



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

Date:
September 28, 2022
Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Last day to file petition with United States

Tax Court:

December 27, 2022

Release Number: 202317022

Release Date: 4/28/2023

UIL Code: 501.03-00

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 not established that you are both organized and operated exclusively for charitable, educational, or other exempt purposes within the meaning of IRC Section 501(c)(3). Additionally, your primary activity is the provision of behavioral health services. You are operated in a commercial manner with substantial income-producing activities that are of a kind normally conducted by nonexempt commercial entities. You have not established that you continue to qualify for tax-exempt status as a church or that your church activities were not secondary and incidental to your overall operations. Furthermore, part of your earnings inured to the benefit of your officers and their family members, which constitutes inurement prohibited under IRC Section 501(c)(3). As such, you failed to meet the requirements of IRC Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(a).

Organizations that are not exempt under Internal Revenue Code (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 [IRS.gov](https://www.irs.gov).

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 can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at ustaxcourt.gov/dawson.html. You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

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

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439
uscfc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

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.

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:

Internal Revenue Service
Taxpayer Advocate Office

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. 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.

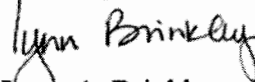
Find tax forms or publications by visiting [IRS.gov/forms](https://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,



Lynn A. Brinkley

Acting Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892

Form 886-A and Exhibits

cc:

Notice of Proposed Adjustment

Name of taxpayer	Issue number
Name and title of person to whom delivered	Date
Entity for this proposed adjustment	Response due

Based on the information we now have available and our discussions with you, we believe the proposed adjustment listed below should be included in the revenue agent's report. However, if you have additional information that would alter or reverse this proposal, please furnish this information as soon as possible.

Years	Amount	Account or Return Line	SAIN Number	UIL Code
		Revocation of exempt status under IRC Sec. 501(c)(3)		

Reasons for proposed adjustment *(If the explanation of the adjustment will be longer than the space provided below, the entire explanation should begin on Form 886-A (explanation of items))*

See Form 886-A, Explanation of items, and Exhibits enclosed.

Taxpayer's/Representative's action
 Agreed
 Agreed in part
 Disagreed
 Have additional information; will submit by _____

Taxpayer's/Representative's signature	Date
If disagreed in part or in full - check here for consideration of Fast Track Settlement	
<input type="checkbox"/> Taxpayer <input type="checkbox"/> IRS	
Team Manager	Date

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit: Exhibits
Name of taxpayer	Taxpayer ID	Tax year ended

Issues

1. Whether (, , or) is operated primarily for carrying on an unrelated trade or business purpose that do not further its exempt purpose under Internal Revenue Code (IRC) Section (sec.) 501(c)(3)?
2. Whether the religious body and activities are secondary and incidental to its overall operations that disqualify its status as a church?
3. Whether unaccountable paychecks or reimbursements, cash withdrawals, and benefits flowing to the officers and their family members constitute inurement prohibited under IRC sec. 501(c)(3)?
4. Whether the organization is operated exclusively for exempt purposes, or whether its status as an organization exempt under IRC sec. 501(c)(3) should be revoked effective ?

Facts

Purpose of Formation

The was formed in . The Article of Incorporation states that the purpose of the is “ ”.

Form 1120 Filed for through

The filed Forms 1120, *U.S. Corporation Income Tax Return*, for and . The Form 1120 is a return. The Form 1120 reports minimal activity (\$ gross receipt, and a net loss of \$). Schedule K, *Other Information*, of Form 1120 reports that its business activity and services: “ ”.

Exempt Status

The applied for tax exemption in . Schedule A of Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, did not indicate that it possesses a written creed, formal code of doctrine, religious history, and other characteristics of a church. Part IV, *Narrative Description of Your Activities*, of Form 1023, in part, provides that

is a nonprofit organized and operated exclusively for charitable purposes. Specifically, this organization

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit: Exhibits
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has been formed to educate the public on subjects useful to the individual and beneficial to the community and to provide relief to the poor, distressed and underprivileged.... Our team was founded by . We realize our board of directors is complied of families. This is the only team we have and trust. All money in and out will be documented on paper and shown publicly through our books. It is written in our by-laws that no director will be allowed to take any compensation at any time. We look forward to providing safety and security to those in need. No profit will be expected or accepted.

The organization received a letter of determination, dated , recognized as an exempt organization under IRC sec. 501(c)(3) and public charity status under IRC sec. 170(b)(1)(A)(vi).

Fictitious Firm Name

On , , President of the organization, filed an application to that the organization is conducting business in this county under a fictitious firm name, ().

Provider Enrollment Application

On , the organization enrolled in for providing under taxonomy code , in which a provider is defined as:

The application was submitted by with other providers linked to the organization: and

Website and Premises

The organization's website is at Its premises was at . It moved to the current location in , see **Exhibit A-1** for its webpages and image captures of its premises.

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit: Exhibits
Name of taxpayer	Taxpayer ID	Tax year ended

Form Filed for through
Forms were filed for tax years with the same taxpayer ID as the
 . Forms were signed by as President. She is also
listed as the person who "possesses the organization's books and records." The
Forms report the following information:

Form				
Contributions/grants				
Other Revenue				
Salaries/employee benefits				
Revenue less Expenses				
Total Assets (cash)				
Total Liabilities				
Net Assets/Fund Balance				

Part I Section 1 of Forms describes the organization's mission or most significant activities –

"

"

Information reported by State of
Form 1099-MISC, *Miscellaneous Income*, filed by State of indicated that the organization received annual payments from : \$ (), \$ (), and \$ ().

Notice of Church Tax Inquiry (NCTI)
On , Letter 5307, *Notice of Church Inquiry*, with attachments were issued to the organization expressing the concerns that the organization received all or a majority of its income for medical payments from , and the organization's religious activities were merely incidental to the organization's other functions and activities and are, therefore, insufficient to demonstrate that the organization was a " " for tax purposes. Additionally, the salary expense reported on Form was not fully reported on any Form 941, *Employer's Quarterly Federal Tax Return*, Form W-2, *Wage and Tax Statement*, or Form 1099-MISC.

Year	Form	Form	Form	Form	
	\$	\$	\$	\$	\$

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit: Exhibits
Name of taxpayer	Taxpayer ID	Tax year ended

Form 2848

On _____, _____ provided a Form 2848, *Power of Attorney and Declaration of Representative*, stating he was an Enrolled Agent (EA). However, his EA status was invalid and thus we are not communicating with him on this case.

Initial Responses to Church Tax Inquiry

On _____ and _____, _____ provided the following information and documents in response to the church tax inquiry:

- Answers to the church tax inquiry questions
- Flyer for “ _____ ” event scheduled on _____
- Invitation for “ _____ ” event scheduled on _____

- Introduction of the organization and what it does
- The organization’s statement on warfare and freedom
- Photos taken in the organization’s _____ event
- Flyer for “ _____ ” event scheduled on _____

Follow-up Notice of Church Tax Inquiry

On _____, Letter 5308, *Follow-up Notice of Church Inquiry*, with attachments were issued to notify the organization that a complete response to the Notice of Church Tax Inquiry was not received. The letter listed omitted items and extended the organization’s response time to the church tax inquiry.

Supplemental Response to Church Tax Inquiry

On _____, the organization provided supplemental information in writing to answer the church tax inquiry questions.

Notice of Church Tax Examination (NCTE)

On _____, Letter 5309, *Notice of Church Examination*, with attachments were issued to notify the organization that a church tax examination was being approved. The letter offered the organization a pre-examination conference to discuss and attempt to resolve concerns before the examination begins.

Pastor of the organization, stated that it did not receive the Letter 5309. On _____, _____, the letter and attachments were resent by mail to the organization’s new address. On _____, _____ confirmed receipt of the Letter 5309 and attachments.

Pre-examination Conference

On _____, a pre-exam conference was scheduled on _____. On _____, _____ and _____ joined the pre-examination

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit: Exhibits
Name of taxpayer	Taxpayer ID	Tax year ended

conference held by the EO Examinations staff to discuss the concerns of church tax inquiry. The concerns raised in the NCTI and NCTE remained after the conference.

Examination of Form

On , Letter 3611 was issued to the organization, enclosed with a form 4564, *Information Document Request* (IDR#1), began an audit of Form .

Decline to Sign Form 872

From to , verbal communications were made between the Examiner and on the organization's difficulties to retain representation, the organization's questions and preparation of documents for IDR, the 3rd party contact rules, and whether the organization consents to extend the time to assess tax. On , stated that that the organization will not sign any documents, including Form 872, provided by the IRS, but the organization will submit the documents in response to IDR.

Response to IDR#1

On , in response to IDR#1, the organization provided the documents below with a statement to explain why the organization was not able to provide other documents requested on IDR#1: *Many official materials and transactions sent to via*

- A List of Providers with their (see discussion on Page through)
- A Leaflet of with introduction of its services
- Minutes of Board Meeting dated and
- bank statements for of the organization's account (Account #) at ()
- bank statements for of / account () at
- Pay Stubs for medical service providers: (\$), (\$), and (\$)
- petty cash logs for reporting period from to (\$) and from to (\$)
- pages of worksheets named "Detail Sheet Expenses" and "Expenditure / Expenses Analysis ", the information on the worksheets is summarized in the table below.

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
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Type	Amount	Explanations *
Gas for transporting clients		\$ per day (fueling of operational vehicles including volunteers' vehicles)
Rent		\$ per lot at including
Feeding of clients and the needy		\$ per day (and to the need)
renovation		/office renovation including the Partitioning
Computers expenses		Computers including biofeedback equipment
Furnitures		Furnitures Including chairs, tables, file cabinets, and shelves
Student assistance program		Student/Scholarship assistance
Welfare laundry expenses		
Welfare housing assistance expenses		
New vehicle purchases for program use		Vehicles
Light bill expenses		Utilities
Water bill expenses		Utilities
bill expenses		Utilities
Payment to public services		Utilities
Repair expenses for		
Program travel expenses		Utilities
Payments to workers subcontractors		
Payment to other payroll		
Welfare housing assistance for clients		
for clients other		expenses in collaboration with of
Clients study books bible		Bibles, tracts, and children ministry books
Program marketing expenses for clients		programs (Children Program, Printing Posters, and Marketing of).
Total		

* Explanations are abstracted from "Expenditure / Expenses Analysis".

Response to IDR#2

On , in response to IDR#2, the organization provided that its activities in general can be broadly broken down as Activities and , which are summarized as follows:

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

1. **Activities**

Name of Activity / Program	Staff Engaged	Occurrence in	Wage to Staff	Expenses of Activity / Program	Records of activity / expense
Prayers Services			\$	-\$ and \$	None
Bible Study	Sunday School Teachers		\$	Purchases of the Bibles, printing of Sunday school bulletins, transportation allowance for workers, and writing materials for children Sunday School	None
			\$	Costs of handling and transportation for more than pounds of products -\$ per day	None
Visitation and program		occurrence cannot be estimated	\$	Costs of free nylon bags given in	None
() Service	Pastor with the assistance of the workers present in the service.	sessions	\$	Costs of utilities	None
Spiritual counseling	The Department		\$	Costs of the Bibles purchases	None
Welfare services			\$	Refer to <i>Expenditure / Expenses Analysis</i>	None

2. ()
 According to the leaflet of , the following services were provided to the public

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

The organization provided that all records associated with _____ were submitted to _____ for auditing and were never returned to the organization.

_____ pieces of documents were enclosed with the organization's written response: _____ certificates issued to _____ (certificate of ordination and certificate of authority to solemnize marriages), and _____ bulletin dated _____. For other source documents requested on IDR#2, the organization provided the statements below to explain why the requested documents were not provided:

- *Receipts and documents lost in transit during office relocation.*
- *The operators and personnel left the _____ after the contract was put on hold by _____ and documents lost.*
- *The cash vouchers signed and approved by the Finance Officer were lost on transit during the relocation of the _____ after the suspension of the contract by _____.*
- *The records were lost during relocation and as a result of suspension of contract with _____.*
- *The materials requested were lost during the relocation of the _____ and the suspension of the _____ contract with _____ and the workers were officially informed by the _____ about the suspension and termination of contract.*
- *The administrator who is in charge of issuing paycheck for salaries and petty cash for various operations was hospitalized and was signing checks on the sick bed at _____, _____, hence the alleged discrepancies.*

Interview with the Organization's Officers

During an interview conducted on _____, _____, president of the organization, claimed that all the organization's records and documents were stored in boxes and placed outside while the organization was relocated to the current address. The boxes and records were severely damaged in an overnight rain.

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

Further, the organization destroyed all the documents because these documents were no longer useful.

IDR#3

On _____, IDR#3 was issued to the organization to clarify the information provided by the organization and findings during the audit, including the following sales/purchases of real properties the organization's officers engaged in _____ and _____

Date	Type of Transaction	Parcel Number	Type of Property	Address	Sale Price	Ownership
	Purchased		Commercial / Industrial			
	Sold		Commercial / Industrial			
	Purchased		Commercial / Industrial			
	Purchased		Single Family Residence			
	Purchased		Single Family Residence			

Extension in Response to IDR#3 and Current Activities

On _____, _____ stated that there were missing pages in the IDR#3 sent on _____. _____ asked what's the worst scenario at the end of examination because they really don't have the records being requested. Examiner answered to him that examiner is still collecting information from the organization or from other sources. Outcome of examination will be determined when examiner has sufficient information for conclusion. Examiner asked _____ if the organization is in operation. _____ confirmed that the organization continues the following activities after it moved to the current location:

- Prayer services - _____ at _____ am and _____ at _____ pm
- _____ - _____ from _____ to _____ am (_____ changed to _____ due to _____)
- Bible study - _____ bible study from _____ to _____ pm

Letter 5798, *TE/GE Information Document Request Extension Notice*, was sent with IDR#3 on the same date to the organization in response to _____ request.

Drive-By

An Internal Revenue Agent in Small Business/Self-Employed (SBSE) Division conducted a drive-by on _____ (_____), _____ (_____), _____ (_____), and _____ (_____), see **Exhibit A-2**.

This initial Form 886-A issued on _____

Form 886-A rt	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

Form 2848 and Delinquent Notice

On _____, Representative, provided a Form 2848 to represent the organization for the audit. The representative requested a conference call after his review of IDR#3. A conference call was scheduled on Letter 5077-D, *Delinquent Notice*, was mailed to the organization, copied Representative.

Pre-summons Letter

On _____, the representative stated that the organization continued having difficulties gathering documents. The representative stated that he will assist the organization to respond to IDR#3 in writing. Letter 5077A, *pre-summons letter*, was mailed to the organization and the representative.

Decline to Respond to IDR

On _____, the organization's representative stated that, after his discussion with the organization's officers, they decided not to respond to IDR#3, because the organization has provided all the records it has. Examiner re-asked the representative, some questions on IDR#3 requested their explanations in writing, for instance, how could the _____ president be able to purchase a real estate property in \$ _____ under her name with her salary income from the organization? The representative stated that he can provide a list of arguments to protect the organization's _____ and/or exempt status, even from tax assessment, but will examiner accept it, and move forward? If not, he and the organization will choose to go to tax court directly, rather than responding to IDR.

Responses to 3rd Party Contacts

Letter 3164-E, *3rd Party Contact Notice*, was issued to the organization on _____ and _____, for the contact periods from _____ through _____, and _____ through _____. 3rd party contacts were made during the periods to verify or obtain information the organization was not able to provide. Letter 1995, *Third Party Contact Letter to Request Information*, was issued to the organization's workers. Among _____ respondents, _____ confirmed that they did not attend any _____ activities. _____ confirmed in writing that they had assisted _____, confirmed that he volunteered as an usher. All _____ did not provide specific information about the _____ services, the size of congregation, the number of _____ services, or other _____ activities. _____ provided phone number, but she did not respond to Examiner's follow-up call to clarify her written responses, see **Exhibit A-3**.

Bank Accounts, Authorized Signer(s), and Types of Transactions

The organization used the following bank accounts for its operations and activities in _____. The information is summarized from the organization's bank records (see _____).

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

Exhibit B). Credits and debits of these bank accounts are categorized by Wired Transfers In, Deposits of Cash, Deposits of Checks Wired Transfers Out Cash Withdrawals, Purchases made by Debit Card, and Checks Issued (see **Exhibit B-1 through B-19**). Transfers between these accounts and bank fees are not included.

Bank Account # (Last 4-Digit)						
Opening Date						
Account Name					, dba a	
Authorized Signer(s)						
Wired Transfers In ¹						
Deposits of Cash ²						
Deposits of Checks ³						
Wired Transfers Out ⁴						
Withdrawals of Cash ⁵						
Purchases made by Debit Card ⁶						
Checks Issued ⁷						

1. Wired Transfers In - The amount \$ _____ of wired transfers (**Exhibit B-1**) was all from _____ (_____).
2. Deposits of Cash – No contemporaneous records show the source of \$ _____ (**Exhibit B-11**) and \$ _____ (**Exhibit B-6**) cash deposits. _____ claimed that *the cash deposits were made to take care of payroll to avoid late payment and delay clearing checks.*
3. Deposits of Checks (**Exhibits B-6, B-12, & B-16**) were from the individuals and entities below:

\$ - _____, dba _____ (_____)^b
 \$ - _____
 \$ - _____
 \$ - _____
 \$ - _____
 \$ - _____
 \$ - _____
 \$ - _____^e

- a. According to _____, _____) was initiated by the organization to obtain a _____ -To help the elderly who need the help of caregivers and to be able to train volunteers to be licensed and work as Caregivers.
- b. _____, a Sole Proprietor, was _____ of the _____ medical providers listed in the organization's enrollment application submitted to _____ . Effective _____,

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

- and have been listed on the Office of Inspector General Exclusions List from under for years (see Exhibit C).
 c. or received \$ payments from
 d. received \$ gift from (Exhibit B-5 Page 2).
 e. , registered by is the Director.
 , and did not respond to Letter 1995.
4. **Wired Transfers Out** – Among the wired transfers out (Exhibits B-2, B-10), \$ was wired to a title company to purchase a residential property, at , under name, \$ was wired to a foreign bank account in possessed by , the organization's president's as a gift. \$ was sent to pay off of , the organization's president's . \$ was transferred to personal bank account. The rest \$ was wired to and accounts that could not be identified by the organization.
5. **Cash Withdrawals** - Among the cash withdrawals (Exhibits B-3, B-7, B-10, & B-13), \$ was withdrawn by , \$ by \$ by or . The rest of \$ cash was withdrawn by . The organization claimed that "the cash withdrawals are part of the petty cash vouchers used for Volunteers assistance in form of transport and personal needs".
6. **Purchases made by Debit Card (Exhibits B-4, B-8 & B-14)** – In addition to the payments to listed below, the purchases occurred at places including restaurants, gas stations, grocery stores, nails spas, and \$ payments for college tuition and a student loan. The organization claimed that all debit purchases were for expenses. No contemporaneous records substantiate this claim. With respect to , only payments show on bank statements.

Date	Account	Description	Amount
		Purchase at authorized on	
		Purchase at authorized on	
		Purchase at authorized on	
		Purchase at on	
		Purchase at	
		Purchase at	
		Purchase at authorized on	
		Purchase	
		Purchase at authorized on	

7. **Checks Issued** - Except \$ payments (Exhibits B-5 Page3 & B-17) to () which was claimed for training purpose, substantially all checks were issued to individuals or entities that

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

were associated with operations. In response to IDR#2, the organization claimed that the differences between the total amount of checks issued to each worker and the amount reported on Form W-2 or Form 1099-MISC were the reimbursements to the workers for their expenses paid during their duties (job title listed below). Records that support reimbursement claims were not provided. The payees, total amount of checks issued, amount reported on Form W-2 or 1099-MISC, payees' job title at , and explanations to the differences are summarized below.

Payees of checks	Amount of checks	Amount reported on W-2 and/or 1099-MISC	Job title at / Explanation	
			Temporary Driver	N/A
			The discrepancy is a result of payments for rent and bills.	
			Receptionist	N/A
			Volunteer/Student	N/A
			After School Student Driver	
			Tech	
			Case Manager	
			Therapist	N/A
			Not a Staff, assisted the in the procurement of materials.	
			Quality Assurance Consultant	
			Medical Director	
			Office Assistant	
			Tech.	

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

		Driver	
		Landlord (Property owner)	N/A
		Driver	N/A
		Therapist	N/A
		Therapist/Clinical supervisor	
		Therapist	
		Driver	N/A
		Tech.	N/A
		Driver	N/A
		Office Assistant	N/A
		Case Manager	
		Therapist	N/A
		Front Desk Officer	N/A
		The difference is a result of expenses.	
		Driver	N/A
		Driver	N/A

Registration and Application of ()*

On _____, the organization registered through _____ () and received a _____, as an organization specializing in _____. The authorized official of this record is _____, Secretary of the organization. The _____ and medical specialization of the _____ workers are listed above (see **Exhibit D** for the workers' profiles).

*Mandated by Health Insurance Portability and Accountability Act (HIPAA), a _____ is a unique identification number for covered health care providers. Covered health care providers, all health plans, and health care clearinghouses must use _____ in their administrative and financial transactions.

Services and Hours Billed to

_____ submitted nearly _____ claims for its _____ units of services in _____ billed to _____. Each unit is nearly equivalent to _____ hour of services. Days of _____

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

operation and hours of service in each _____ are summarized (see **Exhibit E**, Page _____). The records showed that _____ provided _____ services to its clients – _____ days in _____.

Nonresponsive to IDR#4 and IDR#5

The Service identified several properties that were purchased with the organization's funds but held in the name of the organization's officers. On _____, IDR#4, enclosed with escrow documents for the properties stated below, was issued to the organization and its representative. In addition to clarification of the organization's by-laws and conflict of interest policy, it asked for the organization to explain the purposes and usages of the real estate properties purchased under the name of _____ : at _____ and _____.

On _____, IDR#5, enclosed with escrow documents for the property stated below, was issued to the organization and its representative. IDR#5 asked for explanation of the organization's _____ Form _____, a \$ _____ return, but Form _____ filed by State of _____ showed that the organization received \$ _____ from the state government in _____. It also asked for the purpose and usage of the real estate property _____.

The information requested on IDR#4 and IDR#5 was due on _____ and _____ respectively. The organization or representative did not respond to IDR#4 and IDR#5.

Books, Records, and Unanswered Questions of the Organization

The organization did not provide general ledger, journals, or any source documents that substantiate the source(s) of revenue and the purpose(s) of the expenses for _____. Substantially all requests for information and documents from the organization on IDR#1 through IDR#5 remain outstanding, including the unanswered questions below:

1. Records or training materials of the organization's claimed activities, including baptism, marriage, and membership, programs for young children, school and discipleship, _____, for _____, and explanations of each activity how does it further the organization's exempt purpose.
2. During an interview conducted on _____, the organization's president stated that all the organization's records and documents were placed and stored in boxes when the organization was moving to new location in _____. They put the boxes, with the organization's documents, outside the building. Later all the organization's records and documents were severely damaged in a heavy rain overnight. The records and documents were subsequently destroyed and disposed of.

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

- a. On what date was the organization moved to the current location? when did they find out the organization's records were damaged? and when did they destroy records?
 - b. Did they take any remedial action to recover the damaged records? A description of the actions they took after the incident.
 - c. The Check Up Provider Contract, the organization entered with _____ (_____), required the organization maintain adequate medical, financial and administrative records for _____ years from the date of payments. Did they report to _____ the incident? If yes, what's the proof of the notification. If not, why.
3. The context of sales/purchases of properties of each real property listed below, the exempt purposes and usage history after its acquisition, and the proceeds of sale (or property exchange under IRC sec. 1031) from the property at
- a. _____ (purchase)
 - b. _____ (purchase and sale)
 - c. _____ (purchase)
 - d. _____ (purchase)
4. On _____, the organization issued a payment of \$ _____ (check# _____) to _____, the officers' daughter. On _____, the organization provided a petty cash log, prepared by _____ for reporting period from _____ to _____ where she reported the cash advance for construction, partitioning, furniture, and office equipment, including computers. _____, the officers stated that the organization did not use any accounting software, spreadsheets or any sort of similar electronic format to collect data, to process information, and to keep the organization's books.
- a. What's the purpose of the _____ computers?
 - b. What information and documents were stored in the computers?
 - c. Who were the users of the computers in _____? Who has the custody afterward? Where are these computers now?
5. The organization's president received Form 1099-MISC from _____ for her services performed during the years from _____ through _____. Descriptions of her duties and of the training and experiences she received in this tax service was requested.
6. The organization filed Forms 1120 through _____. The _____ Form 1120 is a zero-dollar return. The _____ Form 1120 reported \$ _____ gross receipts, \$ _____ rents, other deductions \$ _____, and a net loss of \$ _____. Schedule K, *Other Information*, of Forms 1020 reported its business activity and services: " _____ "
- a. What's the source of \$ _____ revenue? What were \$ _____ deductions?

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

b. The business address of both Form 1120 returns, _____, was the same as the organization's address in _____. Descriptions of the organization's business and the activities conducted at this location were requested, including explanations if the organization's activities changed after it applied and received recognition of IRC sec. 501(c)(3) exempt status in _____.

7. Schedule A of Form 1023 indicated that the organization does not possess a written creed, formal code of doctrine, religious history, and other attributes of a _____. Part IV, *Narrative Description of Your Activities*, of Form 1023, in part, provides that the organization is a charitable organization in general: _____ *is a nonprofit organized and operated exclusively for charitable purposes. Specifically, this organization has been formed to educate the public on subjects useful to the individual and beneficial to the community and to provide relief to the poor, distressed and underprivileged....*

However, Form _____ filed for _____ and the years after claimed that the organization is a _____. An explanation in writing was requested as to the changes in methods of operation, activities, and the reason for deviation from what was described in the application.

8. What are the purposes and usages of the real estate properties after the acquisitions?
- a. In _____, \$ _____ (\$ _____ + \$ _____) of the organization's funds was used to purchase the real estate property at _____, under the name of the organization's President, _____. Third Party Escrow Instructions for Deposit of Funds show that these funds were not loan proceeds and were deposited in the referenced escrow for the benefit of _____ as principal.
- b. In _____, \$ _____ (\$ _____ + \$ _____) of the organization's funds was used to purchase the real estate property at _____, under the name of the organization's president, _____. This is the home address she used for filing her _____ Form 1040, *U.S. Individual Income Tax Return*.
- c. In _____, \$ _____ of the organization's funds was part of the deposits to purchase the real estate property at _____, under the name of the organization's president, _____ (_____ % interest), and _____ (_____ % interest). The rest the deposits were from _____ (\$ _____) and _____* (\$ _____).
- * _____ (_____) provides services to investors defer tax due in connection with the sale of real property, enabling them to access their equity to consolidate, diversify, leverage or relocate their investments.

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

Law

Internal Revenue Code

Internal Revenue Code (IRC) sec. 501(c)(3) provides for exemption from Income Tax for 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 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

IRC sec. 7611(c)(1)(A) provides that the Secretary shall complete any church tax status inquiry or examination (and make a final determination with respect thereto) not later than the date which is 2 years after the examination notice date.

IRC sec. 7611(d)(1) provides that in general the Secretary may

- (A) determine that an organization is not a church which –
 - (i) is exempt from taxation by reason of section 501(a), or
 - (ii) is described in section 170(c), or
- (B) (i) send a notice of deficiency of any tax involved in a church tax examination, or
- (ii) in the case of any tax with respect to which subchapter B of chapter 63 (relating to deficiency procedures) does not apply, assess any underpayment of such tax involved in a church tax examination, only if the appropriate regional counsel of the Internal Revenue Service determines in writing that there has been substantial compliance with the requirements of this section and approves in writing of such revocation, notice of deficiency, or assessment.

Treasury Regulations

Treasury Regulations (Treas. Reg.) sec. 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.

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

Treas. Reg. sec 1.501(c)(3)-1(c)(1) 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). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. sec 1.501(c)(3)-1(c)(2) provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Treas. Reg. sec 1.501(c)(3)-1(e) states that an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in section 513. In determining the existence or nonexistence of such primary purpose, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes. An organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under section 501(c)(3) even though it has certain religious purposes, its property is held in common, and its profits do not inure to the benefit of individual members of the organization.

Treas. Reg. sec 1.501(c)(3)-1(f)(2)(i) states that, regardless of whether a particular transaction is subject to excise taxes under section 4958, the substantive requirements for tax exemption under section 501(c)(3) still apply to an applicable tax-exempt organization described in section 501(c)(3) whose disqualified persons or organization managers are subject to excise taxes under section 4958. Accordingly, an organization will no longer meet the requirements for tax-exempt status under section 501(c)(3) if the organization fails to satisfy the requirements of paragraph (b), (c) or (d) of this section.

Treas. Reg. sec 1.501(c)(3)-1(f)(2)(ii) provides that, in determining whether to continue to recognize the tax-exempt status of an applicable tax-exempt organization (as defined in section 4958(e) and sec. 53.4958-2) described in sec. 501(c)(3) that engages in one or more excess benefit transactions that violate the prohibition on inurement under sec. 501(c)(3), the Commissioner will consider all relevant facts and circumstances, including, but not limited to, the following —

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

(A) The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred;

(B) The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes;

(C) Whether the organization has been involved in multiple excess benefit transactions with one or more persons;

(D) Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions; and

(E) Whether the excess benefit transaction has been corrected (within the meaning of section 4958(f)(6) and §53.4958-7), or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

IRC sec. 6033(a)(1) provides, except as provided in IRC sec. 6033(a)(2), every organization exempt from tax under § 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws. The Secretary may also prescribe by forms or regulations the requirement of every organization to 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.

Treas. Reg. sec. 1.6001-1(c) states that in addition to such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by sec. 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under sec. 501(a) shall keep such permanent books of account or records, including inventories, as are sufficient to show specifically the items of gross income, receipts and disbursements. Such organizations shall also keep such books and records as are required to substantiate the information required by sec. 6033.

Treas. Reg. sec 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 Service officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any Internal Revenue law.

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

Court's Rulings

Living Faith, Inc. v. C. I. R., T.C. Memo. 1990-484 (1990)

The Court held that petitioner did not qualify as a tax-exempt organization because its sole activity the sale of health foods, was commercial in nature and that it therefore failed to satisfy the operational test of section 501(c)(3). Petitioner's activity was conducted as a business and was in direct competition with other restaurants and health food stores. Competition with commercial firms is strong evidence of a substantial nonexempt commercial purpose.

De La Salle Institute v. U.S., 195 F.Supp. 891 (1961)

The Court held that plaintiff did not qualify as a tax-exempt organization because the operation of the chapels at plaintiff's parochial schools and novitiate is incidental to plaintiff's principal activities, although very important to plaintiff's members. The tail cannot be permitted to wag the dog. The incidental activities of plaintiff cannot make plaintiff a church.

Unitary Mission Church of Long Island v. C. I. R., 74 T.C. 507 (1980)

In this case, there is no evidence in the administrative record of any differing duties that the minister performed over these years. There is also insufficient evidence in the record regarding some of the travel expenses paid to the minister and his wife and regarding two loans made to the minister's secular employer. Parsonage allowances of fluctuating amounts were also paid in some years to petitioner's other two ministers; yet, there is no evidence in the record about any services they performed for petitioner. The Court held that petitioner is not entitled to exemption from Federal taxation under IRC sec 501(c)(3), because a part of its net earnings inures to the benefit of private shareholders or individuals.

Church of Scientology of California v. Commissioner, 83 T.C. No. 25 (1984)

The Court held that petitioner, Church of Scientology, does not qualify for exemption from taxation under sections 501(a) and 501(c)(3) because it is operated for a substantial commercial purpose and because its net earnings benefit the founder, his family, and Operation Transport Services (OTC), a private noncharitable corporation controlled by key Scientology officials.

Association for Honest Attorneys v. Commissioner, T.C. Memo. 041 (2018)

The Court held that petitioner did not qualify for tax exemption because the net earnings of petitioner inured to the benefit of its CEO/president; petitioner operated primarily for the benefit of private rather than public interests; and more than an insubstantial part of petitioner's activities furthered nonexempt, private purposes.

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

1. Distinct legal existence

The organization was incorporated in _____ in _____ by _____ (_____ after _____). It has a legal existence as a _____ in the Articles of Incorporation and By-Laws. However, as illustrated by the undocumented cash withdrawals, real estate transactions for personal use, and other benefits flowing to _____ and her family members, the organization is operated as a private business of a few individuals. The distinct legal existence of the organization exists in paper only, but not in operation.

2. Recognized creed and form of worship

a. Creed

The organization did not provide a written creed or formal code of doctrine, but a general _____. The statement is published on its website and on its flyer for an event on _____. The passage, citing _____, _____, and _____. It draws readers' attention by bringing in hopes:

At the end, it calls for actions:

The published statements also include promotion of the organization's spiritual counseling, welfare services and services.

b. Form of Worship

The organization provided that their form of worship is *basically that entails* _____, _____, and _____. Words of " _____ " are printed on a bulletin dated _____, as a part of services, _____ am to _____ pm. Such wordings are printed on a flyer for an event, offering free snacks and soft drinks, on _____, pm to _____ pm. Such form of worship might occur in the events. However, the organization failed to provide any other records or forms of communications to show such worship was recurring outside of the one event that occurred in _____ of _____

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

. Alternatively, there is ample evidence that the organization engaged in behavioral and welfare services on behalf of . The organization's limited worship services, when compared to its numerous hours of services billed to , show that its worship services are secondary or incidental to its overall operations.

3. Definite and distinct government
 The organization provided the statement below to show this attribute:
the Board of Directors with the Chairman as the head; The Pastor is the Spiritual Director; Assistant Pastors in charge of the folds Ministries- , Welfare, Healing, Counseling and ; Director for Administration, Workers.
 The organization also provided its minutes dated and . The meetings began with prayers. The minutes discuss various activities, staff and volunteers, financials, projects and business reports, and the associated expenses. While the organization appears to be governed by an government. A closer look shows the organization's operations are focused on its dba, . As stated above, the organization failed to document the mentioned activities, financials, projects, and financial reports as it claims all documentation perished in a rain. Furthermore, as proved the fact that % of the organization's income is from and the substantial expenses on activities and staff, the government is merely or incidental to its overall operations.
4. Formal code of doctrine and discipline
 The organization failed to provide a specific code of doctrine and discipline in the every-day behavior of the congregants of the .
5. Distinct religious history
 The organization claimed that it is a , *an inter denominational , established as a welfare and ministry.* The organization described aspects of the ministry to elaborate its religious history:

services are conducted by the pastor with the assistance of the workers present in the service. Workers like the Choirs, Ushers, and Instrumentalists. service is like a " " open to those who want to receive freedom from and therefore, there are no permanent attendees and no specific number. [Welfare] is a affair[s] and done between the hours of am to pm... Sign post, group preaching and fellow up, in House Announcement are done through the bulletin and open announcement on the pulpit during and services. The planning and

This initial Form 886-A issued on

Form 886-A)	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

*operations of the welfare committee is supervised by the _____ and
the _____ council. In the _____ and the community.*

The organization failed to provide any other records or forms of communications show such worship was recurring outside of the one event that occurred in _____ of _____

All respondents to Letter 1995, *Third Party Contact Letter to Request Information*, did not mention the _____ service. _____ respondents confirmed that they assisted free _____ is also one of _____ service items. Bank records show that _____ transactions in a total amount of \$ _____ expenses on _____ services throughout _____. Based on the facts of this case, _____ services appear to be secondary or incidental to its overall operations.

6. Membership that is not associated with any other _____ or denomination
The organization's initial response claimed that it has _____ members. The organization's response was later changed to _____ members in response to IDR#2. The organization failed to provide records or information to establish to show where the claimed number of members comes from. The organization failed to provide records or information to establish who its members were, how to contact them, what was their attendance, whether members were unassociated with other _____, how often they met, or document any other purely religious services.
7. Organization of ordained ministers
The organization stated that it has an ordained minister with license to conduct marriages. Certificates of minister ordination and authority to solemnize marriage were provided to support this statement. However, except for _____ flyer and _____ bulletin, the organization failed to provide any income, expenses, or other records to substantiate that any weddings, baptisms, or other religious ceremonies had ever been conducted by a minister of the organization. On the other hand, the organization's registered records show, the minister has registered his _____ as a _____ and received compensation for his services to _____.
8. Ordained ministers selected after completing prescribed courses of study
The organization stated that it does not license ministers.
9. Literature of its own
In response to this attribute, the organization stated that, "
_____".

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

10. Established places of worship

The organization claimed that it leased an established place of worship. The image captures of building front at _____ show that the place is a clinic-like building with only one entrance. The place allows only one person to get in or out at a time. Such a place does not appear to allow for large gatherings of people at the same time. The organization's place of worship was at the same location where the organization provided _____ services. The claims submitted by the organization to _____ showed that _____ was in operation on _____ in _____. The organization failed to provide information to establish that the meeting place could accommodate religious gathering or that such gathering did, in fact, occur. The claimed worship, prayer services, and other activities did not appear to take place when a SBSE Agent conducted a drive-by for observation.

11. Regular congregations

The organization claimed that it had a regular congregation with groups of administrative personnel and volunteers/workers in the _____ programs. The organization claims that the size of its membership is _____ or _____ members, and their regular attendance on _____ service is _____ members on average. The organization provided no records to substantiate these numbers. No explanation was given on how this group of people share the same place with _____ clients and workers on the _____ in _____. The organization has not established that its meeting location could accommodate _____ people meeting at the same time. Bank records show only _____ individuals or entities issued checks to the organization as contributions, besides the _____ family. Analysis of available information shows that the organization's workforce, time, and space are used in full or beyond its capacity for _____ operation. The organization failed to establish that its _____ congregation, as claimed by the organization, did not consist of mostly _____ clients receiving behavioral services. Gathering of such congregation did not appear when the SBSE Agent conducted drive-by during its scheduled service.

12. Regular religious services

The organization claimed that its _____ services are on _____ ; _____ for Bible studies and special prayers; and _____ -Welfare program with _____ open to all. The organization has not provided records to establish these activities. As shown by its full range of health services being used for _____ operation, the organization's religious services are incidental. The observation of SBSE Agent during her drive-by shows that the organization's religious services are not regular.

This initial Form 886-A issued on _____

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

13. Sunday schools for the religious instruction of the young

The organization stated that it has "no school for the religious instruction of the young. But in in collaboration with , the conducted Day Treatment program for young children that need help in learning and social activities". Checks of one organization's bank account are printed with the program of " " symbol. The day care program is considered business as it was assisted by , which is not a part of activities.

14. Schools for the preparation of its members

The organization claimed that it has " . The organization shares educational and religious program with the (). Compared with the organization's expenses on services, the organization's \$ training expenses paid to are secondary or incidental to its overall operations.

Considerations under Treas. Reg. sec 1.501(c)(3)-1(f)(2)(ii)

The Treas. Reg. section above provides that, in determining whether to continue to recognize the tax-exempt status of an applicable tax-exempt organization (as defined in section 4958(e) and sec. 53.4958-2) described in sec. 501(c)(3) that engages in one or more excess benefit transactions that violate the prohibition on inurement under sec. 501(c)(3), the Commissioner will consider all relevant facts and circumstances, including, but not limited to, the following —

(A) The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred;

The organization's activities that promote exempt purposes have been minimal throughout . The bulk of activities have focused on the behavioral services which were not established to be conducted for exempt purposes. The organization provided similar services and received substantial payments from in and . Escrow documents show potential excess benefit transactions also occurred in . The organization's claim of regular and ongoing activities did not appear to take place in the organization's current premises when a SBSE Revenue Agent conducted drive-by on , , and .

(B) The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes;

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

The size and scope of the excess benefit transactions are large, frequent, and excessive. In addition, the size and scope of established exempt activities appear to be secondary or incidental to its overall operations and small when compared to transactions that inured to the benefit of the organization's officers.

(C) Whether the organization has been involved in multiple excess benefit transactions with one or more persons;

The organization has been involved in multiple excess benefit transactions with major officers. There have been several incidences where organization funds have been used to purchase property for officers of the organization. The organization has failed to establish that cash and expenses were not used for the benefit of the organization's officers. There are additional incidences of benefits that also flow to the officers' family members.

(D) Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions; and

No indications show that the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions.

(E) Whether the excess benefit transaction has been corrected (within the meaning of section 4958(f)(6) and §53.4958-7), or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

No indications show that the excess benefit transaction has been corrected.

All relevant facts and circumstances have been considered and summarized in the bold scripts above.

Government's Position on Issues

1. It is the Government's position that the organization is operated primarily for carrying on an unrelated trade or business purpose.

Under Treas. Reg. sec 1.501(c)(3)-1(e), an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in IRC sec. 513. In determining the

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

existence or nonexistence of such primary purpose, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes. An organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under sec. 501(c)(3) even though it has certain religious purposes, its property is held in common, and its profits do not inure to the benefit of individual members of the organization.

Under the Ruling of Living Faith, Inc. v. C. I. R., petitioner did not qualify as a tax-exempt organization because its sole activity the sale of health foods, was commercial in nature and that it therefore failed to satisfy the operational test of section 501(c)(3). Petitioner's activity was conducted as a business and was in direct competition with other restaurants and health food stores. Competition with commercial firms is strong evidence of a substantial nonexempt commercial purpose.

The circulation of clients flowing through the organization and billing for is substantial – days in . For the of , operated every day, with to clients per day or to clients per hour served by to workers. The claims submitted to the show that worked around the clock - billing every available hour to maximize its profits.

The organization is doing business as , which is in direct competition with other limited liability companies who offer similar services in the same area. Competition with commercial firms is strong evidence of a substantial nonexempt commercial purpose.

The organization's services occupy most of its time, space, and manpower. The size and extent of the business is more than significant. The organization failed to establish how its services furthered its exempt purpose or served a charitable class. Furthermore, its services furthered nonexempt purposes, which were primary and more than insubstantial. An organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under sec. 501(c)(3) even if it has certain religious purposes. Although the organization claims that it conducts charitable work on its formal documents, information from returns, and limited responses to IDRs, and the information on available records show otherwise. Therefore, the organization is operated primarily for carrying on an unrelated trade or business purpose.

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

2. It is the Government's position that the organization's religious body and activities are secondary and incidental to its overall operations that disqualify its status as a

Under the Ruling of De La Salle Institute v. U.S., plaintiff did not qualify as a tax-exempt organization because the operation of the chapels at plaintiff's parochial schools was incidental to plaintiff's principal activities, although very important to plaintiff's members. The Judge stated that the tail cannot be permitted to wag the dog. The incidental activities of plaintiff cannot make plaintiff a church.

Here, the organization claims its , day care, and other programs listed on publications are part of activities, which serve a charitable class. No records were provided by the organization to demonstrate who they are, how they are referred to the organization, and by what criteria the organization determines their charitable class. Actual records show the organization pays minimal expenses and spends insubstantial amount of time on these programs when compared to its other activities. With respect to its services, the organization carries on these activities in such a manner and in such a volume that it constitutes a substantial and primary purpose of the organization, such that the organization should not be accorded exempt status.

The organization's claims for payments include Clinical Services Progress Notes, Records Form for Mental Health Assessment, Treatment Plan, and other records of clients. The content of these notes, assessment records, and treatment plans are similar to medical records and a business that provides medical services. The information on these documents does not show how the services and the whole process involved furthers the organization's religious or charitable purposes. The organization has failed to establish whether and how it services a charitable class or a charitable purpose.

As discussed in greater detail above, the organization has failed to establish that it possesses attributes of a :

- Its legal existence only exists on paper as it regularly failed to account for and substantiate organizational expenses and funds from the organization were not used to benefit officers and their families.
- Its statement on warfare and freedom functions as a marketing tool for .
- Its worship services were not consistent or regularly carried on.
- Its government is merely or incidental to its overall operations.
- The organization failed to establish a formal code of doctrine or discipline.
- The organization failed to establish that there was distinct religious history.

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

- The organization failed to establish and document that it had a membership that was distinct from other or its services clients.
- Its minister was not paid for activities, but for his services to .
- The organization failed to establish that it has a literature of its own.
- Its place of worship is a clinic-like building shared with its business, in which operates days in a year.
- The organization failed to establish that its congregation did not consist of mostly clients receiving behavioral services.
- The organization failed to establish that its religious services were not secondary and incidental to its other activities.
- It does not have a school for the religious instruction of the young.
- It pays minimal expenses for its in-house training schools.

The organization claims that it possesses most of attributes above. The reliable information and records do not support this claim.

The organization's workers consist of drivers, office assistants, technicians, therapists, case managers, rehabilitation practitioners, a medical director, and a quality assurance consultant. Together they work as a medical clinic. They are paid by , through the organization, as subcontractors. Available information establishes they are conducting a medical business under the name of .

Therefore, the organization's religious body and activities are secondary and incidental to its overall operations that disqualify its status as a .

3. It is the Government's position that unaccountable paychecks or reimbursements, cash withdrawals, and benefits flowing to the organization's officers and their family members constitute inurement prohibited under IRC sec. 501(c)(3).

Under Treas. Reg. sec 1.501(c)(3)-1(c)(2), an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Under Treas. Reg. sec 1.6001-1(e), the books or records required by this section shall be kept at all times available for inspection by authorized Internal Revenue Service officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any Internal Revenue law.

Under court's ruling of Unitary Mission Church of Long Island v. C. I. R., the court held that petitioner is not entitled to exemption from Federal taxation under IRC

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

sec 501(c)(3), because there was no evidence in the administrative record about the services performed, insufficient evidence in the record regarding some of the travel expenses paid to the minister and his wife, and regarding two loans made to the minister's secular employer.

Under the ruling of Church of Scientology of California v. Commissioner, petitioner does not qualify for exemption from taxation under sections 501(a) and 501(c)(3) because it is operated for a substantial commercial purpose and because its net earnings benefit the founder, his family, and Operation Transport Services (OTC), a private noncharitable corporation controlled by key Scientology officials.

Under the ruling of Association for Honest Attorneys v. Commissioner, the court held that petitioner did not qualify for tax exemption because the net earnings of petitioner inured to the benefit of its CEO/president; petitioner operated primarily for the benefit of private rather than public interests; and more than an insubstantial part of petitioner's activities furthered nonexempt, private purposes.

Although Forms 941, W-2, and 1099-MISC were filed, payroll or related records are not available to illustrate the figures on these returns. The explanations given to the discrepancies from the amounts of paychecks issued to the officers resulted from reimbursements for rents, bills, and expenses. No simultaneous records were provided to substantiate the explanations. No documents are available to determine if their hours of services and pay are reasonable, what was the amount of expenses, and how these expenses and their services further the organization's exempt purposes.

Substantial amounts of cash withdrawals frequently occur in the organization's bank accounts throughout the year. The organization failed to establish background information to substantiate and justify the withdrawals. No evidence was provided to show that any withdrawal was authorized by the board. No contemporaneous records substantiate what expenses are paid in cash and how the expenses further the organization's exempt purposes.

Substantial amounts of the organization's funds flowed to the organization's president and her family members, including \$ used to purchase a real estate property under her name, \$ wired transfer to her account in as a gift to his service in military, and \$ sent to the Department of Education to pay off her daughter's student loan owed in college. No simultaneous records were provided to show that these benefits are not inurement. The organization's net earnings inure in whole or in part to the benefit of private individuals.

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

Therefore, the unaccountable paychecks or reimbursements, cash withdrawals, and benefits flowing to the organization's officers and their family members constitute inurement prohibited under IRC sec. 501(c)(3).

4. It is the Government's position that the organization is not operated exclusively for exempt purposes, and its status as an organization exempt under IRC sec. 501(c)(3) should be revoked effective

Under IRC sec. 501(c)(3), exemption from Income Tax is provided for 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 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.

The organization is operated for profit, the organization's religious body activities are secondary and incidental to its overall operations, and a more than insubstantial part of earnings of the organization inure to the benefit of private individuals and furthered a substantial nonexempt purpose.

Therefore, the organization is not operated exclusively for exempt purposes, and its status as an organization exempt under IRC sec. 501(c)(3) should be revoked effective

Taxpayer's Position

The taxpayer's position is unknown when the initial report is issued on

Conclusion

The organization failed to establish that it was not engaged in a substantial commercial activity or that it was not carrying on a substantial unrelated trade or business. The organization failed to establish that it was not operated for a substantial non-exempt purpose. The organization failed to establish that it continued to qualify for tax-exempt status as a _____ or that its _____ activities were not secondary and incidental to its overall operations. The organization's unreported payments and reimbursements, cash withdrawals, and benefits flowing

This initial Form 886-A issued on

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit:
Name of taxpayer	Taxpayer ID	Tax year ended

to the _____ officers and their family members constitute inurement for private purposes prohibited under IRC sec. 501(c)(3).

These operations and activities all warrant revocation of the organization's IRC Sec. 501(c)(3) status effective _____. Form 1120, *U.S. Corporation Income Tax Return*, should be filed for _____ and each year thereafter as long as the organization remains subject to federal income tax. If the proposed revocation becomes final, appropriate state officials will be notified of such action in accordance with IRC Sec. 6104(c).

This initial Form 886-A issued on _____