



**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
TE/GE EO Examinations  
1100 Commerce Street, MC 4920 DAL  
Dallas, TX 75242

**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

Date: **APR 14 2018**

Number: **201829008**  
Release Date: **7/20/2018**

Person to Contact:  
Identification Number:  
Contact Telephone Number:  
In Reply Refer to: **TE/GE Review Staff**  
EIN:

**UIL: 501.03-00**

**CERTIFIED MAIL – Return Receipt Requested**

Dear \_\_\_\_\_ :

This is a final revocation letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service's recognition of your organization as an organization described in section 501(c)(3) is hereby revoked effective July 1, 20\_\_\_\_\_.

We have made this determination for the following reasons:

You have failed to produce documents to establish that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3), and that no part of your net earnings inures to the benefit of private shareholders or individuals. You failed to respond to repeated reasonable requests to allow the Internal Revenue Service to examine your records regarding your receipts, expenditures, or activities as required by I.R.C. §§ 6001, 6033(a)(1) and Rev. Rul. 59-95, 1959-1 C.B. 627.

As such, you failed to meet the requirements of I.R.C. section 501(c)(3) and Treasury Regulation section 1.501(c)(3)-1(d), in that you failed to establish that you are operated exclusively for an exempt purpose.

Contributions to your organization are no longer 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 June 30, 20\_\_\_\_\_, 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 91<sup>st</sup> 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. 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. Please note that the United States Tax Court is the only one of these courts where a declaratory judgment action can be pursued without the services of a lawyer. 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 call the IRS telephone number listed in your local directory. An IRS employee there may be able to help you, but the contact person at the address shown on this letter is most familiar with your case. You may also call the Internal Revenue Service Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. We 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 our assistance, which is always free, we will do everything possible to help you. Visit [taxpayeradvocate.irs.gov](http://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,



Maria Hooke  
Director, EO Examinations

Enclosure:  
Publication 892



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

Date:  
October 24, 2017  
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact / ID Number:

Employee ID:  
Contact numbers:  
Telephone:  
Fax:  
Manager's Name / ID Number:

Employee ID:  
Manager's Contact 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. 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,

Maria Hooke  
Director, EO Examinations

Enclosures:  
Report of Examination  
Form 6018  
Publication 892  
Publication 3498

Form <b>886-A</b> (May 2017)	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number ( <i>last 4 digits</i> )	Year/Period ended  June 30, 20XX

**ISSUE:**

Whether ( ) continues to qualify for exemption under section 501(c)(3) of the Internal Revenue Code as a public charity after failure to provide requested information.

**FACTS:**

( ) was incorporated in State on September 30, 20XX. The purposes stated in their certificate of incorporation is “to bring cultural awareness to the city of and surrounding areas, while revitalizing the historic by presenting theatre and promoting arts and educational programs, using the as a venue for the productions.”

On 9/28/20XX the Agent assigned to examine the 6/30/20XX Form 990 mailed Letter 3611, Initial Contact Letter with an Information Document Request #1 (IDR) Form 4564, requesting an appointment. The Agent began examination of books and records on 12/14/XX at the organization’s address, as listed on the Form 990.

After the initial review of books and records, additional information was still needed to determine whether the organization’s expenditures and contractual agreements furthered the organization’s exempt purposes and did not serve the private interests of the organization’s officers: cancelled checks, cast member contracts, invoices, loan agreements and a copier agreement. On 12/20/XX, the Agent mailed IDR #2 to the organization’s address, as listed on the return. On 1/26/XX, a 2-week extension was granted at the officer’s request. Several calls were made to the officer, including a call from Group Manager regarding IDR #2. All calls were left unanswered with no return calls.

Agent then issued a Letter 5077-D, Delinquency Notice on 3/29/XX regarding the missing information. Due to lack of response to Letter 5077-D, Agent issued Letter 5077-A, Pre-Summons Notice on 6/6/XX. After several attempts by mail and phone, failed to respond to the Internal Revenue Service correspondence for the tax period ended June 30, 20XX. A summons was completed and services of the summons was attempted on 9/19/XX at the address of record. The local agent who attempted to serve the summons was unable to service the summons because the building was locked and appeared unoccupied.

In a prior audit of Form 990 for the tax year ending 6/30/20XX, received an agreed “inadequate records notice” after the examination. An “Inadequate Records Notice” places taxpayers on notice that their record keeping practices are deficient and must be improved to meet the requirements of law. The issuance of an Inadequate Records Notice may result in a follow-up audit or compliance check. This is a tool to enforce compliance with the requirement to keep adequate books and records.

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**LAW:**

IRC § 501(c)(3) exempts from federal income tax organizations which are 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.

Tax Reg. § 1.501(c)(3)-1(d)(i) states that an organization may be exempt as an organization described in 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.

Tax Reg. § 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Tax Reg. § 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 of such exempt purposes specified in section 501(c)(3).

Internal Revenue Code section 6001 provides that every person liable for any tax imposed by the Internal Revenue 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.

Internal Revenue Code section 6033(a)(1) provides that every organization exempt from taxation 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 purpose of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and shall 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.

Federal Tax Regulations section 1.6001-1(e) states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained so long as the contents thereof may become material in the administration of any internal revenue law.

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Federal Tax Regulations section 1.6033-2(i)(2) provides that every organization which is exempt 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 Internal Revenue Service for the purpose of inquiring into its exempt status and administering the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and section 6033 of the Code.

Revenue Ruling 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 Internal Revenue Code section 6033 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.

In accordance with the above cited provisions of the Code and regulations under sections 6001 and 6033 as well as the revenue ruling, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to 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.

**GOVERNMENT’S POSITION:**

The purpose of this examination as noted in appointment Letter 3611 was to ensure compliance with federal tax requirements. We were unable to determine whether the organization was operated exclusively for exempt purposes and that no assets of the organization inured to the benefit of insiders because information requested was not supplied. It appears that the organization has ceased operating.

The above cited Internal Revenue Code and Federal Tax Regulations make it clear that an organization must maintain adequate books and records for inspection by authorized internal revenue officers or employees. Adequate books and records shall be retained so long as the contents thereof may become material in the administration of any internal revenue law. Revenue Ruling 59-95 held that failure or inability to file the required information return or otherwise to comply with the provisions of Code section 6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt because the organization has not established that it is observing the conditions required for the continuation of an exempt status. Accordingly, failure to provide the requested information constitutes failure to demonstrate that they are organized and operated exclusively for exempt purposes, as described in Code section 501(c)(3). failure should result in the loss of its exempt status.



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**CONCLUSIONS:**

It is the position of the Internal Revenue Service that the organization failed to demonstrate it continues to operate exclusively for IRC 501(c)(3) purposes. By not supplying pertinent information required by IRC sections 6001 and 6033 we were unable to determine whether was operating for exempt purposes. Accordingly, we are proposing that the organization's exempt status be revoked effective July 1, 20XX.