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

Release Number: 202520013
Release Date: 5/16/2025
[redacted]
UIL Code: 501.03-00

Date:
January 28, 2025
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:
April 28, 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: You did not meet the organizational and operational tests, under IRC § 501(c)(3), which are required for the continuation of your exempt status. The information provided did not substantiate that they are organized and operating exclusively for one or more of the purposes specified in 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**.

Contributions to your organization are no longer deductible under IRC Section 170.

What you must do if you disagree with this determination
If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment
If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at **ustaxcourt.gov/dawson.html**. You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

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

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439
uscfc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

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

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS or if you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Visit **TaxpayerAdvocate.IRS.gov/contact-us** or call 877-777-4778 (TTY/TDD 800-829-4059) to find the location and phone number of your local advocate. Learn more about TAS and your rights under the Taxpayer Bill of Rights at **TaxpayerAdvocate.IRS.gov**. Do not send your Tax Court petition to TAS. Use the Tax Court address provided earlier in the letter. Contacting TAS does not extend the time to file a petition.

Where you can find more information
Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

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

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,

Lori Stieber
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:
08/16/2024
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:
[redacted]

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 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,

Jason Brasch

Digitally signed by Jason E. Brasch
Date: 2024.08.16 08:09:47 -07'00'

Lynn A. Brinkley
Director Exempt Organizations

Enclosures:
Form 886-A Explanation of Items Report
Form 886-A Explanation of Items Report - Alternative
Form 6018
Publication 892
Publication 3498

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

Date of Notice: [redacted]

ISSUE:

1. Whether was operated exclusively for exempt purposes per Internal Revenue Code (IRC) 501(c)(3).

FACTS:

[redacted] (Taxpayer) filed articles of incorporation on [redacted], and has a status of active on the [redacted] Secretary of State website. Internal Revenue Service issued Letter 947 granting exemption as a 501(c)(3) and a public charity under 170(b)(1)(A)(vi) was issued on [redacted].

Form 1023, Application for Recognition of Exemption, states the purpose of the organization is to stir the hearts of believers and non-believers in America and to assist individuals to strengthen and develop a relationship with God. Part IV states the organization will divide its activities into three major groups: National Christian Initiative via online weekly ministry services – Fundraising to assist community program development by providing grants to other ministry organizations, churches, and Christian programs – Administrative and promotional activities which include emails, mass mailings, newspapers, tv, radio, and website.

Article 2, Section 2 of the Bylaws state the purpose of the organization is "to implement National Christian Initiative and develop online church, ministries, and churches throughout the country."

Taxpayer filed Form 990-N (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or Form 990-EZ during tax years under examination. Form 990-N (e-Postcard) is used by small tax-exempt organizations for annual reporting if gross receipts are considered to be normally [redacted] or less.

Taxpayer does not make social media posts, Taxpayer does not distribute promotional materials, Taxpayer does not advertise products or services, Taxpayer does not make grants and therefore has no grantmaking procedures, Taxpayer did not receive grant applications in [redacted], Taxpayer did not provide any financial resources to other entities or individuals in [redacted], and Taxpayer does not have books and records and annual activity is under [redacted].

Bank statements provided to assigned examiner for account ending [redacted] from [redacted], [redacted] identified a total of [redacted] in gross receipts. On [redacted], assigned examiner issued IDR2

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

requesting taxpayer provide substantiation to support income and questionable expenditure transactions identified in the bank statements:

Expenditure	Amount
ATM Withdrawals	[redacted]
Bank Transfers	
Checks	
Dining/Retail	
Entertainment	
Financial Institutions (Credit Cards, PayPal, etc.)	
Personal Services	
Travel	
Vehicle	
Total	[redacted]

Aforementioned transactions were not substantiated.

IDR3 was issued expanding the examination to include the two prior and one subsequent tax years and requested sale documents for property located at [redacted], [redacted]. Summonsed title records confirmed the property was transferred to the Taxpayer on [redacted] with an assessed value of [redacted]. Taxpayer then sold the property on [redacted] for [redacted]. IDR3 also requested Taxpayer provide documentation to support use of Form 990-N for annual filings and documentation to support the organizations charitable activities to include bank statements for all accounts during tax year ended [redacted].

IDR4 addressed tax year ended [redacted] and requested Taxpayer provide documentation to support use of Form 990-N for annual filings and documentation to support the organizations charitable activities to include bank statements for all accounts.

IDR 5 address tax year ended [redacted] and also requested Taxpayer provide documentation to support use of Form 990-N for annual filings and documentation to support the organizations charitable activities to include bank statements for all accounts. In response to IDR5, the Taxpayer's representative provided a narrative explaining that the expenditures that lack the appropriate business documentation should be reclassified as compensation to the [redacted] for appearing to be for personal expenditures. For reference, "[redacted]" are [redacted], Executive Director of the Board of Directors, and [redacted], Secretary of the Board of Directors. IDR5 response narrative also named the following activities with limited substantiation or explanation:

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

- [redacted] program, which provides childcare alternative for working moms, disadvantaged single parents, and unwed moms. (Checks paid to [redacted] have a description of "educational institution to help with student costs.")
- Weekly gatherings
- Home Fellowship
- Day-to-day Devotional activity [redacted] prepares, distributes, and follows up with materials)

Summonsed bank information revealed the following large unusual questionable transactions:

Num	Date	Name	Memo	Bank Account	Amount
1013	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
		[redacted]			[redacted]

[1] See Exhibit A Funds used to purchase primary residence
[2] See Exhibit B Transfer to account controlled by [redacted]

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

[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
			[redacted]		

3 See Exhibit C Transfer to account controlled by [redacted]
4 See Exhibit C Transfer to account controlled by [redacted]
5 See Exhibit C Transfer to account controlled by [redacted]
6 See Exhibit C Transfer to account controlled by [redacted]

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

N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]0.00
N/A	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]2
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]00
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]0.00
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]0.00
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]

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

N/A	[redacted]			[redacted]	[redacted]
N/A	[redacted]			[redacted]	[redacted]
		[redacted]			[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted] 20
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
		[redacted]			[redacted]
N/A	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
N/A	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
N/A	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
N/A	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]		[redacted]	[redacted]	[redacted]
N/A	[redacted]		[redacted]	[redacted]	[redacted]
N/A	[redacted]			[redacted]	[redacted]
N/A	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
N/A	[redacted]		[redacted]	[redacted]	[redacted]
N/A	[redacted]		[redacted]	[redacted]	[redacted]
N/A	[redacted]			[redacted]	[redacted]
N/A	[redacted]			[redacted]	[redacted]
N/A	[redacted]	[redacted]		[redacted]	[redacted]
N/A	[redacted]			[redacted]	[redacted]
N/A	[redacted]			[redacted]	[redacted]
N/A	[redacted]		[redacted]	[redacted]	[redacted]
N/A	[redacted]			[redacted]	[redacted]

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

N/A	[redacted]		[redacted]	[redacted]
N/A	[redacted]		[redacted]	[redacted]
N/A	[redacted]	[redacted]	[redacted]	[redacted]
N/A	[redacted]		[redacted]	[redacted]
N/A	[redacted]		[redacted]	[redacted]
	[redacted]			[redacted]

Summonsed bank records also identified Taxpayer received gross receipts in the following amounts:

2017	2018	2019	2020	Totals
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

On [redacted], assigned examiner conducted an interview with Executive Director [redacted] and the Taxpayer's representative. During the interview [redacted] was not forthcoming in responses. [redacted] stated the organizations' purpose was to have an online ministry community, but then answered "no" to having a website and stated the organization does not actually conduct online ministry. [redacted] also stated the organization does not make grants and therefore do not have grantmaking procedures, but then later stated the organizations charitable expenditures were for payments to other exempt organizations. [redacted] disclosed that in [redacted], the organization loaned [redacted] for the down payment on their principal residence. Summonsed bank records also identify [redacted] transfer wire out on [redacted]. In addition, later in the interview, [redacted] and the representative stated the organization is no longer operational and has not been for several years. When asked about a [redacted] transfer in [redacted] to an account ending in [redacted], [redacted] stated he did not know what it was for. Summonsed bank records identified [redacted] as the account holder.

On [redacted], assigned examiner issued IDR8 requesting loan agreement between the [redacted] and Taxpayer executed in [redacted] and names of account holders with explanation for outgoing transfers to several accounts to which Taxpayer did not respond.

Assigned examiner issued IDR9 on [redacted] requesting documentation and explanation of transfers to the following accounts to which were controlled by [redacted] and his wife:

Account #	Account Holder	Principal Officer	Cumulative Amount
CHK [redacted]	[redacted]		[redacted]
CHK [redacted]	[redacted]		[redacted]
CHK [redacted]	[redacted]		[redacted]

CHK [redacted]	[redacted]	[redacted]	[redacted]
CHK [redacted]	[redacted]	[redacted]	[redacted]
CHK [redacted]	[redacted]	[redacted]	[redacted]
CHK [redacted]	[redacted]	[redacted]	[redacted]
CHK [redacted]	[redacted]	[redacted]	[redacted]

Review of meeting minutes provided by Taxpayer do not include discussion or approval of expenditures in question or the loan to the [redacted] in the amount of [redacted] for the down payment of their principal residence. The board meeting minutes for [redacted] report the following board members:

1. [redacted]
2. [redacted] (daughter)
3. [redacted] (wife)
4. [redacted]
5. [redacted] (daughter)

The minutes reference 'written director summary' and 'income and expense reports' but in the interview and in IDR responses the Taxpayer stated that it did not maintain books and records and did not prepare financial statements for the exam years.

Taxpayer did not file Forms 941 Employer's Quarterly Federal Tax Return during years under examination.

LAW:

IRC 501(c)(3) provides, an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

IRC 501(c)(3) provides, and organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

Section 501(c)(3); Treas. Reg. Section 1.501(c)(3)-1 provides an otherwise qualifying organization will be disqualified for exemption if it: Excessively benefits private interests, either through inurement of its net earnings to certain "insiders" or by primarily benefiting the interests of persons who, though not "insiders", do not comprise a charitable class.

IRC 501(c)(3) does not prohibit all dealings between a charitable organization and its founder or with those in controlling positions. An organization's trustees, officers, members, founders, and contributors may, of course, receive reasonable compensation or fair market value for services or goods, or other expenditures in furtherance of exempt purposes. However, those in control may not, because of their position, acquire any of the charitable organization's funds. If funds are diverted from exempt purposes to private purposes, exemption is in jeopardy.

Treas. Reg. Section 1.501(c)(3)-1(c)(2) clarifies that an organization is not operated exclusively for exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides, to be charitable, an organization must serve a public rather than a private interest. The organization must demonstrate that it 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.

Treas. Reg. 1.501(a)-1(c) provides the words "private shareholder or individual" refer to persons having a personal and private interest in the activities of the organization. For inurement to exist, an "insider" must receive financial gain because of their position within the exempt organization. Insiders include:

- Trustees
- Board members
- Officers
- Members
- Founders
- Significant donors
- Employees
- Individuals with a close professional working relationship with the exempt organization

In Better Business Bureau v. United States, 316 U.S. 279 (1945), the court found in order to fall within the claimed exemption, an organization must be devoted to exempt purposes exclusively. This plainly means that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

In Texas Trade School v. Commissioner, 30 T.C. 642, aff'd, 272 F.2d 168 (5th Cir. 1959), the Commissioner of Internal Revenue determined that Texas Trade School, petitioner, was not entitled to exemption from taxation under Section 101(6) of the Internal Revenue Code of 1939, 26 U.S.C.A. § 101(6). This section exempts from taxation corporations organized and operated exclusively for educational purposes, no part of the net earnings of which inures to the benefit of any prior shareholder or individual.

In Association for Honest Attorneys v. Commissioner, T.C. Memo 2018-41, (2018), the court found that during 2010, 2011, and 2012 petitioner did not, through Ms. Farr or anyone else, engage primarily in the activities described in its articles of incorporation and its bylaws. It also found that during 2010, 2011, and 2012 the net earnings of petitioner inured to the benefit of Ms. Farr, its CEO/board president; petitioner operated primarily for the benefit of private rather than public interests; and more than an insubstantial part of petitioner's activities furthered nonexempt, private purposes. Therefore, the court upheld the IRS's decision to revoke petitioner's tax-exempt status based on its finding that it no longer operated in accordance with Section 501(c)(3).

TAXPAYER'S POSITION:

Taxpayer contends that questionable expenditures should be reclassified as compensation to the [redacted] for appearing to be for personal expenditures and that the organization is no longer operational and has not been for several years.

GOVERMENTS POSITION:

A corporation recognized by the Internal Revenue Service as being exempt from federal income tax under IRC 501(c)(3) and having a foundation status of 170(b)(1)(A)(vi), must pass two tests in order to continue its exempt status. The first test, the Organizational Test, relates to the organization's organizational documents. The test can only be satisfied if the written documents prepared at the time of the organization's formation meets the requirements of the regulations. As organizational document must meet requirements in both form and language. Taxpayer satisfied the organizational requirement by having their Articles of Incorporation formed under the State of California and satisfied the language requirement by having an acceptable purpose and dissolution clause.

To establish that Taxpayer operates primarily in activities which accomplish its exempt purposes, the organization must establish that no more than an insubstantial part of its activities isn't in furtherance of an exempt purpose. See Better Business Bureau v. United States, 316 U.S. 279 (1945) above.

The Taxpayers purpose per the organizing documents is clear. It is also clear that the org is not conducting activities that further aforementioned exempt purpose. Further, financials show funds are being used to enrich and benefit insiders. According to the F1023, its purpose is "to stir the hearts of believers and non-believers in America to assist individuals to strengthen and develop a relationship with God." According to the Bylaws, its purpose is "to implement National Christian Initiative and develop online church, ministries and churches throughout the country." The Taxpayer has not explained what 'National Christian Initiative' is.

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There is no evidence that this activity has ever been conducted in the past or currently. The Taxpayer stated in the interview specifically that it does not have a website and does not conduct any online activities therefore this activity is not considered part of its exempt program.

The taxpayer does not make grants as initially stated. Bank records show that the organizations that received funds from taxpayer were created/owned/controlled by [redacted]. The taxpayer did not exercise expenditure responsibility or maintain any documentation showing purpose and character of these payments. This activity cannot be considered to further an exempt purpose.

There is no evidence to determine the nature of the activity. The Taxpayer did not speak on this activity during the interview, suggesting that this activity is either not conducted at all, or very rarely conducted. The Taxpayer also maintained no records to show how the expenditures found in the bank statements were for the Sunday Gatherings. This cannot be considered an exempt activity without any substantiation for its existence.

There is no evidence of exempt-purpose retreats being conducted. Based on the lack of substantiation and explanation by the Taxpayer, and the lack of any other exempt activities, it appears the expenditures referred to as “retreat” may have been for personal purposes rather than exempt ones. In the absence of any substantiation otherwise, this activity cannot be considered exempt.

There is no evidence that this activity exists other than the Taxpayer statement in an IDR that it does. In fact, in response to IDR5, the Taxpayer stated [redacted] is responsible for the day-to-day devotional activity, by preparing, distributing, and following up on the materials, but in a previous IDR response and during the interview, the TP stated they have no published or distributed materials and no other evidence of their activities such as a brochure or booklet. This cannot be considered an exempt activity without any substantiation for its existence.

Travel expenses in the amount of [redacted] were not substantiated and are mor appropriately classified as personal.

Per Tres. Reg. 1. 501(c)(3)-l(b)(4), a 501(c)(3)’s assets are required to be irrevocably dedicated to their exempt purpose(s). The inurement prohibition serves to prevent the individuals who operate the organization from siphoning off any of a charity’s income or assets for personal use.

An organization is described in IRC 501(c)(3) only if no part of its net earnings inures to the benefit of any private shareholder. The inurement prohibition is designed to ensure that organization’s assets are dedicated to exclusively furthering public purposes. An organization is not operated exclusively for exempt purposes if its net earnings inure to the benefit of private shareholders or individuals.

Inurement can take the form of questionable transactions that have no causal relationship to the organization's exempt purposes but result in some benefit to an insider. The taxpayer is in a position to exercise control over the organization's net earnings as if they were his own by using them at will rather than within the limitations of a fiduciary capacity. In effect, the taxpayer is using the public's net earnings for his own benefit. By using the organization's assets, the taxpayer has breached the private inurement prohibition. See John Marshall Law School v. U.S.

Although the requirements for finding inurement or private benefit are similar, inurement and private benefit differ in two key respects. The first is that even a minimal amount of inurement results in disqualification for exempt status, whereas private benefit must be more than quantitatively or qualitatively incidental in order to jeopardize tax exempt status. The second is that inurement only applies to insiders, whereas private benefit may accrue to anyone. Taxpayer has failed the operational requirement (inurement), in using a substantial amount of the organization's assets for personal gain as discussed in Tres. Reg. 1.501(c)(3)-l(d)(l)(ii). Inurement can take the form of any transaction. The transaction results in inurement because it provides a disproportionate benefit to an insider. Private inurement may be as straightforward as a cash payment to an insider when the organization has no obligation to pay. Put simply, inurement is the use of an exempt organization's assets to benefit an individual(s) connected to it on a personal level. As a result, such use means the organization does not exclusively serve the public.

As in the case of John Marshall Law School v. U.S., the assets of the Taxpayer inured to the private benefit of [redacted], an Officer on the Board of Directors. The IRC and Tres. Reg. provide that an organization exempt under IRC 501(c)(3) cannot allow its assets to benefit private interests; an organization that allows their assets to benefit private interests is not exempt.

The "not more that an insubstantial part of its activities" standard of 1.501(c)(3)-1(c)(1) of the regulations can be understood by reference to Better Business Bureau v. United States, 316 U.S. 279 (1945) which held that an organization which engaged in some educational activity but pursued nonprofit goals outside the scope of the statute was not exempt under IRC 501(c)(3). The Court stated that an organization is not operated exclusively for charitable purposes if it has a single noncharitable purpose that is substantial in nature. This is true regardless of the number or importance of the organization's charitable purposes. Thus, the operational test standard prohibiting a substantial nonexempt purpose is broad enough to include inurement, private benefit, and operations which further goals outside the scope of IRC 501(c)(3).

With regard to the Taxpayer the board is closely held by the [redacted] family. The governing documents and meeting minutes contain standard language with little substance and contain provisions that contradict the statements made by the Taxpayer. For example, the minutes make reference to income and expense reports, yet the Taxpayer has stated that it did not prepare financial statements during the exam years. The Bylaws Article 7 contains a conflict of interest policy, which does not appear to be adhered to.

The Taxpayer and its representative disclosed that it loaned [redacted] to [redacted] for the down payment on their current residence. The representative also stated that the significant number of transactions without the proper business receipts (constituting substantially all of the transactions that occurred during the exam years) should be classified as compensation to the [redacted] because they were for personal instead of exempt purposes.

The Taxpayer provided no supporting documentation other than bank statements and copies of canceled checks, which the examiner had already obtained from the summons. The IDR responses did not contain sufficient evidence to show how it is operated exclusively for exempt purposes. The majority of the expenditures reported on the bank statements appear to be for personal purposes and was confirmed by the representative. The expenditures the IDR responses identified as furthering exempt purposes lack the substantiation to show as much. There are many large outgoing transfers that the Taxpayer was unable to explain during the interview, to accounts unknown at this time. The income and expenditures show a major misappropriation of funds and lack of an exempt program.

The Taxpayer failed the operational test.

CONCLUSION:

It is the government's position the Taxpayer was not operated exclusively for exempt purposes per IRC 501(c) (3) due to it net earnings inuring to the benefit of private individuals.

Consequently, we are proposing that Taxpayer's exemption from federal income tax be revoked as of [redacted].

Exhibit A

Bank of America

Your savings account

[redacted]

Bank of America is pleased to introduce Bank of America Business Advantage. This new name reflects our commitment to meet your evolving needs, giving you a competitive advantage – with people, technology and solutions that can help you achieve smart growth that lasts. That is why your Business Interest Maximizer account will be re-named Business Advantage Platinum Savings. There are no other changes or actions needed by you.

Deposits and other credits

Date	Description	Amount
[redacted]	[redacted]	[redacted]
Total deposits and other credits		[redacted]

Withdrawals and other debits

Date	Description	Amount
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
Total withdrawals and other debits		[redacted]

Service fees

Date	Transaction description	Amount
[redacted]	[redacted]	[redacted]
Total service fees		[redacted]

Note your Ending Balance already reflects the subtraction of Service Fees.

Exhibit B

Bank of America

Your savings account

[redacted]

Deposits and other credits

Date	Description	Amount
[redacted]	[redacted]	[redacted]
Total deposits and other credits		[redacted]

Withdrawals and other debits

Date	Description	Amount
[redacted]	[redacted]	[redacted]
Total withdrawals and other debits		[redacted]

Daily ledger balances

Date	Balance ($)	Date	Balance($)
[redacted]	[redacted]	[redacted]	[redacted]

Bank of America

[redacted]

Deposits and other credits

Date	Description	Amount
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
Total deposits and other credits		[redacted]

Withdrawals and other debits

Date	Description	Amount
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
Total withdrawals and other debits		[redacted]

Service fees

Date	Transaction description	Amount
[redacted]	[redacted]	[redacted]
Total service fees		[redacted]

Note your Ending Balance already reflects the subtraction of Service Fees.

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

Date of Notice: [redacted]

ALTERNATIVE ISSUE:

In the alternative, if the organization continues to qualify for exemption under IRC 501(c)(3), it shall be determined:

1. Whether [redacted] (taxpayer) annual gross receipts were normally more than [redacted] for tax periods ended [redacted], [redacted], [redacted], and [redacted], and therefore, the taxpayer was ineligible to satisfy the annual return filing requirement under Internal Revenue Code ("IRC") Section (§) 6033(a)(1) by filing Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ.

2. Whether the taxpayer's exempt status should be revoked by operation of law under IRC §6033(j)(1)(B) for failure to satisfy the annual return filing requirement under Section 6033(a)(1) for tax periods ended [redacted], [redacted], [redacted], and [redacted].

FACTS:

Issue #1 and #2:

Taxpayer is recognized as an IRC Section 501(c)(3) tax-exempt organization described in IRC Section 509(a)(1) and 170(b)(1)(A)(vi). Taxpayer is neither a church nor affiliated with a church

Taxpayer filed Form 990-N for tax periods ending [redacted]

In the year ended [redacted], taxpayer received [redacted] in annual gross receipts.

In the year ended [redacted], taxpayer received [redacted] in annual gross receipts and averaged [redacted] in annual gross receipts over the two-year period ending that same year.

In the year ended [redacted], taxpayer received [redacted] in annual gross receipts and averaged [redacted] in annual gross receipts over the three-year period ending that same year.

In the year ended [redacted], taxpayer received [redacted] in annual gross receipts and averaged $

[redacted] in annual gross receipts over the four-year period ending that same year.

LAW:

Under IRC Section 6033(a)(1), every organization exempt from taxation under Section 501(a), subject to certain exceptions, must file an annual information return (Form 990, Form 990-EZ, or Form 990-PF). Section 6033(a)(3)(A)(ii) provides a mandatory exception for organizations with annual gross receipts normally not more than $5,000. Section 6033(a)(3)(B) additionally provides that the Secretary may relieve any organization (other than an organization described in Section 509(a)(3)) from the annual return filing requirement where the Secretary determines such a filing is not necessary to the efficient administration of the internal revenue laws. Under this discretionary exception, most exempt organizations with annual gross receipts normally not more than $50,000 are not required to file an annual information return. See Treasury Regulation ("Regulation") Section 1.6033-2(g)(1)(iii) and (viii).

The gross receipts of an organization are normally not more than $50,000 if, in the case of an organization that has been in existence for three years or more, the average of the gross receipts received by the organization in the immediately preceding three taxable years, including the year for which the return would be required to be filed, is $50,000 or less. See Regulation Section 1.6033-2(g)(3)(iii) and Revenue Procedure 2011-15, 2011-3 IRB 322.

IRC Sections 6033(i) and (j) were added to the Internal Revenue Code by section 1223 of the Pension Protection Act (PPA) and became effective for taxable years beginning after 2006. Section 6033(i)(1) contains an annual electronic notice requirement for most exempt organizations that are not required to file an annual information return under Section 6033(a)(1) because their annual gross receipts result in such organizations being referred to in Section 6033(a)(3)(A)(ii) or (a)(3)(B). In effect, Section 6033(i) generally requires an exempt organization to submit an annual electronic notice (Form 990-N) if its annual gross receipts are normally not more than $50,000. The Department of the Treasury and the Service issued final regulations under Section 6033(i) that describe the time and manner of submitting the annual electronic notice. See Regulation Section 1.6033-6.

Regulation Section 1.6033-6(b)(1) provides that an organization that is required to file an annual information return under IRC Section 6033(a)(1) shall not submit an annual electronic notice. Regulation Section 1.6033-6(c)(3) further provides that by submitting the annual electronic notice, "an organization acknowledges that it is not required to file a return under section 6033(a) because its annual gross receipts are not normally in excess of [$50,000]." In order to make this determination, the organization must maintain records that enable it to calculate its gross receipts. All organizations are required to keep records under IRC Section 6001. These records will provide evidence of the continuing basis for the organization's exemption from the annual return requirement under Section 6033(a)(1). Finally, the regulations provide that an organization's eligibility to submit the annual electronic notice under Section 6033(i) rather than having to file a return does not relieve the organization from having to file other required information or tax returns, or from the penalties for the failure to file such returns.

IRC Section 6033(j)(1)(B) provides, in part, that if an organization required to file an annual information return under Section 6033(a)(1) fails to file the return or notice required for three consecutive years, the organization's tax-exempt status is revoked by operation of law (automatic revocation). The revocation is effective as of the date set by the Secretary for the filing of the third required information return or electronic notice.

If an organization is required to file an annual information return on Form 990 or Form 990-EZ pursuant to IRC Section 6033(a)(1) or an annual electronic notice on Form 990-N pursuant to Section 6033(i), Section 6033(j)(1)(B) provides for the automatic revocation of the exempt status of the organization if it fails to file the required return or notice for three consecutive years. Section 6033(i) and the regulations thereunder require an organization to submit a Form 990-N (with some exceptions not applicable here) if it is not required by Section 6033(a)(1) to file Form 990 or Form 990-EZ. Regulation Section 1.6033-6(b)(1) expressly provides that an organization required to file an annual information return under IRC Section 6033(a)(1) shall not submit an annual electronic notice under Section 6033(i). In other words, an organization whose annual gross receipts normally exceed $50,000 can neither satisfy its annual reporting obligation nor avoid the automatic revocation provision of Section 6033(j)(1)(B) by submitting a Form 990-N. Thus, any organization that fails to file the return required by Section 6033(a)(1) for three consecutive years, including an organization identified as having improperly submitted a Form 990-N for a consecutive three-year period, will be revoked by operation of law pursuant to Section 6033(j)(1)(B).

TAXPAYERS POSITION:

Taxpayer's position regarding the issue is solicited.

GOVERNMENTS POSITION:

Issue #1 and #2:

An IRC 501(c)(3) organization must file an annual information return or notice with the IRS unless an exception applies. Annual information returns for most types of organizations include Form 990 or Form 990-EZ. Small organizations may be eligible to file Form 990-N (e-Postcard), an annual notice. An organization, whose annual gross receipts are normally $50,000 or less, may file Form 990-N.

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

Taxpayer failed to satisfy its annual return filing requirement under IRC Section 6033(a)(1) for the tax periods ended [redacted]. For each of these tax periods, taxpayer did not file a Form 990 or Form 990-EZ and was ineligible to file a Form 990-N due to normally receiving more than [redacted] in annual gross receipts as follows:

Tax Year	[redacted]	[redacted]	[redacted]	[redacted]	Total
Gross Receipts	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2-Year Average					
3-Year Average					
4-Year Average					

Per IRC §6033(j)(1)(B), if the organization fails to file a Form 990 or 990-EZ as required for 3 consecutive years, it will automatically lose its tax-exempt status by operation of law effective as of the due date for the third missed return or notice.

LIMITED OPPORTUNITY FOR APPEAL CONSIDERATION:

Automatic revocation under IRC Section 6033(j) occurs by operation of law and is not an adverse determination within the meaning of Section 7123(c). Therefore, an organization whose tax exemption is automatically revoked generally may not appeal the revocation of its exempt status but must reapply for exempt status. See also Section 12.02 of Revenue Procedure 2022-5.

This limitation on administrative appeals parallels the limitation on declaratory judgment actions with respect to automatic revocation in IRC Section 7428. In general, Section 7428(a)(1) permits, in pertinent part, an organization to bring an action for declaratory judgment in cases involving a determination of an organization's continuing qualification as an organization described in Section 501(c). Section 7428(b)(4), however, provides that no action may be brought with respect to the revocation of exempt status under Section 6033(j)(1)(B). There is similarly no determination for the Independent Office of Appeals to review with respect to an automatic revocation.

Although an organization whose exempt status is revoked by operation of law under IRC Section 6033(j)(1)(B) has no declaratory judgment rights and is not eligible to challenge the revocation, including the opportunity for consideration by Appeals, the Service has the discretion to offer organizations the opportunity for Appeals consideration with respect to certain issues. The Service has determined that Appeals, in its discretion, may provide a limited review as to whether the Taxpayer's annual gross receipts normally exceeded [redacted] in a specific year, rendering it ineligible to submit the Form 990-N for that year.

At the taxpayer's request and with Appeals' agreement to review the case, Appeals may sustain or reverse the Service's examination conclusion that the taxpayer's annual gross receipts normally exceeded [redacted] for a specific year. If Appeals reverses this conclusion as to the taxpayer's annual gross receipts, automatic revocation will not occur because the organization would not have failed to file its required annual return or notice for three consecutive years. However, if Appeals sustains the Service's conclusion that the taxpayer's gross receipts normally exceeded [redacted] (rendering it ineligible to submit a Form 990-N), the taxpayer's exempt status is revoked. Appeals does not have authority to reverse the automatic revocation based on IRC Section 6033(j)(1)(B) because such revocation occurs by operation of law.

CONCLUSION:

Taxpayer failed to satisfy its annual filing requirement for tax years ending [redacted] as required under IRC Section 6033(a)(1). Taxpayer was ineligible to satisfy this requirement by filing Form 990-N due to its annual gross receipts normally exceeding [redacted] during each of those tax periods.

Taxpayer's exempt status should be revoked by operation of law pursuant to IRC Section 6033(j)(1)(B) due to its failure to file a proper return for three consecutive years as required under Section 6033(a)(1). If finalized, the effective date of this automatic revocation will be [redacted], the due date of the third tax year without the filing of a proper return by the taxpayer.

If automatically revoked, taxpayer will be removed from the Tax-Exempt Organizations Search webpage at www.irs.gov/teos that lists organizations eligible to receive tax-deductible charitable contributions. In addition, taxpayer will be added to the Tax-Exempt Organizations Search webpage that lists automatically revoked organizations. For additional information concerning automatic revocations of exempt status under IRC Section 6033(j)(1), please visit irs.gov website link Automatic Exemption Revocation for Non-Filing: Effect of Losing Exemption | Internal Revenue Service (irs.gov).