



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 30 2018**

Number: **201833017**
Release Date: **8/17/2018**

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

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

UIL Code: 501.03-00

CERTIFIED MAIL - Return Receipt Requested

Dear :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated February 4, 20XX, is hereby revoked and you are no longer exempt under section 501(a) of the Code, effective January 1, 20XX.

Our adverse determination was made for the following reasons:

Beginning in 20XX, you discontinued any activities furthering charitable or educational purposes. Therefore, you did not establish that you operated exclusively for an exempt purpose or that you have been engaged primarily in activities that accomplish one or more exempt purposes as required by Treas. Reg. section 1.501(c)(3)-1(a)(1).

Contributions to your organization are no longer deductible under section 170 of the 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 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

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 or call 1-877-777-4778.

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,

A handwritten signature in black ink that reads "Maria Hooke". The signature is written in a cursive, slightly slanted style.

Maria Hooke
Director, Exempt Organizations Examinations

Enclosures:
Publication 892



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

Date:
October 4, 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 (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,



Digitally signed by VSJFB
DN: cn=VSJFB,
email=David.W.Weaver@irs.gov
Date:2017.10.04 16:19:18 -0700'

For **Maria Hooke**
Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

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| Form 886A | Department of the Treasury - Internal Revenue Service | Schedule No. or Exhibit |
| Explanation of Items | | |
| Name of Taxpayer: | | Year/Period Ended: December 31, 20XX |

Issues:

Does _____ (Foundation) continue to qualify for exemption from Federal income tax under Internal Revenue Code (Code) section 501(c)(3)?

Facts:

The Foundation incorporated on April 24, 20XX in the state of _____. The original Articles of Incorporation, Article VI states the Foundation is nonprofit in nature, but don't provide a specific purpose.

The Foundation amended its Articles of Incorporation on October 26, 20XX. Article IV(a) states the Foundation's specific purpose is to operate an organization for education regarding aromatherapy and the use of botanicals in fostering better health, welfare and wellness using aromatherapy, provided, however, that the foregoing shall be strictly limited to religious, charitable, educational, scientific and literary purposes within the meaning of section 501(c)(3) of the Internal Revenue Code.

The Foundation submitted Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, to the Internal Revenue Service (Service) on March, 26, 20XX. The Foundation provided a narrative (attachment 1) of its proposed activities and its four main activities are as follows:

1. Education and Training for Professionals
2. Information about Aromatics to the General Public
3. Education Seminars for the General Public
4. Support research and studies in the field of Aromatherapy

The Service issued Letter 947 on February 4, 20XX recognizing the Foundation as a tax exempt organization under Code section 501(c)(3) and as a public charity under Code section 509(a)(2).

In an interview conducted with _____ (Foundation founder) and _____ (President) on July 17, 20XX both stated _____ County (County) changed its rules regarding transient occupancy. The County implemented a new licensing process regarding any establishment offering overnight accommodations. The Foundation facility is located in a residential zone and the new rules required an establishment providing overnight accommodations to operate in a commercial zone. The Foundation was not originally considered to provide overnight accommodations but the new rules deemed it to do so. The Foundation decided it could not afford the legal fees to challenge the matter and stopped operations.

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The Foundation stopped operation in 20XX and refunded all the reservations for the year. The Foundation did not carry on any activities in the 20XX or 20XX years.

The State of (State) assessed the Foundation a \$0 transient tax liability, which was based on the Excise Tax forms submitted to the state. According to the State the Foundation was required to collect transient tax, but the Foundation failed to do so. The Foundation does not have the means to pay the bill and began bankruptcy procedures in 20XX.

Law:

Code section 501(c)(3) exempts from federal income tax organizations 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.

Federal Tax Regulations (Regulations) section 1.501(c)(3)-1(a) states in part that in order to be exempt as an organization described in Code section 501(c)(3), the 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. The term "exempt purpose or purposes", as used in this section, means any purpose or purposes specified in section 501(c)(3).

Regulations section 1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

Taxpayer's Position:

The founder and President concede the Foundation stopped operations in the 20XX year, did not carry on any activities in the 20XX or 20XX years, and the Foundation does not plan to resume any future activities. During the interview the President stated she would agree to the revocation, but a written position has not been provided.

Government's Position:

The Foundation does not continue to qualify for exemption under Code section 501(c)(3) because it did not demonstrate that it is carrying on a charitable activity; it was unable to demonstrate that it was presently carrying on any activities.

Conclusion:

The Foundation does not continue to qualify for exemption under Code section 501(c)(3) and the effective date of the proposed revocation is January 1, 20XX.