



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Number: **202052030**
Release Date: 12/24/2020
UIL: 501.03-00

Date: May 8, 2020

Taxpayer ID Number:

Form:

Tax Period(s) Ending:

Person to Contact:
Identification Number:

Telephone Number:

Fax Number:

CERTIFIED MAIL – Return Receipt Requested
LAST DAY FOR FILING A PETITION WITH THE TAX COURT:

Dear

This is a final determination that you do not qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), effective February 1, 20XX. Your determination letter dated August 5, 20XX is revoked.

Our adverse determination as to your exempt status was made for the following reasons:

Organizations described in IRC Section 501(c)(3) and exempt under Section 501(a) must be both organized and operated exclusively for exempt purposes. You have not demonstrated that you are operated exclusively for charitable, educational, or other exempt purposes within the meaning of 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. You have not established that you have operated exclusively for an exempt purpose.

As such, you failed to meet the requirements of IRC Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(a), in that you have not established that you were organized and operated exclusively for exempt purposes and that no part of your earnings inured to the benefit of private shareholders or individuals.

Contributions to your organization are no longer deductible under IRC Section 170.

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms, and information please visit www.irs.gov.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 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 was mailed to you. Please contact the clerk of the appropriate court for rules and the appropriate forms for 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

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

We'll notify the appropriate state officials (as permitted by law) of our determination that you aren't an organization described in IRC Section 501(c)(3).

You may 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.

Taxpayer Advocate assistance can't be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in 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 can get any of the forms or publications mentioned in this letter by calling 800-TAX-FORM (800-829-3676) or visiting our website at www.irs.gov/forms-pubs.

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

Enclosures:
Publication 892

Sincerely,

Maria Hooke

Maria D. Hooke
Director, EO Examinations



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

Date:
11/18/2019
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

ID number:
Telephone:
Fax:
Address:

Manager's contact
Information:

ID number:
Telephone:
Response due date:

CERTIFIED MAIL – Return Receipt Requested

Dear _____ :

Why you're receiving this letter

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(3).

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the periods above.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

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 adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right

The Taxpayer Advocate Service (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 877-777-4778.

Additional information

You can get any of the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676).

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Denise Gonzalez for

Maria Hooke

Director, Exempt Organizations Examinations

Enclosures:

Form 886-A

Form 6018

Publication 892

Publication 3498

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Form:
Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended January 31, 20XX

ISSUE:

Whether _____ continues to qualify for exemption as an organization described in the Internal Revenue Code (IRC) Section 501(c)(3).

FACTS:

_____ was incorporated under the laws of the State of _____ as a non-profit corporation on March 10, 20XX for the purpose of the following:

“The organization is organized, and at all times hereafter shall be operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the _____ Foundation. The Corporation shall make periodic charitable distributions and grants exclusively to the _____

On August 5, 20XX, _____ was recognized to be exempt from federal income tax as an organization described in IRC Section 501(c)(3). The organization was classified under 509(a)(3) as a Type I supporting organization.

During an interview on October 4, 20XX, the organization’s confirmed the following:

- The organization was expecting a large donation in order for the organization to become operational
- The donation was never actually received
- The organization continues to file the appropriate Form 990 series return in order to maintain exemption
- The organization has never been operational due to lack of funding
- The organization would like to continue to keep its exemption status until funding is secured
- No formal plan is in place to secure funding

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.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Form:
Name of taxpayer	Tax Identification Number (<i>last 4 digits</i>)	Year/Period ended January 31, 20XX

IRC § 509(a)(3) of the Code provides, in part, that the term "private foundation" does not include an organization which is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified exempt organizations described in sections 509(a)(1) and 509(a)(2) of the Code; and is operated, supervised, or controlled by or in connection with one or more organizations described in sections 509(a)(1) and 509(a)(2).

Treasury Regulations § 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.

Treasury Regulations § 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.

Treasury Regulations § 1.501(c)(3)-1(b) 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 pass the organizational test. The organizational test requires an appropriate purpose and dissolution statement limited to the organization's exempt purpose.

Treasury Regulations § 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).

Section 1.509(a)-4(e)(1) of the regulations provides that a supporting organization will be regarded as "operated exclusively" to support one or more specified publicly supported organizations only if it engages solely in activities which support or benefit the specified publicly supported organizations. Such activities may include making payments to or for the use of, or providing services or facilities for, individual members of the charitable class benefited by the specified publicly supported organization.

In *Make a Joyful Noise, Inc. v. Commissioner*, 56 T.C.M. 1003 (1989), the Court concluded that the petitioner was not described in IRC 501(c)(3). The petitioner was organized in order to operate a camp for disadvantaged children and elderly citizens. While the organization maintained this goal, during its more than five years of operation, no progress was made towards its accomplishment. Initially the organization conducted its own bingo games. In response to a change in state law, the organization conducted bingo games on behalf of other organizations. The Court found that the petitioner was principally engaged in the conduct of bingo games and did not meet its burden of proof to show that it operated exclusively for the exempt purposes described in IRC Section 501(c)(3).

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Form:
Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended January 31, 20XX

In *Community Education Foundation v Commissioner of Internal Revenue*, the Court concluded that the petitioner was not described in IRC 501(c)(3). The petitioner was organized to hold town hall meetings, national workshops and congressional forums. However, the petitioner did not meaningfully organize or allocate resources for any of those activities. Since the organization failed to engage in activities in accordance with its exempt purpose, the organization's tax exempt status was revoked.

TAXPAYER'S POSITION:

Taxpayer's position has not been provided.

GOVERNMENT'S POSITION:

Treasury Regulations § 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).

The organization cannot operate exclusively for one or more exempt purpose if it is not engaging in any activity. The organization has not been operational for about 0 years. There is no formal plan in place to establish funding to make the organization operational.

The organization cannot pass the operational test when the organization is inactive or not operational.

CONCLUSION:

no longer qualifies for exemption under 501(c)(3) of the Code because it does not pass the operational test.

The effective revocation date will be February 1, 20XX.

If you agree to this conclusion, please sign the attached Forms.

If you disagree please submit a statement of your position.