



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

Date: June 28, 2021

Taxpayer ID number:

Form:

Tax periods ended:

Release Number: 202239013

Release Date: 9/30/2022

UIL Code: 501.03-00

Person to contact:

Name:

ID number:

Telephone:

Fax:

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Dear :

**Why we are sending you this letter**

This is a final determination that you don't 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 . Your determination letter dated , is revoked.

Our adverse determination as to your exempt status was made for the following reasons: You have failed to establish that you are operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3), and that no part of your net earnings inure to the benefit of private shareholders or individuals. Nearly % of your disbursements were for the benefit of private individuals. You were operated primarily for the benefit of private individuals during the years in question. Based on the information reviewed during the examination, minimal time and funds were spent on exempt purpose activities.

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](http://www.irs.gov).

Because you were a private foundation as of the effective date of the adverse determination, you are considered to be a taxable private foundation until you terminate your private foundation status under IRC Section 507. In addition to your income tax return, you must also continue to file Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation, by the 15th day of the fifth month after the end of your annual accounting period.

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

**What you must do if you disagree with this determination**

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

**How to file your action for declaratory judgment**

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.

Please contact the clerk of the appropriate court for rules and the appropriate forms for filing an action for declaratory judgment by referring to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status. You may write to the courts at the following addresses:

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

U.S. Court of Federal Claims  
717 Madison Place, NW  
Washington, DC 20439

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).

**Information about the IRS Taxpayer Advocate Service**

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office at:

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to [taxpayeradvocate.irs.gov](http://taxpayeradvocate.irs.gov). Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

**Where you can find more information**

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

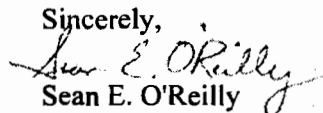
Find tax forms or publications by visiting [www.irs.gov/forms](http://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676).

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

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

Keep the original letter for your records.

Sincerely,



Sean E. O'Reilly

Director, Exempt Organizations Examinations

**Enclosures:**

Publication 1  
Publication 594  
Publication 892



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

**Date:**  
02/10/2021  
**Taxpayer ID number:**

**Form:**

**Tax periods ended:**

**Person to contact:**

**Name:**  
**ID number:**  
**Telephone:**  
**Fax:**  
**Address:**

**Manager's contact information:**

**Name:**  
**ID number:**  
**Telephone:**  
**Response due date:**  
03/12/2021

**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.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

**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**

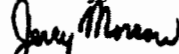
The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://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](http://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,



Jerry Morrow, for Sean E. O'Reilly  
Director, Exempt Organizations Examinations

Enclosures:  
Form 886-A  
Form 6018

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
<b>Name of Taxpayer</b>		<b>Year/Period Ended</b>

**ISSUE:**

Whether (" ") is operated exclusively for exempt purposes within the scope of Internal Revenue Code ("IRC") Section 501(c)(3).

**FACTS:**

was incorporated on as a non-profit corporation in the State of . According to its Articles of Incorporation, its purposes were to design, develop, implement and manage a program to provide holders with the ability to designate contributions to certain pre-qualified charities and to manage the intellectual property associated with this program.

Form , *Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code*, indicated that activities would be centered around the program mentioned in the purpose clause of its Articles of Incorporation. During the exemption process, the IRS determinations agent notified the taxpayer that he intended to propose denial of tax exemption because the stated activities were not consistent with IRC 501(c)(3). then stated in subsequent correspondence that its activity plans had changed; training would now be its primary focus.

On , the IRS issued a determination letter to granting it exemption as a public charity under IRC Section 501(c)(3). was subject to an advance ruling period to demonstrate that it could meet the public support test that is required of a public charity. Because it had not yet become operational, did not pass the public support test at the end of the advance ruling period. Consequently, it was reclassified as a private foundation. Private foundations are also exempt under IRC Section 501(c)(3), but they are subject to different rules and are required to file Forms rather than Form .

The IRS examined Forms for years ended and . The balance sheet of the return reported loans payable to . The amended return reported notes payable liabilities, but did not include a schedule to break this down. is listed as President on the Form . is the spouse of , a founder of .

During the examination, provided a Promissory Note between and . The Note included a loan schedule. This schedule indicates that, at the beginning of the -year, owed \$ in loans that were provided between and . The schedule also lists loan payments from and as well as new loans that were made in . The schedule indicates that owed \$ at the end of .

did not provide documentation, such as canceled checks from to , to verify that had outstanding loans payable to of \$ at the beginning of .

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
<b>Name of Taxpayer</b>		<b>Year/Period Ended</b>

The Form also reports loans payable to \_\_\_\_\_ and \_\_\_\_\_, who are both listed as \_\_\_\_\_ trustees.

During the examination, the IRS agent reviewed \_\_\_\_\_ and \_\_\_\_\_ bank statements. The bank statements report several disbursements which appear to be personal in nature, including credit card payments, grocery store purchases, restaurant purchases, ATM withdrawals, home repair purchases, etc.

The IRS agent held several telephone discussions with \_\_\_\_\_ and \_\_\_\_\_, authorized representative. During these discussions, \_\_\_\_\_ did not dispute the personal nature of these expenditures. Rather, \_\_\_\_\_ claimed that the purchases were in lieu of loan payments.

In \_\_\_\_\_ and \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ had control over \_\_\_\_\_ bank accounts.

IRS analysis of the \_\_\_\_\_ and \_\_\_\_\_ bank statements revealed the following:

	Amount	% of total disbursements	Amount	% of total disbursements
Total Deposits	\$ _____	-	\$ _____	-
Total Disbursements	\$ _____	%	\$ _____	%
Disbursements that appear to be for personal purpose, i.e. in lieu of loan payments	\$ _____	%	\$ _____	%
Other loan payments ( _____ and others)	\$ _____	%	\$ _____	%
Remaining disbursements, which could have been used for exempt purpose)	\$ _____	%	\$ _____	%

During the examination, \_\_\_\_\_ provided documentation showing that some activities had taken place in the years under examination. However, these activities were all centered around the program described in its Form \_\_\_\_\_

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
<b>Name of Taxpayer</b>		<b>Year/Period Ended</b>

**LAW:**

**IRC Section 501(c)(3)** describes certain organizations exempt from taxation under section 501(a) of the Code and reads as follows: Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, 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, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

**Section 1.501(c)(3)-1(a)(1) of the Treasury 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. If an organization fails to meet either the organizational or operational test, it is not exempt.

**Section 1.501(c)(3)-1(c)(1) of the Treasury Regulations** 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. Thus, to qualify for exemption, the organization must show that it engaged "primarily" in activities which accomplished that exempt purpose. The organization will not qualify for exemption if a nonexempt activity is more than an insubstantial part of its activities, or if an activity of the organization has more than an insubstantial nonexempt purpose.

**Section 1.501(c)(3)-1(d)(1)(ii) of the Treasury Regulations** provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, 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.

**Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279, 283, 66 S. Ct. 112, 90 L. Ed. 67, 1945 C.B. 375 (1945)**, the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

**Anthony Haswell v. United States, 205 Ct. Cl. 421; 500 F. 2d 1133 (1974)**: In this case, an exempt organization devoted about 20 percent of its total resources to non-exempt activities. The court held that these non-exempt activities were more than insubstantial. Consequently, the organization did not operate for an exempt purpose.

Form 886A	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended

**Murray Seasongood and Agnes Seasongood v. Commissioner of Internal Revenue, 227 F. 2d. 907 (1955):** In this case, an organization devoted 5 percent of its resources to non-exempt activities. The court held that these non-exempt activities were not substantial.

**GOVERNMENT'S POSITION:**

Based upon the facts found during the examination, is not operated exclusively for exempt purposes within the scope of IRC Section 501(c)(3) and as a result, it does not qualify for exemption under IRC Section 501(c)(3).

As indicated in Section 1.501(c)(3)-1(d)(1)(ii) of the Treasury Regulations, an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Nearly % of disbursements were for the benefit of the claims that these expenditures were repayments on a large loan balance that accumulated since . However, no source documentation was provided to substantiate that loaned the amounts claimed to . Consequently, was operated primarily for the benefit of the during the years in question.

Section 1.501(c)(3)-1(c)(1) of the Treasury Regulations provides that, to qualify for exemption, an organization must show that it engaged "primarily" in activities which accomplished its exempt purpose. During the years in question, % of funds (based on deposits) were spent on payments for the benefit of and/or loan payments to the and loan payments to other individuals. Consequently, no more than % of funds could have been used to further its exempt purpose. A schedule of these expenditures are listed on *Attachment A*.

Based on the information reviewed during the examination, minimal time and funds were spent on exempt purpose activities. Any activities that were conducted were centered around program. During the exemption application process, the reviewing IRS agent intended to propose denial of exemption due to private benefit arising from this program. In response, submitted a revised activity statement indicating that training would be its primary activity. During the examination, provided no evidence that any training activities were conducted during the years in question. Therefore, it is questionable whether conducted any activities during the year in question which would qualify as exempt purpose activities under IRC 501(c)(3).

For the reasons described above, is not operated exclusively for exempt purposes within the scope of IRC Section 501(c)(3). Consequently, we are proposing revocation of tax exemption.

**CONCLUSION:**

We are proposing revocation of your tax-exempt status effective please sign Form 6018.

. If you agree,



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<b>Name of Taxpayer</b>		<b>Year/Period Ended</b>

If you disagree, please submit a formal protest. For instructions on a formal protest, see page 6 of the attached Publication 3498.