



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

Date: March 3, 2023

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:

Release Number: 202321009

Release Date: 5/26/2023

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)(4), for the tax periods above. Your determination letter dated \_\_\_\_\_, is revoked.

Our adverse determination as to your exempt status was made for the following reasons: IRC 501(c)(4) provides for exemption of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. Your primary activities involve operating a bar and gaming for members of a related organization, which is exempt under IRC Section 501(c)(19). In addition, you regularly carried on business with the general public in a manner similar to organizations operated for profit. Thus, you did not exclusively promote social welfare.

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 [IRS.gov](https://www.irs.gov).

**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](http://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](http://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](http://uscfc.uscourts.gov)

**US District Court for the District of Columbia**  
333 Constitution Avenue, NW  
Washington, DC 20001  
[dcd.uscourts.gov](http://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

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 [irs.gov/forms](http://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,

ns Examinations

Enclosures:  
Publication 1  
Publication 594  
Publication 892

cc:



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

**Date:**  
December 2, 2022  
**Taxpayer ID number:**

**Form:**

**Tax periods ended:**

**Person to contact:**

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

**Manager's contact information:**

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

**Response due date:**  
January 2, 2023

**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)(4)

**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)(4) 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.

**For 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

Acting Director, Exempt Organizations  
Examinations

Enclosures:  
Form 886-A  
Form 6018  
Publication 892  
Publication 3498

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

**ISSUE:**

Whether ( ) meets the requirements for exemption under Internal Revenue Code IRC Section 501(c)(4).

**FACTS:**

was incorporated in the state of on . The stated purpose is promoting the principles and policies as set forth in the constitutions of the

filed an application for tax exemption under IRC Section 501(a) on , using the name " , and the employer identification number ("EIN") was determined to be exempt from Federal income tax as an organization described in IRC Section 501(c)(4) with an effective date of . IRS records indicate that the name that is currently assigned to the EIN ending in is, '

Subsequently, related organization filed an application for tax exemption under IRC Section 501(a) on , using the name " " and the EIN . The related organization was determined to be exempt from Federal income tax as an organization described in IRC Section 501(c)(19) with an effective date of

The organization's narrative description on Form 1024, Part II, Activities and Operational information states the following: "

"

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

Form 990 for the year ended \_\_\_\_\_, was selected for examination.

Per an interview with \_\_\_\_\_ representatives, \_\_\_\_\_ is composed of a board of trustees who control the property and licenses of their related 501(c)(19) organization. The board of trustees report monthly to the 501(c)(19) regarding the activity of \_\_\_\_\_. All revenue and expenditures related to the ownership and operation of the building located at \_\_\_\_\_ was rented to the public, operated a bar and restaurant with paid employees open to the public, and operated gaming activities open to the public during the year under examination.

Per \_\_\_\_\_ book and records and Form 990, the organization reported income in the following amounts.

Bar Income	\$
( )	\$
– Pull Tab	\$
(ATM Residual)	\$
Hall Rental Income	\$
Parking Lot Rental Income	\$
Payback For Bad Checks & Fees	\$
Misc. Income	\$
Donation Income	\$
Unknown Income	\$
Income – Other	\$
 Total Income	 \$

\_\_\_\_\_ was requested to provide board meeting minutes, publications, disbursements, and/or other documentation to determine the organization’s activities, and whether these activities promote the common good and general welfare of the community. \_\_\_\_\_ only provided a statement that community groups regularly met at the location during the period of examination.

**LAW:**

IRC Section 501(c)(4) describes a tax-exempt organization as, “Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.”



Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

IRC section 6001 provides that every person liable for any tax imposed by Title 26, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules and Regulations as the Secretary or his delegate may from time to time prescribe.

IRC section 6033 provides, in general, that every organization exempt under IRC section 501(a) shall file an annual return, stating specifically the items or gross income, receipts, and disbursements, and such other information for the purpose of carrying out the Internal Revenue laws as the Secretary may by forms or Regulation prescribe, and shall keep such records, render under oath such statements, make such other returns, and comply with such rules and Regulations as the Secretary may from time to time prescribe, unless it meets at least one of several exceptions.

Treasury Regulations section 1.6001-1(a) provides, in general, that any person subject to tax under subtitle A of the Code or any person required to file an information return with respect to income shall keep such permanent books of account or records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by such person in any return of such tax or information.

Treasury Regulations section 1.6001-1(c) provides that for exempt organizations, in addition to such permanent books and records required by section 1.6001-1(a) with respect to the tax imposed by section 511 on the unrelated business income of certain exempt organizations, every organization exempt from tax under section 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.

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

Treasury Regulations section 1.6033-2(h)(2) holds that an organization which is exempt from tax, whether or not it is required to file an annual information return, shall submit such additional information as may be required by the Internal Revenue service for the purpose of inquiring into its exempt status.

Treasury Regulation 1.501(c)(4)-1(a)(2)(ii) provides, "The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit."

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

**TAXPAYER'S POSITION:**

The taxpayer's position is unknown at this time.

**GOVERNMENT'S POSITION:**

During the examination for the period ended \_\_\_\_\_, it was determined that the primary activity of \_\_\_\_\_ was the operation of a bar and game room for the members of \_\_\_\_\_ (the related 501(c)(19) and that it carried on a business with the public in a manner similar to organizations which are operated for profit. \_\_\_\_\_ also operated \_\_\_\_\_ machines that were used by the public. Nearly \_\_\_\_\_ percent of \_\_\_\_\_ total income for the tax year ending \_\_\_\_\_, was derived from bar and lottery sales.

No documentation to determine the existence of exempt activities was provided during examination. No board meeting minutes were maintained, no publications were provided and there were no disbursements detected in the organizations books and records that indicated activity which promoted the common good and general welfare of the community.

\_\_\_\_\_ does not qualify for exemption under IRC Section 501(c)(4) because it is not operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

**CONCLUSION:**

As a result of the examination, the Service has determined that \_\_\_\_\_ is not operating for exempt purposes as an IRC Section 501(c)(4) organization, \_\_\_\_\_ primarily operated a bar and game room. They have not provided any significant information to the Service substantiating for exempt activities. Since \_\_\_\_\_ failed to operate primarily for exempt purposes, their tax-exempt status is revoked effective \_\_\_\_\_. Should this revocation be upheld, Form 1120 must be filed starting with tax periods ending \_\_\_\_\_.