



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

Release Number: 202501014  
Release Date: 1/3/2025

UIL Code: 501.03-00

Date:

October 8, 2024

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:

January 6, 2025

**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: Organizations described in IRC Section 501(c)(3) and under IRC Section 509(a)(3) must be both organized and operated exclusively for exempt purposes. Your organization has not operated in furtherance of its exempt purpose for multiple years. Thus, you have not demonstrated that you are organized exclusively for charitable, educational, or other exempt purposes within the meaning of IRC Section 501(c)(3).

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](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.

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](http://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](http://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.

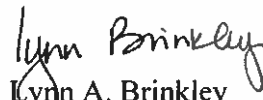
Find tax forms or publications by visiting [IRS.gov/forms](http://IRS.gov/forms) or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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,

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

[REDACTED]

[REDACTED]

Date:  
07/12/2023  
Taxpayer ID number:  
[REDACTED]  
Form:  
[REDACTED]  
Tax periods ended:  
[REDACTED]  
Person to contact:  
Name: [REDACTED]  
ID number: [REDACTED]  
Telephone: [REDACTED]  
Fax: [REDACTED]  
Address:  
[REDACTED]  
Manager's contact information:  
Name: [REDACTED]  
ID number: [REDACTED]  
Telephone: [REDACTED]  
Response due date:  
08/11/2023

**CERTIFIED MAIL – Return Receipt Requested**

Dear [REDACTED]:

**Why you're receiving this letter**

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

**If you agree**

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

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

**If you disagree**

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

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

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

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

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

**If we don't hear from you**

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

**Contacting the Taxpayer Advocate Office is a taxpayer right**

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

**Additional information**

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

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

Sincerely,

  
for Lynn A. Brinkley  
Director, Exempt Organizations Examinations

**Enclosures:**

Form 886-A

Form 6018

Form 4621-A

Publication 892

Publication 3498-A

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

**ISSUE:**

Whether [REDACTED] (Organization) exempt status under Internal Revenue Code (IRC) § 501(c)(3) should be revoked for failing to fully respond and produce records to demonstrate it operates primarily for an exempt purpose and that no part of its net earnings inures to the benefit of an individual.

**FACTS:**

The Organization's History

[REDACTED] Articles of Incorporation state the Organization was incorporated on [REDACTED] in the State of [REDACTED] with the legal name of the corporation as, [REDACTED]. The Organization was recognized as an organization exempt under IRC § 501(c)(3) and classified as a public charity described in IRC § 509(a)(2) on [REDACTED] with an effective date of [REDACTED].

The Organization's Articles of Incorporation state they are a nonprofit public benefit corporation and not organized for the private gain of any person. The articles of incorporation state that they are organized and operated exclusively for the purpose of a public church within the meaning of IRC § 501(c)(3).

The purpose listed in the articles of incorporation does not match the purpose the Organization lists on the Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, and does not match the purpose the Organization lists in a statement received on [REDACTED], in response to Form 4564, *Information Document Request (IDR)* that was mailed to the Organization on [REDACTED].

[REDACTED] applied for tax exempt status by filing Form 1023-EZ, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, on [REDACTED]. The Organization marked no, in answer to the question, *Are you applying for recognition as a church, school, or hospital (described in section 170(b)(1)(A)(i),(ii), or (iii) of the internal Revenue Code)?*

They indicated they are organized and operated exclusively to further charitable purposes and described their mission/activities as:

[REDACTED]

[REDACTED] is the only officer listed and signed the Form 1023-EZ in the capacity of the President.

Letter 6031, *Initial Exam Appointment*, along with an IDR, was mailed to [REDACTED] on [REDACTED]. In a response received [REDACTED] states, [REDACTED].

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

The Organization's Activities

In response to the initial IDR, received [REDACTED], the Organization included this statement, [REDACTED]

The Organizations response to the question asking for a detailed description of activities conducted during the year under examination was, "[REDACTED]".

[REDACTED] filed a Form 990-EZ, *Return of Organization Exempt from Income Tax*, for the tax year ending [REDACTED] and [REDACTED]. On [REDACTED], *Statement of Program Service Accomplishments*, the Organization included the comment, "At present the Non-profit is dormant" on all three years of Form 990-EZ.

The Organization's Financial Records

[REDACTED] filed a Form 990-EZ, *Return of Organization Exempt from Income Tax*, for the tax year ending [REDACTED] and [REDACTED]. The Organization reported both revenue and expenses as [REDACTED] on [REDACTED] years of Form 990-EZ.

In the initial interview, [REDACTED] stated that [REDACTED] took out a small business loan and subsequently provided a loan agreement to IRS, which verified the loan was an [REDACTED] (COVID-19 Economic Injury Disaster Loan) between [REDACTED] and the Small Business Administration (SBA). [REDACTED] was asked to provide a copy of the loan application, [REDACTED] stated that [REDACTED] did not keep a copy and that [REDACTED] tried to retrieve a copy of the loan application online, but it was no longer available to download from the site, so [REDACTED] was unable to provide us with a copy. The Tax Compliance Officer (TCO) subsequently requested a copy of the loan application from SBA and received a copy of the loan application for the case file.

The initial IDR issued to the Organization for the [REDACTED] examination asked the Organization to describe their internal controls. [REDACTED] provided the following written response, "Since we haven't been able to move forward with operations due to COVID there's been no payment or financial account created to collect finances. There have not been any donations of any kind to this Organization".

In the same reply, the Organization provided [REDACTED] bank statements, ending in [REDACTED] in the name of [REDACTED] for [REDACTED] through [REDACTED]. The bank statements reflect deposits/credits totaling \$ [REDACTED] and withdrawals/debits totaling \$ [REDACTED] for [REDACTED]. Withdrawals/debits included [REDACTED] checks totaling \$ [REDACTED], [REDACTED] payments for \$ [REDACTED], a [REDACTED] [REDACTED] web pay for \$ [REDACTED], [REDACTED] cash withdrawals with a total of \$ [REDACTED] and misc items totaling \$ [REDACTED].

The table on page [REDACTED] lists all deposits/credits and withdrawals/debits that were included in the [REDACTED] bank statements from [REDACTED] through [REDACTED].

Form **886-A**  
(May 2017)

Department of the Treasury – Internal Revenue Service

# Explanations of Items

Schedule number  
or exhibit

Name of taxpayer

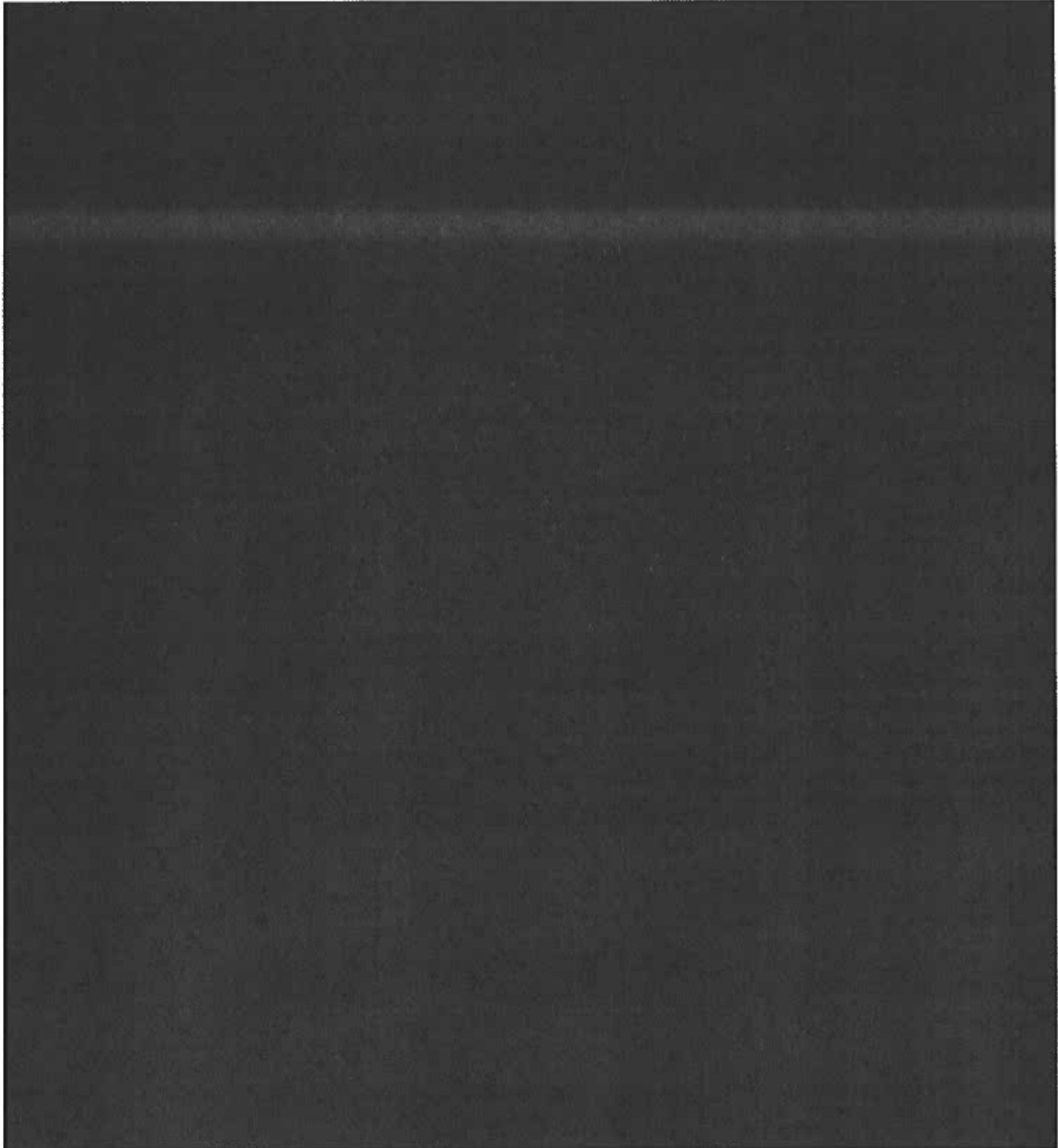
Tax Identification Number (last 4 digits)

Year/Period ended

[REDACTED]

[REDACTED]

[REDACTED]





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

Follow-up Letter's/IDR's, correspondence

██████████ Letter 5464, *Information Document Request Cover letter-Exempt Organization*, and ██████████ was mailed to ██████████ with a due date of ██████████, requesting explanations and supporting documents (invoices, receipts, canceled checks, contracts, etc.) to substantiate the Organization's loan, bank deposits, withdrawals, and purposes for each, as well as a request to review the initial interview transcript and provide feedback if any portion was incorrect. There was a notation included in the IDR stating if the Organization is unable to provide any of the items requested or if a particular item was not applicable to the Organization, explain in detail why they were not available or did not apply. A table listing the specific bank deposits and withdrawals for substantiation was included. The table included all deposits and withdrawals of \$██████ or more from the Organization's ████████ bank statements. A response from ██████████ was not received.

██████████ - Letter 3844-A, *Follow-Up – Exempt Organizations Compliance Area*, with a copy of ██████████ was mailed to ██████████ with a due date of ██████████. The Organization stated they did not receive the letter. The Internal Revenue Service (IRS) did not receive this letter back from the ██████████

██████████ - Letter 3844-A, *Follow-Up – Exempt Organizations Compliance Area*, with a copy of ██████████ was mailed certified to ██████████ with a due date of ██████████. Tracking shows the certified letter was delivered, left with an individual at address on ██████████, at ██████████. A response from ██████████ was not received.

██████████ - Letter 5798, *TE/GE Information Document Request Extension Notice*, with a copy of ██████████ was mailed to ██████████ with a 15-business day extension from the due date of letter 3844-A due date, ██████████. A response from ██████████ was not received.

██████████ - Letter 5077-B, *TE/GE IDR Delinquency Notice*, with a copy of ██████████ was mailed certified to ██████████ with a due date of ██████████. Tracking shows notice was left ██████████, available for pick-up, unclaimed/being returned to sender ██████████. The letter was received back to IRS as unclaimed on ██████████.

██████████ – After follow-up calls to the Organization, a response was received which included a copy of an Economic Injury Disaster Loan (██████████) agreement between ██████████ and the Small Business Administration for \$██████████. The response did not include an explanation for, or any supporting documents to substantiate any of the Organization's other bank deposits, withdrawals, or purposes.

██████████ – Letter 3844-A, *Follow-Up – Exempt Organizations Compliance Area*, an IDR listing the items previously requested from the Organization, but not yet received, and a copy of the previous ██████████ was mailed, both certified and regular mail, to ██████████ with a due date of ██████████. Tracking shows the certified letter was delivered to an individual at the address on ██████████, at ██████████. A response from ██████████ was not received.

██████████ – Letter 5077-B, *TE/GE IDR Delinquency Notice*, and ██████████ with copies of the Organizations Form 1023-EZ, Letter 947, ██████████ Form 990-EZ, a request to provide documents to substantiate ALL deposits/credits, withdrawals/debits from the bank statements for ██████████

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

or provide an explanation as to why they are not applicable or don't apply, and a request to review the initial interview transcript and indicate any errors was mailed both certified and regular mail to ██████████ with a due date of ██████████. Tracking shows the certified letter was delivered to an individual at address on ██████████ at ██████████. A response from ██████████ was not received.

██████████ – Form 2848, *Power of Attorney and Declaration of Representative*, was received from the Organization. The form was missing the POA's signature and was therefore, invalid.

██████████ - Form 2848, *Power of Attorney and Declaration of Representative*, was received from the Organization. The form was complete, the Organization opted to have a Power of Attorney represent them from this point forward.

██████████ – Letter 937-A, *Transmittal of Information to Power of Attorney*, Notice 1155, *Disaster Relief*, from the IRS, and copies of L5077-B and IDR#4 with all attachments that were mailed to ██████████ on ██████████ were faxed to the POA. With an agreement that he would have a reply to IRS within two weeks. A response from POA was not received

██████████ – After follow-up calls to POA, a reply was received from POA dated ██████████, but not faxed/received by IRS until ██████████. In the reply the POA states that "...he had ██████████ conversations with ██████████ the incorporator of ██████████ and ██████████ intimated that her ██████████ is a ██████████ of the ██████████ in ██████████ and ██████████ was set up to work alongside ██████████. Since ██████████ has been set up it has given away toys, fed the homeless, given out ██████████ dinners and assisted in ██████████ back-to-school giveaways, helping with books, school supplies and miscellaneous items". The POA also states that "... ██████████ represents that ██████████ has obtained a loan from ██████████ and the monies were directly deposited in the ██████████ bank account and monies were then expended for the various activities mentioned above and that as of the date of the memo the ██████████ was still looking for the documentation verifying how the monies were spent and that the loan obtained from ██████████ is being repaid from personal funds of ██████████ as ██████████ has been unsuccessful and disappointed in the money raising process".

- This is the ██████████ during the examination that ██████████ is stating that their Organization conducted any activities during the examination year. All previous written correspondence, verbal conversations and information submitted on Form 990-EZ returns have stated that ██████████ was dormant and has not yet begun to conduct activities. This is also the ██████████ mention of the Organization having a ██████████ Loan.

Over the course of the ██████████ months, through the mailing of several follow-up letters, several follow-up phone calls and the granting of multiple extensions, the Internal Revenue Service has repeatedly requested that ██████████ provide explanations and supporting documents (invoices, receipts, canceled checks, contracts, etc.) to substantiate that the withdrawals/debits from the ██████████ bank statements were expensed in furtherance of the Organizations exempt purpose. The Organization was advised if they were unable to provide any of the items requested, or if they felt a particular item was not applicable, to please provide an explanation of why they were unable to provide the requested item, or why it did not apply.

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

As of the date this letter was mailed to the Organization, the IRS has not received any of the requested items to substantiate the withdrawals/debits from ██████████ account, ending in ██████ ██████ bank statements.

**LAW:**

**Internal Revenue Code (IRC)**

**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. 4958(c)** defines the term "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. For purposes of the preceding sentence, an economic benefit shall not be treated as consideration for performance of services unless such Organization clearly indicated its intent to so treat such benefit.

**IRC Sec. 4958(e)** defines "applicable tax-exempt Organization" as an Organization described in either IRC Sec. 501(c)(3) or IRC Sec. 501(c)(4) or an Organization which was so described at any time during the five-year period ending on the date of the excess benefit transaction.

**IRC Sec. 4958(f)(1)** defines a "disqualified person" as (A) any person who was, at any time during the five-year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the Organization, (B) a member of the family of a disqualified person, and (C) a 35% controlled entity.

**IRC Section 6001** of the Code provides that every person liable for any tax imposed by this title, 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. Whenever in the judgment of the Secretary it is necessary, he may require any person, by notice served upon such person or by regulations, to make such returns, render such statements, or keep such records, as the Secretary deems sufficient to show whether or not such person is liable for tax under this title.

**IRC Section 6033(a)(1)** of the Code provides, except as provided in section 6033(a)(2), every Organization exempt from tax under section 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 as the Secretary may by forms or regulations prescribe, and keep

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

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 Regulations (Treas. Reg.)**

**Treas. Reg. 1.501(c)(3)-1(a)(1)** provides that, in order to be exempt as an Organization described in IRC Sec. 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. 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 part to the benefit of private shareholders or individuals.

**Treas. Reg. 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 IRC Sec. 4958(e) and Treas. Reg. 53.4958-2) described in IRC Sec. 501(c)(3) that engages in one or more excess benefit transactions that violate the prohibition on inurement under IRC 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;
- 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 IRC Sec. and Treas. Reg. 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.

**Treas. Reg. 53.4958-1(b)** defines excess benefit as the amount by which the value of the economic benefit provided by an applicable tax-exempt Organization directly or indirectly to or for the use of any disqualified person exceeds the value of the consideration (including the performance of services) received for providing such benefit.

**Treas. Reg. 53.4958-1(c)** states that if more than one disqualified person is liable for the tax imposed by IRC Section 4958, all such persons are jointly and severally liable for that tax.

**Treas. Regs. 53.4958-3(c), (b), (d), & (e)** provide that family members, 35% controlled entities, voting members of the governing body, presidents, chief executive officers, chief operating officers, or the person who founded the Organization are among persons who are in a position to exercise substantial influence over the affairs of the Organization.

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

**Treas. Reg. 53.4958-4(a)(1)** provides that to determine whether an excess benefit transaction has occurred, all consideration and benefits exchanged between a disqualified person and the applicable tax-exempt Organization and all entities it controls are taken into account.

**Treas. Reg. 53.4958-4(a)(2)(iii)** provides that an applicable tax-exempt Organization may provide an excess benefit indirectly through an intermediary. An intermediary is any person who participates in a transaction with one or more disqualified persons of an applicable tax-exempt Organization.

**Regulation 1.6001-1(c)** of the Code provides that such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on 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. Such Organizations shall also keep such books and records as are required to substantiate the information required by section 6033. See section 6033 and §§ 1.6033-1 through 1.6033-3.

**Regulation 1.6001-1(e)** of the Code provides that the books or records required by this section shall be kept at all time 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.

**Regulation 1.6033-1(h)(2)** of the regulations 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 the 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.

**Regulation 1.6033-2(a)(1)** of the Regulations provides, in part, that, except for certain exceptions not here applicable, every Organization exempt from taxation under section 501(a) shall file an annual information return specifically setting forth its items of gross income, gross receipts and disbursements, and such other information as may be prescribed in the instructions issued with respect to the return.

**Regulation 1.6033-2(i)(2)** of the Regulations provides, in part, 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, chapter 1 of subtitle A of the Code, section 6033, and chapter 42 of subtitle D of the Code.

## Court Cases

In International Postgraduate Medical Foundation v. Commissioner, 56 T.C.M. 1140 (1989), the court ruled as non-exempt under section 501(c)(3) of the Code an Organization formed to sponsor medical seminars and symposia that was founded and run by an individual who was a shareholder and officer in a for-profit travel agency that provided travel arrangement services to the nonprofit. Finding that the nonprofit was formed to obtain customers for the for-profit's business, the court concluded that the nonprofit had, as a substantial purpose, increasing the for-profit's income. When a for-profit Organization

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

benefits substantially from the manner in which the activities of a related nonprofit Organization are carried on, the court reasoned, the nonprofit Organization is not operated exclusively for exempt purposes within the meaning of section 501(c)(3), even if the nonprofit furthers other exempt purposes.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy an Organization's tax-exempt status regardless of the Organization's other charitable purposes or activities.

In Church in Boston v. Commissioner, 71 T.C. 102 (1978), the Court upheld the denial of exemption on an Organization that made grants to individuals. The Organization asserted that its grants were made in furtherance of a charitable purpose: to assist the poor. The Organization was unable to furnish any documented criteria which would demonstrate the selection process of a deserving recipient, the reason for specific amounts given, or the purpose of the grant. The only documentation contained in the administrative record was a list of grants made during one of the three years in question which included the name of the recipient, the amount of the grant, and the "reason" for the grant. The court held that this information was insufficient in determining whether the grants were made in furtherance of an exempt purpose.

**Revenue Rulings (Rev. Rul.)**

**Rev. Rul. 56-304**, 1956-2 C.B. 306 states that an Organization which otherwise meets the requirements for exemption from Federal income tax are not precluded from making distributions of their funds to individuals, provided such distributions are made on a true charitable basis in furtherance of the purposes for which they are organized. However, Organizations of this character which make such distributions should maintain adequate records and case histories to show the name and address of each recipient of aid; the amount distributed to each; the purpose for which the aid was given; the manner in which the recipient was selected and the relationship, if any, between the recipient and (1) members, officers, or trustees of the Organization, (2) a grantor or substantial contributor to the Organization or a member of the family of either, and (3) a corporation controlled by a grantor or substantial contributor, in order that any or all distributions made to individuals can be substantiated upon request by the Internal Revenue Service.

**Rev. Rul. 59-95, 1959-1 C.B. 627**, concerns an exempt Organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the Organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of section 6033 of the Code and the regulations which implement it, may result in the termination of the exempt status of an Organization previously held exempt, on the grounds that the Organization has not established that it is observing the conditions required for the continuation of exempt status.

**Rev. Rul. 68-489**, 1968-2 C.B. 210 holds that an Organization will not jeopardize its exemption under IRC Sec. 501(c)(3), even though it distributes funds to nonexempt Organizations, provided it retains control and discretion over use of the funds for IRC Sec. 501(c)(3) purposes. In this ruling, an Organization exempt from Federal income tax under IRC Sec. 501(c)(3) distributed part of its funds to Organizations not themselves exempt under IRC Sec. 501(c)(3). The exempt Organization ensures use of the funds for IRC Sec. 501(c)(3) purposes by limiting distributions to specific projects that are in furtherance of its own

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

exempt purposes. It retains control and discretion as to the use of the funds and maintains records establishing that the funds were used for IRC Sec. 501(c)(3) purposes.

**TAXPAYER'S POSITION:**

The Organization's position is unknown at this time.

**GOVERNMENT'S POSITION:**

Based on the above facts, the Organization did not fully respond to verify that they are operated exclusively for one or more of the purposes specified in IRC Section 501(c)(3). It is the Government's position that the Organization does not qualify as an Organization described in IRC Section 501(c)(3) because it is not operated exclusively for an exempt purpose. In addition, the limited records provided did not substantiate that its net earnings did not inure to the benefit of private shareholders and individuals.

Here, the Organization has not started operations. There are no activities. The Organization has taken out a loan in the Organization's name and deposited the funds in a bank account also in the Organization's name. There have been multiple deposits to this account. There have been [REDACTED] withdrawals including a cashed check, several [REDACTED] withdrawals, [REDACTED] payments to [REDACTED] and a large payment to [REDACTED].

Over the course of the [REDACTED] [REDACTED] [REDACTED] through the mailing of [REDACTED] letters, [REDACTED] [REDACTED] phone calls and the granting of [REDACTED] extensions, the Internal Revenue Service has repeatedly requested that the Organization provide explanations and supporting documents (invoices, receipts, canceled checks, contracts, etc.) to substantiate that the withdrawals/debits from the [REDACTED] bank statements were expensed in furtherance of the Organizations exempt purpose, and the Organization was advised that if they were unable to provide any of the items requested, or if they felt a particular item was not applicable, to please provide an explanation of why they were unable to provide the requested item, or why it did not apply.

To date, the Organization has not provided any substantiating documents to the IRS and has not demonstrated it has done anything charitable or in furtherance of the Organization's exempt purpose with the funds.

Therefore, it is the Government's position that the Organization is not operated exclusively for charitable, religious, or educational purposes, and its net earnings inure to the benefit of private shareholders and individuals. The Organization does not qualify for exemption under IRC Sec. 501(c)(3).

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

**Interaction with IRC Sec. 4958, Excess Benefit Transactions**

**Applicable Tax-Exempt Organization**

In order for an excess benefit transaction to have occurred, the Organization involved must be an “applicable tax-exempt Organization”.

IRC Sec. 4958(e) defines an applicable tax-exempt Organization as any IRC Sec. 501(c)(3) public charity or any Organization exempt under IRC Sec. 501(c)(4) or 501(c)(29), and any Organization which was described under the above listed subsections at any time during the 5-year period ending on the date of the transaction.

Here, the Organization was granted exemption under IRC § 501(c)(3) and has been exempt under IRC Sec. 501(c)(3) continuously from the period of receiving their exemption until the transactions in question. Therefore, the Organization is an applicable tax-exempt Organization under IRC Sec. 4958(e).

**Disqualified Persons**

IRC Sec. 4958(f)(1) defines “disqualified person” as including any person who was, at any time during the five-year period ending on the date of a transaction, in a position to exercise substantial influence over the affairs of the Organization.

Treas. Reg. § 53.4958-3(c)(2) provides that presidents, chief executive officers, or chief operating officers are in a position to exercise substantial influence over the affairs of the Organization.

Treas. Reg. § 53.4958-3(e)(2)(iv) provides that the person who has or shares authority to control or determine a substantial portion of the Organization's capital expenditures, operating budget, or compensation for employees tends to have substantial influence.

Here, disqualified person was the Organization's President, ██████████ ████████ is the founder, President, and the ████████ officer of the Organization from the Organization's date of exemption through the date of the excess benefit transaction.

The Organization filed Form 990-EZ for tax period ending ██████████ ██████████ ██████████ ██████████ and ██████████ ██████████. On ██████████, the Organization lists only ██████████ officer, ██████████ President, for all three years of the Form 990-EZ.

As the Organization's President, ████████ officer, and ████████ member, ██████████ oversees ████████ the Organization's finance, budgeting, development, administration, legal and business affairs, policy and planning, and communications. Ultimately, ██████████ is responsible for ████████ business and financial affairs for ██████████

Pursuant to Treas. Reg. § 53.4958(f)(1), § 53.4958-3(c)(2), and § 53.4958-3(e)(2)(iv), ██████████ is a disqualified person with respect to the Organization.



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

**IRC Sec. 4958 Excise Tax**

The excise taxes imposed by IRC Sec. 4958 apply to each excess benefit transaction between a disqualified person and an applicable tax-exempt Organization. An excess benefit is defined as the amount by which the value of the economic benefit provided by an applicable tax-exempt Organization, directly or indirectly, to or for the use of any disqualified person exceeds the value of the consideration (including the performance of services) received for providing such benefits. See Treas. Regs. 53.4958-1(b) and 53.4958-4(a)(1).

Here, the Organization's President made unsubstantiated withdrawals/debits from the Organization's ████████ bank account, ending in ████████ during ████████ for \$██████. These withdrawals/debits included ████████ checks totaling \$██████, ████████ payments for \$██████, a ████████ ████████ ████████) ████████ pay for \$██████, and ████████ cash withdrawals with a total of \$██████.

The Internal Revenue Service repeatedly requested that the Organization provide explanations and supporting documents (invoices, receipts, canceled checks, contracts, etc.) to substantiate that the withdrawals/debits from the ████████ bank statements were expensed in furtherance of the Organizations exempt purpose. To date, the Organization has not provided any of the requested items to substantiate the withdrawals/debits from ████████ bank account, ending in ████████

The Organization did not satisfy the contemporaneous substantiation requirements under Treas. Reg. section 53.4958-4(c)(3), by substantiating the \$██████ in withdrawals/debits were used for the tax-exempt purposes therefore it constitutes an automatic excess benefit transaction.

The taxes imposed under IRC Sec. 4958 are payable by any disqualified person who received an excess benefit from a particular excess benefit transaction. In addition, with respect to any excess benefit transaction, if more than one disqualified person is liable for any of the section 4958 excise taxes, all such persons are jointly and severally liable for that tax. See Treas. Reg. 53.4958-1(c).

██████ / Initial Taxes":

IRC Sec.	Rate	Imposed on...	For...	Amount	Excise Tax
4958(a)(1)	██████%	1. ████████ 2. Disqualified Person	Engaging in excess benefit transaction	\$██████	\$██████

██████ / Additional Tax":

IRC Sec.	Rate	Imposed on...	For...	Amount	Excise Tax
4958(b)	██████%	1. ████████ 2. Disqualified Person	If not corrected within the taxable period	\$██████	\$██████

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

Application of the 5 Factors from Treas. Reg. 1.501(c)(3)-1(f)(2)(ii)

Treas. Reg. 1.501(c)(3)-1(f)(2)(ii) states 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 transactions (as defined in IRC Sec. 4958(c) and Treas. Reg. 53.4958-2) that violate the prohibition of inurement under IRC Sec. 501(c)(3), the Commissioner will consider all relevant facts and circumstances, including, 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.

Here, the Organization Here, the Organization has not started operations. There are no activities. Therefore, the Organization's has no regular and ongoing activities that further exempt purposes.

2. The size and scope of the excess benefit transaction or transactions in relation to the size and scope of the Organization's regular and ongoing activities that further exempt purposes.

Here, substantially more than half of the Organization's expenditures during [REDACTED] were excess benefit transactions at [REDACTED] % of total expenditures.

3. Whether the Organization has been involved in multiple excess benefit transactions with one or more persons.

Here, there were [REDACTED] excess benefit transactions with [REDACTED] disqualified person. The excess benefit transactions were ongoing during the period under examination.

4. Whether the Organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions.

There is no indication that safeguards have been implemented that would prevent further excess benefit transactions.

Currently, [REDACTED] President of [REDACTED] still controls the financial transactions of the Organization, [REDACTED] is still the only officer and only member of the Organization.

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.

No corrections have been made. There is no indication that the Organization has made efforts to seek correction from the disqualified persons who benefited from the transactions.

Based on the 5-factor analysis from Treas. Reg. 1.501(c)(3)-1(f)(2)(ii) above, the size and scope of the inurement issues revealed by the examination show the Organization is not operated exclusively for exempt purposes and, therefore, revocation of the Organization's tax-exempt status is warranted.

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

**CONCLUSION:**

Based on the foregoing reasons, the Organization does not qualify as an Organization described under IRC Sec. 501(c)(3) and its tax-exempt status should be revoked.

It is the IRS's position that the Organization failed to establish that it meets the reporting requirements under IRC §§ 6001 and 6033 to be recognized as exempt from federal income tax under IRC § 501(c)(3). Furthermore, the Organization has not established that it is organized and operated exclusively for an exempt purpose, the Organization substantially benefits private interests, and its net earnings inure to the benefit of private shareholders and individuals.

Application of the 5-factor analysis provided by Treas. Reg. 1.501(c)(3)-1(f)(2)(ii), to determine whether to continue to recognize the tax-exempt status of a tax-exempt Organization that has engaged in one or more excess benefit transactions, weighed heavily in favor of revocation.

The Organization no longer meets the requirements to qualify as exempt from federal income tax under IRC Sec. 501(c)(3). Therefore, its exempt status under IRC Sec. 501(c)(3) will be revoked effective [REDACTED], [REDACTED].

Form 1120, *U.S. Corporation Income Tax Return*, should be filed for the tax periods after [REDACTED] [REDACTED].