



Date:
April 18, 2024
Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Release Number: 202428006
Release Date: 7/12/2024
UIL Code: 501.03-00

Person to contact:
Name:
ID number:
Telephone:
Fax:
Last day to file petition with United States
Tax Court: July 17, 2024

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 demonstrated that you are both organized and operated exclusively for charitable, educational, or other exempt purposes within the meaning of IRC Section 501(c)(3). As such, you failed to meet the requirement of IRC Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(a).

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).

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.

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

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 if 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. Visit TaxpayerAdvocate.IRS.gov/contact-us or call 877-777-4778 (TTY/TDD 800-829-4059) to find the location and phone number of your local advocate. Learn more about TAS and your rights under the Taxpayer Bill of Rights at TaxpayerAdvocate.IRS.gov. Do not send your Tax Court petition to TAS. Use the Tax Court address provided earlier in the letter. Contacting TAS does not extend the time to file a petition.

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.

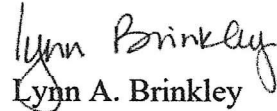
Find tax forms or publications by visiting IRS.gov/forms or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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,

A handwritten signature in black ink that reads "Lynn Brinkley". The signature is written in a cursive style with a large initial "L".

Lynn A. Brinkley

Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892



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

Date:
12/05/2023
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Address:

Manager's contact information:

Name:
ID number:
Telephone:
Response due date:
01/04/2024

CERTIFIED MAIL – Return Receipt Requested

Dear _____ :

Why you're receiving this letter

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

If you agree

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

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

If you disagree

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

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

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

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

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

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Additional information

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

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

Sincerely,

Navi Mishra Navi Mishra, Acting Group Manager
(for) Lynn A. Brinkley
Director, Exempt Organizations Examinations

Enclosures:
Form 886-A
Form 6018

Form 886-A (Rev. May 2017)	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule number or exhibit
Name of Taxpayer	Tax Identification Number (last 4 digits)	Year/Period Ended

ISSUES:

- 1) Whether the primary activities of _____ (“the organization”) accomplish its exempt purposes so that the organization meets the operational test outlined in section 1.501(c)(3)-1(a)(1) of the regulations?
- 2) Whether the organization continues to qualify for exemption under section 501(c)(3) of the Internal Revenue Code (“the Code”)?

FACTS:

The organization was incorporated in the state of _____ in _____. The organization states in its Articles of Incorporation filed with _____ that it is organized and operated exclusively for religious purposes within the meaning of section 501(c)(3) of the Code. Ruling was issued in _____ for the tax-exempt status under section 501(c)(3) and public charity status under section 170(b)(1)(A)(ii) of the Code. To date, this determination has not been changed.

_____ is the founder of the organization. _____ is shown as “Incorporator” in the organization’s Articles of Incorporation and “President” on its application for recognition of exemption Form 1023.

The organization’s racially nondiscriminatory policy was included in its by-laws provided as an attachment to the Form 1023 application. Page 15 of Form 1023 states the organization will advertise its nondiscriminatory policy in the newspapers.

The organization filed Forms 990-EZ for _____ tax years under exam. _____, is the only individual listed in Parts IV of the returns. The organization’s mission or most significant activities as stated on its most recently filed Form 990 which is for the tax year ended _____, is “education.”

The organization checks Box 2 of Schedule A Part I, “A school described in section 170(b)(1)(A)(ii)” on all the Forms 990 and 990EZ filed.

All Schedules E of the organization’s recently filed Forms 990 and 990-EZ state that it did not publicize its racially nondiscriminatory policy. Explanation to not publicizing the policy as stated in Part II Sch E on each year’s return is, “_____”

The organization’s purpose posted on its website “_____” reads, “_____”
 “The following statement is also posted on the website, “_____”

_____ referred to him as _____ the school during _____ initial phone call on _____. _____ stated that _____ is _____ and that both serve on the school’s board.

Part of Information Document Request #1 dated _____, requests copies of the following records and information covering the tax year ended _____.

- Current brochures, catalogues, and any other written advertisements dealing with student admissions, programs, and scholarships.
- Statistical data on the racial and ethnic composition of students and staff.

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- Correspondence files relating to fund solicitations, contributions received, acceptance and rejection of students, and denial or approval of scholarships, loans, or other student aid.

responded to the above in his email dated , stating there was no information to provide because there were no students due to .

The examiner then requested the same information covering the period immediately before started. response in the email dated , was as follows.

- ❖ Current brochures, catalogues, and any other written advertisements dealing with student admissions, programs, and scholarships.
 - response – A copy of school catalog is attached.
- ❖ Statistical data on the racial and ethnic composition of students and staff immediately before
 - response - Students: ; Staff:
- ❖ Correspondence files relating to fund solicitations, contributions received, acceptance and rejection of students, and denial or approval of scholarships, loans, or other student aid immediately before
 - response - N/A - Files and paperwork got destroyed

The school catalog provided does not contain a date. The school committee listed indicates

During the interview conducted over the phone in as well as during follow-up conversations, provided the following in response to the examiner's inquiries.

- ❖ The school has been closed since the beginning of
- ❖ The school's activities are expected to resume likely in
- ❖ The occurred on a in . All documents and some furniture
- ❖ had the check writing authority.
- ❖ made all the bank deposits and was the only person who recorded all financial transactions in a paper notebook. No one reviewed the bank reconciliations.
- ❖ At the end of the year, would hand the paper notebook or copy of note pages to the outside CPA who would prepare the Form 990EZ return.
- ❖ did not know about the requirement to publicize the school's racially nondiscriminatory policy but would comply going forward by asking the person who's in charge of the school's website.
- ❖ response to the examiner's inquiry on why tuition revenue and expenses were reported on the Form 990EZ return during the time there were no students was, "

- ❖ The school is situated inside . The owns the building and lets the school use a portion of the property for free. The was established a long time ago. Both the and the school have the same purpose.

The exam was then expanded to include the tax year ended . Information Document Request #2 issued on , requests the standard books and records regarding the expanded tax year. Part of Information Document Request #3 issued on , requests the following.

- Documentation that supports that the organization had a primary function of presenting formal instruction, maintained a regular faculty of qualified teachers and a regularly scheduled curriculum including academic

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calendar, had a regularly enrolled body of students, and had an admission policy to determine whether the organization was operated exclusively for its exempt purposes. This is

- Deposit records, check copies, and invoices related to tuition fees received in the amounts of \$ and \$ for the tax years ended , and respectively.
- Invoices related to advertising and promotion expenses in the amounts of \$ and \$ for the tax years ended , and respectively.
- Invoices related to professorship expenses incurred in the amounts of \$ and \$ for the tax years ended , and respectively.

On , called and introduced who's a member of . stated that is very knowledgeable about how the school operates and that would be helping them to provide information to the examiner because

In response to Information Document Request #3, provided the following on behalf.

- ❖ 9 pages of what appear to be scanned images of a book. The document contains lists of certain Humanities, Social and Behavioral Sciences, and Physical and Biological Sciences courses, a list of Prerequisite General Studies Courses (in Biblical Studies) for All Concentrations, a list of resident faculties, and a list of visiting faculties. It is stated on one of the pages, " The document does not provide any dates about the academic periods the information covers.
- ❖ Explanations for not keeping any substantiating documents related to revenue and expenses: the organization did not know the requirement to maintain records.

During the closing conference conducted on , stated the following.

- ❖ They were not aware of the record keeping requirements because the CPA who prepared the returns never told them.
- ❖ They need time to gather information to prove that the organization was operated as a school and to show that the organization has a plan for future operations.

LAW:

Section 501(c)(3) of the Code provides for the recognition of exemption of organizations organized and operated exclusively for religious, educational, or other charitable purposes, and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Treasury regulations states that, to be exempt as an organization described in Section 501(c)(3) of the Code, 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.

Section 1.501(c)(3)-1(c) of the regulations describes the operational test requirements for exemption under Section 501(c)(3) of the Code. The operational test focuses on how the organization is actually operated, regardless of whether it is properly organized for tax-exempt purposes.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3) of the Code. It further provides that an organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

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Section 1.501 (c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated for one or more exempt purposes unless it serves a public rather than a private interest. It is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator, shareholders, or persons controlled, directly or indirectly, by such private interests.

Section 511 of the Code imposes a tax at corporate rates under Section 11 of the Code on the unrelated business taxable income of certain tax-exempt organizations including those described in Section 501(c) of the Code.

Section 6001 of the Code provides, in part, that every person liable for any tax imposed by the Code, 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 may from time to time prescribe.

Section 1.6001-1(e) of the regulations 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.

Section 6033(a)(1) of the Code provides, in general, that every organization exempt under Section 501 (a) of the Code shall file an annual return, stating specifically the items of 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 of regulations 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.

Section 1.6033-2(i)(2) of the regulations provides that every 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 and administering the provisions of subchapter F (section 501 and following), chapter 1 of subtitle A of the Code and section 6033.

Revenue Rulings 71-447 provides that a school that does not have a racially nondiscriminatory policy as to students does not qualify as an organization exempt from federal income tax and that a school must show affirmatively both that it has adopted a racially nondiscriminatory policy as to students that is made known to the general public and that since the adoption of that policy it has operated in a bon fide manner in accordance therewith.

Revenue Procedure 75-50, 1975-2 C.B. 587 sets forth guidelines and recordkeeping requirements for determining whether exempt private schools have racially nondiscriminatory policies as to students.

Section 2.02 provides that a school must show affirmatively both that it has adopted a racially nondiscriminatory policy as to students that is made known to the general public and that since the adoption of that policy the school has operated in accordance therewith.

Section 4.03 provides that a school must make its racially nondiscriminatory policy known to all segments of the general community served by the school. A private school must use one of the two methods to satisfy the requirement: (a) publishing a notice of the racially nondiscriminatory policy in a newspaper of general circulation serving all racial segments of the community at least once annually, or (b) using broadcast media to publicize its racially nondiscriminatory policy if this use makes such policy known to all segments of the general community the school serves. If this method is chosen, the school must provide documentation that the means by which this policy was communicated to all segments of the general community was reasonably expected to be effective.

Section 7.01 provides that a school must maintain for a minimum period of three years, beginning with the year after the year of compilation or acquisition, the following records for the use of the Service on proper request:

- 1) Records indicating the racial composition of the student body, faculty, and administrative staff for each academic year.
- 2) Records sufficient to document that scholarship and other financial assistance is awarded on a racially nondiscriminatory basis.

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Name of Taxpayer	Tax Identification Number (last 4 digits)	Year/Period Ended

3) Copies of all brochures, catalogues, and advertising dealing with student admissions, programs, and scholarships. Schools advertising nationally or in a large geographic segment or segments of the United States need only maintain a record sufficient to indicate when and in what publications their advertisements were placed.

4) Copies of all materials used by or on behalf of the school to solicit contributions.

Section 7.04 provides that failure to maintain or to produce upon the proper request the required records and information will create a presumption that the organization has failed to comply with these guidelines.

Revenue Procedure 2019-22 modifies Revenue Procedure 75-50 to reflect technological advances since its publication and provides a third method for a private school to satisfy the requirement by using its internet website to publicize the school's racially nondiscriminatory policy as to students.

TAXPAYER'S POSITION:

Taxpayer contends that the organization was operating as a school and there is a plan to resume activities in .

GOVERNMENT'S POSITION:

Issue #1:

The organization does not meet the operational test under section 501(c)(3) of the Code and section 1.501(c)(3)-1(a)(1) of the regulations because it is not operated exclusively for one or more exempt purposes as required under section 1.501(c)(3)-1(c)(1) of the regulations. The organization is not operated exclusively for one or more exempt purposes because it failed to demonstrate that it engages in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code.

The organization contends that since there have been no school activities. But the organization failed to provide any information that indicates that it was operated for its exempt purposes as a school . The organization provided the racial and ethnic composition of students immediately before but did not provide any documents relating to acceptance and rejection of students and denial or approval of scholarships. The organization also did not provide documentation that supports that it had a primary function of presenting formal instruction and a regularly scheduled curriculum, academic calendar, had a regularly enrolled body of students, and had an admission policy . The organization's statement about all documents being destroyed should not apply to the tax years under exam and immediately because the . We are not able to determine that the organization was operated for its exempt purposes as a school by merely reviewing a list of courses and a list of faculties.

The organization contends that it had a plan to resume school activities in but failed to provide any information that indicates a plan that has a primary function of presenting formal instruction and a regularly scheduled curriculum, academic calendar, estimated regularly enrolled body of students, and an admission policy.

Additionally, the organization failed to meet the requirement described in Section 4.03 of Revenue Procedure 75-50, 1975-2 C.B. 587 because it did not publicize annually its racially nondiscriminatory policy in a newspaper or on its website. The organization also failed to meet the recordkeeping requirements outlined in Section 7.01 for Revenue Procedure 75-50 1975-2 C.B. 587 because it did not maintain any of the following: records indicating the racial composition of the student body, faculty, and administrative staff for each academic year; records sufficient to document that scholarship and other financial assistance is awarded on a racially nondiscriminatory basis; and copies of all brochures, catalogues, and advertising dealing with student admissions, programs, and scholarships. Merely

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providing the racial composition of the student body and administrative staff without substantiating documentation does not satisfy this requirement.

Furthermore, the organization failed to meet the record keeping requirements under section 6033 of the Code and section 1.6033-1(i)(2) of the regulations by not providing the records such as invoices and receipts related to its revenue and expenses. Such records are required to determine if the organization was in fact operated for exempt purposes.

Issue #2:

The organization does not continue to qualify for exemption under Section 501(c)(3) of the Code because it does not meet the operational test outlined in section 1.501(c)(3)-1(a)(1) of the regulations.

All the pertinent facts and circumstances above lead us to conclude that the organization has failed to meet the conditions required for the continuation of exempt status as described in section 1.501(c)(3)-1(c)(1) of the regulations.

CONCLUSION:

It is the Internal Revenue Service's position that the organization ceases to qualify as an organization described in section 501(c)(3) of the Code. The organization, a private school, has failed to provide pertinent information that it was operated exclusively for one or more exempt purposes . It has failed to provide information that it has a plan to resume the school activities that accomplish its exempt purposes in the future. Also, by not supplying financial records required by sections 6001 and 6033 of the Code, we were unable to determine whether the organization was operated for one or more of the exempt purposes. The organization has failed to meet the operating requirements described in section 1.501(c)(3)-1(c)(1) of the regulations. Accordingly, revocation of the organization's exempt status is proposed effective .

Form 1120, U.S. Corporation Income Tax Return, should be filed for the tax periods ending , and all the subsequent tax years.

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

If you disagree, please submit a statement of your position.