



DEPARTMENT OF THE TREASURY

Internal Revenue Service  
TE/GE EO Examinations  
1100 Commerce Street MC 4920 DAL  
Dallas, TX 75242

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Date: **MAR 27 2018**

Release Number: **201830014**  
Release Date: 7/27/2018  
UIL Code: 501.03-00

Person to Contact  
Identification Number:  
Telephone Number:  
In Reply Refer to: TE/GE Review Staff

LAST DATE FOR FILING A PETITION  
WITH THE TAX COURT: **JUN 25 2018**

**CERTIFIED MAIL-Return Receipt Requested**

Dear :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (IRC). Our favorable determination *letter* to you dated June 30, 20 , is hereby revoked and you are no longer exempt under section 501(a), as an organization described in section 501(c)(3) of the IRC, effective December 31, 20XX.

Our adverse determination was made for the following reasons:

You have not established that you are organized and operated exclusively for an exempt purpose or that you have been engaged primarily in activities that accomplish one or more exempt purposes within the meaning of IRC section 501(c)(3).

You have not established that no part of your net earnings inure to the benefit of any private shareholder or individual.

Contributions to your organization are no longer deductible under section 170 of the Code.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending December 31, 20XX and for all years thereafter.

Processing of income tax returns and assessment of any taxes due **will** not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Court of Federal Claims or the District Court of the United States for the District of Columbia before the 91<sup>st</sup> day after the

date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment. You may write to the courts at the following addresses:

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

US Court of Federal Claims  
717 Madison Place, NW  
Washington, DC 20005


U. S. District Court for the District of Columbia  
333 Constitution Ave., N.W.  
Washington, DC 20001

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. We 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 our assistance, which is always free, we will do everything possible to help you. Visit [taxpayeradvocate.irs.gov](http://taxpayeradvocate.irs.gov) or call 1-877-777-4778.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Maria Hooke", with a stylized, cursive script.

Maria Hooke  
Director, Exempt Organizations Examinations

Enclosures:  
Publication 892



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

Date: 01/18/2018

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

December 31, 20XX

Person to Contact:

Employee ID:

Telephone:

Fax:

Manager's Contact Information:

Employee ID:

Telephone:

Response Due Date:

02/19/2018

**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 period above.

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

**If you disagree**

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

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to

sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

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

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

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

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

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

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

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

**For additional information**

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

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

Sincerely,

Maria Hooke  
Director, Exempt Organizations  
Examinations

Enclosures:  
Form 886-A  
Form 6018

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  20XX

Issues.

Whether the Organization's ( ) exempt status under section 501(a) of the Internal Revenue Code (IRC) as an organization described in section 501(c)(3) should be revoked effective December 31, 20XX as it ceased conducting any organizational operations and activities and Organization has no intentions of conducting any more operations and activities in the future.

FACTS:

Organization is a Form 990-N filer as funds received are minimal and meets the threshold to file Form 990-N.

The organization was incorporated under the laws of the State of as a non-profit corporation on January 8, 20XX, according to its Articles of Incorporation for the purpose of the following:

This corporation is organized exclusively for charitable, educational and scientific purposes within the meaning of section 501(C)(3) of the internal revenue code as now enacted or hereafter amended, including for such purposes, the making of distributions to organizations that also qualify as exempt organizations under section 501(C)(3) of the internal revenue code or corresponding section of any future federal tax code. The corporation is organized as an interdisciplinary forum for the advancement of science education and public knowledge concerning adult psychological development. The corporation will perform scientific research and report its findings, advancements and applications to the public through various media (e.g., website, journal articles, public forums, books, etc.). The corporation will engage in education-related activities by developing adult development programs and education materials based Upon proven scientific data and methodology. The corporation will conduct workshops and information sharing to best utilize its research findings.

The center purpose is to promote communication, information sharing, research and advances within both the educational and scientific realms of psychological adult development. A goal of the organization is to provide the public a greater awareness of the methods for enhancing their development via proven scientific and education methodology. Achievement of this goal will be fulfilled through the development and delivery of educational programs. Scientific research will be performed directly through within the field of Psychological Adult Development, in addition to other peripheral fields including social psychology, anthropology, biology, cognitive sciences, epistemology and others. The organization seeks to engage in research programs represented by psychological development in the following realms. Emotional, cognitive, spiritual, self-regulation, identity, consciousness, among others.

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Research programs will be determined by board members and officers based on greatest need Within the sciences and the general public.

On June 30, 20XX, was recognized to be exempt from federal income tax (letter 947) as an organization described in IRC Section 501(c)(3) as a public charity under the code section 509(a)(2).

During the interview on 04/10/20XX with the president of the organization, I asked him to tell me about the history and the purpose of the organization. He said" I established the organization in 20XX in State as a center for research to enhance the field of the adult psychology development for the institutions and individuals who are interested in this field of study and made it accessible through the website www. .org. Creates a development program-curriculum for anybody over years of age to benefit from the program. Creates courses for companies to educate their employees, for example; in the role of leadership development. Help the organizations to develop course tools, tactics, to assist them creating their own internal program. Summarizes the complicated articles, simplify them and go between the writers of the articles and the readers to facilitates the understanding of the substance. Students have free access to some of the articles on the center website. There are three types of membership.

1-Associate membership: for those with general interest in optimal adult development but not in-depth of the technical knowledge of the field.

2- Student membership: for the current students in colleges, universities or institutes who are interested in developmental science or other human development.

3- Professional membership: for professional researchers, consultants, coaches, educators and other practitioners working in the field of adult development. There are annual fees for professionals and associate members to access the website. They are \$0 and \$0 consecutively. It is free of charges for students". The fees are the main source of income for the center. Then went on to say" I moved to city from State in 20XX, to the State of . The State of did not approve the tax exemption determination made by the State of because, it has no board members. When I asked him why the organization has no Board members/ he said" I couldn't find enough people to be board members".

After I reviewed the Office of the State of refusal and objection of accepting the filing of the organization's documents due to non-listing of board members, I realized that, the State of requirement regarding the number of board members are a minimum of three members.

When I asked (the President) about who determines the compensation for you? He said" my-self". According to , the compensation will be determined after the deductions of all the organization's expenses from the revenues, and what amount left is his compensation.

Then he went on to say" the organization is inactive now and has been inactive for more than a year due to lack of funds and because "I got a job to help myself". The organization according to has no Board members and ceased activities for more than a year now without any intention to resume operation.

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**LAW:**

§1.501(c)(3)-1(a)(1) provides that, in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt. See Treas. Reg. § 1.501(c)(3)-1(a)(1).

Federal Tax Regulations (“Regulations”) §1.501(c)(3)-1(a) provides that in order to be exempt as an organization described in Code §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.

Regulations §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 Code §501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities in not in furtherance of an exempt purpose.

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

IRC § 6001, requires that every person liable for any tax imposed by the Code keep sufficient records to enable the proper determination of said tax and the filing of required returns. Treas. Reg. § 1.6001(a), and in conjunction with § 6001-1(c) requires that every organization exempt under § 501(a) keep permanent books of accounts or records, including inventories, sufficiently detailed enough to show items of gross income, receipts and disbursements and any other information to substantiate amounts reported on any returns or taxes imposed under § 511 relating to unrelated business income, or on returns required under § 6033.

Tax Reg. § 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Tax Reg. § 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).

An organization is not operated exclusively for an exempt purpose unless it serves a public rather than a private interest; thus, an organization must establish that it is not operated for the benefit or private interests, such designated individuals, the creator, shareholders of the organization, or

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persons controlled (directly or indirectly) by such private interests. Sec. 1.501(c)(3)-1(d)(1)(ii), Income Tax Regs.

**GOVERNMENT'S POSITION:**

EO has failed to show that they meet the operational test for a § 501(c)(3) organization for the year under examination since it ceased all operations and activities as of 12/31/20XX and Organization has no intentions of continuing operations and activities. In order to meet the operational test, they must show that they engage primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. The organization is not recognized by the State of as a 501(C)(3) due to lack of Board members.

**TAXPAYER'S POSITION:**

Taxpayer agreed to the revocation of the organization and signed F.6018 Consent to Proposed Action.

**CONCLUSION:**

It is the Service position that the organization does not qualify for exemption from federal income tax under IRC §501(c)(3). As a result of the examination, the IRS has determined that EO has failed to operate for exempt purposes as a §501(c)(3) organization since it ceased all operations and activities as of 12/31/20XX and Organization has no intentions of continuing operations and activities in the future. Since the organization failed to be organized and operate primarily for exempt purposes and cease to operate with no intention to resume its activities, their exempt status is revoked effective December 31, 20XX.