modification may be retroactive if the

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organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, in the case of organization to which section 503 applies, engaged in a prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purpose and such transaction involved a substantial part of the corpus or income of such organization. Where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change.

GOVT POSITION:

Since the organization has failed to carry on exempt operations since January 1, 20xx through the present, this constitutes a failure to meet the operational test and thus it does not qualify for tax exemption under Section IRC 501(c)(3) of the IRC.

TAXPAYER POSITION:

The taxpayer has stated that they wish to terminate the organization but has not shown any progress towards meeting the requirements for termination. As to their funds on hand, it is not clear if the organization believes that prior period losses reduce the amount of net assets to be given to a qualifying charity.

CONCLUSION:

The organization does not qualify for exemption under IRC 501(c)(3), therefore its tax exempt status should be revoked effective January 1, 20xx.