



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

[Redacted]

Release Number: 202444010
Release Date: 11/1/24
UIL Code: 501.03-00

Date:

Taxpayer ID number (last 4 digits):

[Redacted]

Form:

[Redacted]

Tax periods ended:

[Redacted]

Person to contact:

Name: [Redacted]

ID number: [Redacted]

Telephone: [Redacted]

Fax: [Redacted]

Last day to file petition with United States
Tax Court:

CERTIFIED MAIL - Return Receipt Requested

Dear [Redacted]

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 [Redacted]. Your determination letter dated [Redacted] is revoked.

Our adverse determination as to your exempt status was made for the following reasons: You have not demonstrated that you are operated exclusively for charitable, scientific, or other exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or that no part of your net earnings inures to the benefit of any private shareholder or individual. You have failed to demonstrate that you are not operated for the substantial, non-incidental benefit of private interests, including those of

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.

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.

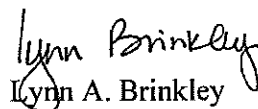
Find tax forms or publications by visiting IRS.gov/forms or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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:
08/17/2023
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Address:

CERTIFIED MAIL – Return Receipt Requested

Manager's contact information:

Name:
ID number:
Telephone:
Response due date:
09/17/2023

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 4621-A

Form 6018

Publication 892

Publication 3498

Form 886-A (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 _____ (_____) accomplish the exempt purposes specified in Internal Revenue Code (IRC) Section 501(c)(3)?
2. Whether _____ (_____) continues to qualify for exemption as an organization described under 501(c)(3) of the Internal Revenue Code?
3. Whether the tax-exempt status of _____ (_____) should be revoked due to a lack of exempt activities to accomplish exempt purpose and inurement?

FACTS:

On _____, _____ filed Form 1023, Application for Recognition of Exemption. Submitted with their application, _____ attached their Articles of Incorporation, dated _____, listing _____ (_____) as the Statutory Agent, an officer and _____ of the _____ members of the Board of Directors. On _____ Form 1023, under _____ indicated that _____ directors' annual, and/or proposed, compensation was reported as "none."

_____ signed the application and submitted an attached document explaining _____ planned activities, such as _____

Additional documents submitted with _____ application, included _____ bylaws, dated _____ According to _____ bylaws, under _____ Compensation and Expenses, _____ directors serve without compensation except that, by resolution by the Board of Directors, a fixed sum and/or expenses of attendance, may be allowed. However, _____ states that in no event may a Director participate in a vote on his or her compensation.

On _____, _____ was granted their tax-exempt status under IRC Sections 501(c)(3) and 170(b)(1)(A)(vi).

During the examination, _____ provided no information in response to multiple document requests which included their original and amended organizing documents, meeting minutes, activities details, and financial books and records. On _____, Letter 6031 and Form 4564, Information Document Request (IDR), was sent to _____ with a response due date of _____ provided no response. On _____, an IDR was mailed to _____ with a response due date of _____ On _____, Letter 5077-D, Notice of IDR Delinquency, was mailed to _____ with a response due _____ provided no response.

Summons proceedings began in _____ to obtain _____ financial records. The summonsed documents of _____ banking and financial records indicate that _____ has signatory authority over all accounts, of which contain numerous transactions for expenses that do not appear to be in furtherance of _____ exempt purpose. These transactions include, but are not limited to, cash transfers, ATM withdrawals, personal credit card payments, gym payments, debit card purchases at local gas stations, restaurants, bars, clothing stores, grocery stores, online retailers, and hotels. These expenses total \$ _____ \$ _____ and \$ _____ in _____ and _____ respectively.

See Exhibit A – Exhibit G for a detailed listing of the transactions.

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The total annual amounts of these transactions are as follows:

Financial Institution/Account	\$	\$	\$	
Total Excess Benefit Transactions	\$	\$	\$	

Requests were issued to _____ for records to substantiate the business-related purposes for the itemized expenses. On _____ an IDR was mailed to _____ with a response date of _____. No response was provided by the organization. On _____ Letter 5077-B, Notice of IDR Delinquency, was mailed to _____ with a response due date of _____. No response was provided by the organization.

LAW:

INTERNAL REVENUE CODE (IRC)

IRC Section 501(c)(3) exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

IRC Section 4958(c) provides, in part, defines "excess benefit transaction" as any transaction in which an economic benefit is provided by an "applicable tax-exempt organization" directly or indirectly to or for the use of any disqualified person if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing such benefit.

IRC Section 6001 provides that every person liable for any tax imposed by the Code, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

IRC Section 6033(a)(1) provides that except as provided in section 6033(a)(2) of the Code, every organization exempt from tax 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 purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and 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.

TREASURY REGULATION (Treas. Reg.)

Treas. Reg. Section 1.501(c)(3)-1(a) provides that in order to be exempt as an organization described in IRC 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.

Treas. Reg. Section 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 IRC 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.

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Treas. Reg. Section 1.501(c)(3)-1(c)(2) provides that the operational test is not satisfied where any part of the organization's earnings inure to the benefit of private shareholders or individuals, and where the organization serves a private rather than a public interest.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for one or more of the purposes specified in IRC 501(c)(3) unless it services a public rather than a private interest.

Treas. Reg. Section 1.501(c)(3)-1(f)(2)(ii)(A)-(E) provides that in determining whether to continue to recognize the tax-exempt status of an applicable tax-exempt organization that engages in one or more excess benefit transaction that violates IRC 501(c)(3) prohibition on inurement, consideration of all relevant facts and circumstances in section 1.501(c)(3)-1(f)(2)(ii), includes, but not limited to, the following:

1. The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction(s) occurred;
2. 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;
3. Whether the organization has been involved in multiple excess benefit transactions with one or more persons;
4. Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions; and
5. Whether the excess benefit transaction has been corrected, or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

Treas. Reg. Section 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 officers or employees and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Treas. Reg. Section 1.6033-1(b)(2) provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and section 6033 of the Code.

Treas. Reg. Section 53.4958-4(a)(4) provides, in part, that certain economic benefits are disregarded. Reimbursements of expenses incurred by a disqualified person, paid by an exempt organization to the disqualified person, are disregarded under IRC 4958 if the expense reimbursements are made in compliance with an arrangement that qualifies as an "accountable plan" under section 1.62-2(c)(2).

Treas. Reg. Section 53.4958-4(b)(1)(ii)(A) provides that the value of services is the amount that would ordinarily be paid for like services by like enterprises under like circumstances (i.e., reasonable compensation). The standards under section 162 of the Code apply in determining the reasonableness of compensation, taking into account the aggregate benefits provided to a person and the rate at which any deferred compensation accrues.

Treas. Reg. Section 53.4958-4(b)(1)(ii)(B) provides that the compensation for purposes of determining reasonableness under section 4958 includes all economic benefits provided by the organization in exchange for the performance of services, except for economic benefits that are disregarded for purposes of section 4958 under section 53.4958-4(a)(4).

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Treas. Reg. Section 53.4958-4(b)(2) provides that the facts and circumstances to be taken into consideration in determining the reasonableness of a fixed payment are those existing on the date the parties enter into the contract pursuant to which the payment is made.

Treas. Reg. Section 53.4958-4(c)(1) provides, in part, provides that an economic benefit is not treated as consideration for the performance of services unless the organization providing the benefit clearly indicates its intent to treat the benefit as compensation when the benefit is paid. Intent is demonstrated by written substantiation that is contemporaneous with the transfer of the economic benefit. If an organization fails to provide this contemporaneous substantiation, any services provided by the disqualified person will not be treated as provided in consideration for the economic benefit for purposes of determining the reasonableness of the transaction.

Treas. Reg. Section 53.4958-4(c)(3) provides, in part, that contemporaneous substantiation can be demonstrated by (A) the organization reporting the benefit as compensation on an original or amended Form W-2, 1099 or 990, provided that the amended form is filed before an examination has been started on the organization or disqualified person; or (B) the disqualified person reporting the benefit as income on an original or amended Form 1040, provided that the amended Form 1040 is filed before an examination has been started on the organization or disqualified person; or (D) other written contemporaneous evidence can be used to demonstrate that the authorized body or an officer authorized to approve compensation has approved a transfer as compensation in accordance with established procedures, including an approved written employment contract executed on or before the date of the transfer, or documentation satisfying the requirements of section 53.4958-6(a)(3) indicating that an authorized body approved the transfer as compensation for services on or before the date of transfer. If the failure to report an economic benefit is due to reasonable cause (within the meaning of section 301.6724-1), however, then the organization will be treated as having clearly indicated its intent to provide an economic benefit as compensation for services.

Treas. Reg. Section 53.4958-6(a) provides that payments under a compensation arrangement are presumed to be reasonable if all of the requirements in section 53.4958-6(c) are satisfied, as 1) the compensation arrangement is approved in advance by an authorized body of the organization or an entity it controls, composed entirely of individuals who do not have a conflict of interest as to the compensation arrangement or property transfer; 2) prior to making its determination, the authorized body obtained and relied upon appropriate data as to comparability; and 3) the authorized body adequately documented the basis for its determination concurrently with making that determination.

Treas. Reg. Section 53.4958-7(a) provides that an excess benefit transaction is corrected by undoing the excess benefit to the extent possible, and taking any additional measures necessary to place the applicable tax-exempt organization involved in the excess benefit transaction in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards.

Revenue Rulings (Rev. Rul.)

Rev. Rul. 59-95, 1959-1 CB 627 (Jan. 01, 1959) provides that an organization previously held exempt from Federal income tax was requested to produce a financial statement as of the end of the year and a statement of its operations during such year. However, its records were so incomplete that it was unable to furnish such statements.

TAXPAYER'S POSITION:

has 30 days to provide their position.

GOVERNMENT'S POSITION:

Issue1: 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 the exempt purposes specified in IRC Section 501(c)(3).

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has not provided information showing that the activities they conducted during the years under examination accomplish their exempt purposes. failed to provide documentation sufficient to determine whether it is operating for the purpose of which it was originally granted tax-exempt status. Numerous attempts have been made to contact the organization; however these attempts failed to secure the necessary information.

Issue 2: Under section 1.501(c)(3)-1(c)(1), an organization will not meet the operational test if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. has not provided information as to demonstrate that their activities further their exempt purpose. continuously failed to provide any books and records, or respond to multiple requests for documentation or discussions about the examination issues.

Issue 3: Under section 1.501(c)(3)-1(c)(2), the operational test is not satisfied where any part of the organization's earnings inure to the benefit of private shareholders or individuals, and where the organization serves a private rather than a public interest. did not provide information regarding s use of the organization's funds to make purchases and/or payments for personal expenses during the years under examination. didn't submit amended bylaws, and/or other documentation, to report that the Board of Directors resolved to provide compensation to Therefore, since had no compensatory agreement with the entire amount of the transactions exceed the value of the consideration received by in the amount of \$ in \$ in and \$ in Furthermore, did not provide information reporting that they have implemented safeguards to prevent excess benefit transactions from occurring, nor are there any known actual or good-faith efforts to seek correction from

In accordance with the regulations under IRC Sections 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

Therefore, since is not in compliance with the above cited provisions of the Code and regulations set forth, should no longer be granted tax-exempt status under IRC Section 501(c)(3).

CONCLUSION:

Based on the information noted above, the Service proposes the revocation of exempt status under IRC Section 501(c)(3), effective

It has been determined that does not qualify for exemption from federal income tax as an organization described in Code section 501(c)(3) because it does not meet the operational test required under Code section 501(c)(3) and Regulations section 1.501(c)(3)-1(a)(1). failed to establish substantial exempt activities and failed to show they operated exclusively for a Code section 501(c)(3) purpose. also serves the private interests of the officer who is not a member of a charitable class rather than public purpose contrary to the requirements of Regulations section 1.501(c)(3)-1(d)(1)(ii). The private interest served constitutes inurement which is prohibited under Code section 501(c)(3).

Form 1120 returns should be filed for the tax periods ending and all subsequent years.