



Department of the Treasury
Internal Revenue Service
Independent Office of Appeals

Release Number: 202523004

Release Date: 6/6/2025

Date: MAR 10 2025

Form:

Tax periods ended:

Person to contact:

Name:

Employee ID Number:

Phone:

Hours:

Employer ID number:

Uniform issue list (UIL):

501.03-05. 501.33-00

Certified Mail

Dear [REDACTED]:

Why you are receiving this letter

This is a final adverse 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).

We've revoked the favorable determination letter to you dated [REDACTED], and you're no longer exempt under IRC Section 501(a) effective [REDACTED].

We made the determination for the following reasons:

You have not demonstrated that you operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3). You did not maintain adequate books and records of your finances and activities. You also did not respond to our requests for additional information about your finances and activities necessary to complete the examination. In addition, there were bank transactions which inured to the benefit of your principal officer. Consequently, you were unable to show that no part of your net earnings inured to the benefit of a private shareholder or individual. Moreover, you operated for a private interest rather than a public interest. Treasury Regulation section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not operated exclusively for exempt purposes unless it serves a public rather than a private interest.

Contributions to your organization are not deductible under IRC Section 170.

What you need to know

After removing identifying information, this letter and the previously sent proposed adverse determination letter will be made available for public inspection under IRC Section 6110.

In a separate mailing to you, we provided Letter 437, Notice of Intention to Disclose. Please review Letter 437 and the attached documents that show our proposed deletions.

What if you disagree

If you disagree with our proposed deletions, follow the instructions in Letter 437.

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

United States Tax Court 400 Second Street, NW Washington, DC 20217 ustaxcourt.gov Or eFile by visiting: ustaxcourt.gov/dawson.html	U.S. Court of Federal Claims 717 Madison Place, NW Washington, DC 20439 uscfc.uscourts.gov	U.S. District Court for the District of Columbia 333 Constitution Avenue, NW Washington, DC 20001 dcd.uscourts.gov
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- You must file a petition or complaint within 90 days from the date we mailed this determination letter to you.
- Be sure to include a copy of this letter, any attachments and the applicable filing fee with the petition or complaint.

You can download a fillable petition or complaint form and get information about filing at each court's website listed above.

Note: We won't delay processing income tax returns and assessing any taxes due even if you file a petition for declaratory judgment under IRC Section 7428.

What you need to do in the future

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable.

Find tax forms or publications by visiting IRS.gov/forms or calling 800-TAX-FORM (800-829-3676).

Taxpayer rights and sources for assistance

The Internal Revenue Code (IRC) gives taxpayers specific rights. The Taxpayer Bill of Rights groups these into 10 fundamental rights. See IRC Section 7803(a)(3). IRS employees are responsible for being familiar with and following these rights. For additional information about your taxpayer rights, please see the enclosed Publication 1, Your Rights as a Taxpayer, or visit IRS.gov/taxpayer-bill-of-rights.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that helps taxpayers and protects taxpayers' rights. TAS can offer you help if your tax problem is causing a financial difficulty, you've tried but been unable to resolve your issue with the IRS, or you believe an IRS system, process, or procedure isn't working as it should. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. To learn more, visit TaxpayerAdvocate.IRS.gov or call 877-777-4778.

TAS assistance is not a substitute for established IRS procedures, such as the formal appeals process. TAS cannot reverse a legally correct tax determination, or extend the time fixed by law to file a petition in a United States Court.

Tax professionals who are independent from the IRS may be able to help you.

State bar associations, state or local societies of accountants or enrolled agents, or other nonprofit tax professional organizations may also be able to provide referrals.

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

Sincerely,

Douglas W. O'Donnell
Acting Commissioner

By

Valeria B. Farr

Valeria B. Farr
Appeals Team Manager

Enclosures:
Publication 1
IRS Appeals Survey



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

[Redacted]

[Redacted]

Date:

03/04/2024

Taxpayer ID number:

[Redacted]

Form:

[Redacted]

Tax periods ended:

[Redacted]

Person to contact:

Name:

[Redacted]

ID number:

Telephone:

Fax:

Address:

[Redacted]

Manager's contact information:

Name:

[Redacted]

ID number:

Telephone:

Response due date:

04/03/2024

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 [insert code section] 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.

Letter 3618 (Rev. 8-2019)
Catalog Number 34809F

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,

Navinsh R.
Mishra

Digitally signed by
Navinsh R. Mishra
Date: 2024.03.04
10:38:56 -0800

Navi Mishra
Acting Group Manager
Exempt Organizations Examinations

Enclosures:

Form 886-A
Form 6018
Form 4621-A
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]

ISSUES:

Issue #1

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

Issue #2

Whether [REDACTED] s exempt status under IRC Sec. 501(c)(3) should be revoked for the additional reasons that it failed to maintain adequate records and file an annual return as required by IRC Sec. 6033(a).

FACTS:

[REDACTED] s (Organization) Articles of Incorporation were filed in the State of [REDACTED] on [REDACTED]. The Articles of Incorporation state that the Organization is organized and operated for charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986...

The Organization filed Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, on [REDACTED]. The Form 1023-EZ reported that the organization's mission or most significant activities are, [REDACTED]

[REDACTED] "The Organization's application for exemption was approved and the effective date of exemption was [REDACTED]"

The Organization has [REDACTED] officer and director, [REDACTED]. During an interview with [REDACTED] he described the Organization's activities as follows:

- [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]

The Organization's website has pictures of the Organization's [REDACTED] officer and director, [REDACTED] and the following statements about him: [REDACTED], [REDACTED]. There are no activities listed or information about what the Organization's exempt purpose is on its website.

The Organization provided board of director meeting minutes for meetings held on [REDACTED], [REDACTED], and [REDACTED]. The meeting minutes document the Organization filing its Articles of Incorporation and Form 1023-EZ but do not mention any current or planned activities. There is no mention of other officers or directors.

The Organization failed to provide bank statements for the entire period under examination and did not provide documentation for its [REDACTED] activity for any of the period under examination. Information document requests were issued on [REDACTED], and [REDACTED] [REDACTED] requesting the missing bank statements and the Organization's [REDACTED] activity for the period under examination. Despite asking for and receiving extensions to the due dates for [REDACTED] information document requests, the Organization failed to respond with the requested information.

The bank statements that were provided show little activity in the Organization's bank account. However, there were [REDACTED] withdrawals for a total of \$ [REDACTED] and [REDACTED] card purchases.

On [REDACTED], an information document request was issued that asked for documentation to substantiate the withdrawals - who received the money, what the money was used for, etc. The Organization did not provide an explanation for the withdrawals or backup documents for the withdrawals. The table below shows the bank account activity for [REDACTED] through [REDACTED] [REDACTED]

Date	Description	Amount	Balance
[REDACTED]	Transfer from [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]	Withdrawal	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]	Official Checks Charge	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]	Card Purchase - [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]	Withdrawal	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]	ATM Cash Deposit	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]	ATM Cash Deposit	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]	Card Purchase - [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]	ATM Check Deposit	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]	Card Purchase - [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

During the examination, the Organization failed to respond to requests asking for details about the Organization's activities. The table below shows a list of the information requested for the Organization's activities and when it was requested:

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]

Request Date	Information Requested
[REDACTED]	A schedule of the organization's activities conducted during the year under examination.
[REDACTED]	A schedule of the organization's activities conducted during the year under examination. Including information such as the date the activity was conducted, a summary of what the organization did on that date, list any volunteers that helped on that date, etc.
[REDACTED]	A schedule of the organization's activities conducted during the year under examination. Including information such as the date the activity was conducted, a summary of what the organization did on that date, list any volunteers that helped on that date, etc. Details and documentation for the Organization's activities that [REDACTED] discussed during the interview.

The Organization filed Form 990-N, *Electronic Notice (e-Postcard)*, for the tax period ended [REDACTED], on [REDACTED]. To date, this is the only return that has been filed by the Organization.

[REDACTED] stated that the bank statements are the only books and records the Organization has. [REDACTED] stated that he hired professionals to maintain the Organization's books and records and file the Forms 990, but the work was not completed, and the books and records are a mess.

LAW:

Internal Revenue Code (IRC)

IRC Sec. 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable, or other purposes as specified in the statute. No part of the net earnings may inure to the benefit of any private shareholder or individual.

IRC Sec. 6033(a)(1) establishes that, except as provided in paragraph 3, every organization exempt from tax under IRC Sec. 501(a) shall file an annual return, stating specifically the terms of gross income, receipts, and disbursements, and such other information for the purpose of carrying out the Internal Revenue laws as the Secretary may by form or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

Treasury Regulations (Treas. Reg.)

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]

Treas. Reg. 1.501(c)(3)-1(a)(1) states 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 described in IRC Sec. 501(c)(3).

Treas. Reg. 1.501(c)(3)-1(c) states that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages in activities which accomplish one or more of such exempt purposes specified in IRC Sec. 501(c)(3). An organization will not be so regarded if more than an insubstantial amount of its activities is not in furtherance of an exempt purpose. 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. 1.6033-1(h)(2) provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purposes 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 IRC Sec. 6033.

Revenue Ruling (Rev. Rul.)

Rev. Rul. 59-95, 1959-1 CB 627 provides that a failure to file required information return or comply with the provision of IRC Sec. 6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, because the organization has not established that it is observing the conditions required for the continuation of an exempt status.

TAXPAYER'S POSITION:

Issue #1

Whether [REDACTED]'s exempt status under IRC Sec. 501(c)(3) should be revoked for failing to demonstrate that it operates primarily for an exempt purpose and that no part of its net earnings inures to the benefit of an individual.

The taxpayer's position is unknown at this time.

Issue #2

Whether [REDACTED]'s exempt status under IRC Sec. 501(c)(3) should be revoked for the additional reasons that it failed to maintain adequate records and file an annual return as required by IRC Sec. 6033(a).

The taxpayer's position is unknown at this time.

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]

GOVERNMENT'S POSITION:

Issue #1

Whether [REDACTED]'s exempt status under IRC Sec. 501(c)(3) should be revoked for failing to demonstrate that it operates primarily for an exempt purpose and that no part of its net earnings inures to the benefit of an individual.

It is the Government's position that the Organization does not qualify as an organization described in IRC Sec. 501(c)(3) because it has not demonstrated that it is operated exclusively for an exempt purpose or that no part of its net earnings inures to the benefit of an individual.

Under Treas. Reg. 1.501(c)(3)-1(a)(1), an organization must be both organized and operated exclusively for purposes described in IRC Sec. 501(c)(3) in order to be exempt as an organization described in IRC Sec. 501(c)(3). If an organization fails to meet either the organizational test or operational test, it is not exempt. The operational test, Treas. Reg. 1.501(c)(3)-1(c), is specifically related to the purposes and activities of an organization. An organization will only be regarded as operated exclusively for one or more exempt purposes if it engages primarily in activities which accomplish one or more exempt purposes under IRC Sec. 501(c)(3).

The Organization presented only vague ideas about its activities on its Form 1023-EZ, website, and during the interview with its only officer and director, [REDACTED]. The Organization did not respond to requests to describe in detail its activities.

The Organization does not meet the operational test under IRC Sec. 501(c)(3) because it has failed to establish that it is operating exclusively for charitable purposes.

IRC Sec. 501(c)(3) describes, in part, that an organization exempt from tax is organized and operated exclusively for charitable purposes if... no part of the net earnings inures to the benefit of any private shareholder or individual.

The Organization did not respond to requests for the complete books and records for the period under examination. There were several withdrawals from the Organization's bank account that the Organization did not explain who received the funds or what the funds were used for. The Organization has not demonstrated that no part of its net earnings inures to the benefit of any private shareholder or individual.

The Organization has not submitted sufficient information establishing it is operated exclusively for IRC Sec. 501(c)(3) purposes. The Organization did not provide a detailed description of its activities or show how funds are used to further an exempt purpose. The Organization has

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]

failed to demonstrate that no part of its net earnings inures to the benefit of any private shareholder or individual.

Issue #2

Whether [REDACTED]'s exempt status under IRC Sec. 501(c)(3) should be revoked for the additional reasons that it failed to maintain adequate records and failed to file an annual return as required by IRC Sec. 6033(a).

It is the Government's position that the Organization's exempt status under IRC Sec. 501(c)(3) should be revoked for the additional reasons that it failed to maintain adequate records and file an annual return as required by IRC Sec. 6033(a).

IRC Sec. 6033(a)(1) states in part that, "Except as provided in paragraph (3), every organization exempt from tax under IRC Sec. 501(a) shall file an annual return...". The Organization does not meet any of the exclusions provided for in paragraph 3 of IRC Sec. 6033.

Revenue Ruling 59-95, 1959-1 CB 627 held that failure or inability to file the required information return or otherwise to comply with the provision of IRC Sec. 6033 may result in the termination of the exempt status of an organization previously held exempt.

The Organization received exemption under IRC Sec. 501(c)(3) with an effective date of exemption of [REDACTED]. The Organization operates on a fiscal year end of [REDACTED]. The Organization had an information return due for the tax periods ended on [REDACTED], [REDACTED], [REDACTED], and [REDACTED]. To date, the Organization has only filed [REDACTED] Form 990-N, for the tax period ended [REDACTED].

Revenue Ruling 59-95 and Treas. Reg. 1.6033-1(h)(2) requires every organization which is exempt from tax to submit additional information upon request by the Internal Revenue Service.

The Service has requested the Organization to provide information for the purposes of inquiring into its exempt status. The requested information was material in determining whether the organization continues to qualify for exempt status under IRC Sec. 501(c)(3) and whether its net earnings inured to any private individual. The Organization failed to provide the requested information and its director/officer explained that the Organization's books and records were not adequately maintained.

The Organization's exempt status should be revoked for the additional reasons that it failed to maintain adequate records and has repeatedly failed to file an annual return.

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]

CONCLUSION:

The Organization's tax-exempt status under IRC Sec. 501(c)(3) should be revoked because the Organization has not responded to repeated requests for information about the Organization's activities and financial records. By not providing the requested information, the Organization has failed to demonstrate that it is conducting activities that further an exempt purpose and that its net earnings are not inuring to the benefit of an individual. Additionally, the Organization has failed to file a Form 990, for the tax periods ended [REDACTED] and [REDACTED] (due on [REDACTED]).

The Organization has failed to demonstrate that it 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]. The Organization should file Forms 1120, *U.S. Corporation Income Tax Return*, for all fiscal tax years beginning on or after [REDACTED].