

Release Number: 202526013 Release Date: 6/27/2025

APR 0 1 2025 Form: Tax periods ended: Person to contact: Name: Employee ID number: Telephone: Hours: Employer ID number: Uniform Issue list (UIL): 501.00-00 501.35-00

Date:

Certified Mail

Dear

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 [select date], and you're no longer exempt under IRC Section 501(a) effective 01/01/2020.

We made the determination for the following reasons:

You failed to meet the operational test under Treas. Reg. Section 1.501(c)(3)-1(c)(1) because your gaming activities are more than insubstantial which is that is not in furtherance of an recognized exempt purpose. You are not operated exclusively for one or more of the purposes listed under Teas. Reg. Section 1.501(c)(3)-1(d)(1).

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

You've waived your right to contest this determination under the declaratory judgment provisions of IRC Section 7428 by your execution of Form 906, Closing Agreement Covering Specific Matters, an executed copy of which is being sent to you under separate cover.

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

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

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

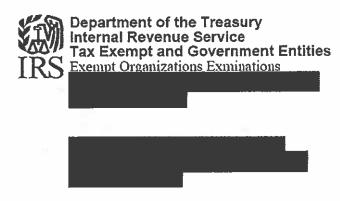
Sincerely,

Douglas W. O'Donnell Acting Commissioner By

Valeria B. Farr

Valeria B. Farr Appeals Team Manager

Enclosures: IRS Appeals Survey



CERTIFIED MAIL - Return Receipt Requested

Date: 09/06/2023 Taxpayer ID number: Form: Tax periods ended: Person to contact: Name: ID number: Telephone: Fax: Address: Manager's contact information: Name: ID number: Telephone: Response due date: 10/6/2023

Dear

Why you're receiving this letter

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

If you agree

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

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,

Michelle Henson signing for

Lynn A. Brinkley

Muhelle Henson

Director, Exempt Organizations Examinations

Enclosures: Form 886-A Form 6018 Form 4621-A Publication 892 Publication 3498

Form 886-A	Department of the Treasury - Internal F		Schedule number or exhibit
(May 2017)	Explanations of	nems	
Name of taxpayer	Tax Identific	cation Number (last 4 digits)	Year/Period ended
		l	
leeliee.			
ISSUES:			
1) Whether Reg. Section 1.5	operated exclusively for o 01(c)(3)-1(d)(1) d continues to qualify for ex	ne or more of the purposes kemption under IRC Section	listed under Teas. n 501(c)(3).
FACTS:			
	(taxpayer) was incorporated in the State of	in	The taxpayer
is recognized as an IRC taxpayer's current mailin	Section 501(c)(3) tax-exempt organization de		
for the taxpayer's advance of taxpayer's adv	s Form 1023, Application for Recognition of the Internal Revenue Service (IRS) sent a for Advance Ruling Period, which requested the ruling period request. of the questions as time will be devoted to bingo. The taxpayout % of our time is involved with bingo." On that they were exempt under section 501(c)(3)	letter to the taxpayer regard more information to complet asked on the letter was wh er responded to the question , the Service	ding their Form te their consideration at percentage of an stating in part that, e sent a letter to the
			00(a)(2).
tax-exempt organization,	nterview were conducted on at at), a . The taxpayer stated that they Per the taxpayer, wan ted the taxpayer to run the bingo operations for had a license to conduct bingo in	were in contractual agreer ted to raise money, knew n	
equipment, providing sec		aintaining its or ngo licens It the bingo facility, taking ca	primary se, obtainingaming
oingo activities, paying activity, providing weekly supervising the day-to-day	primary activities includes the following: col rent where the activity is being conducted, i transfers to pay the expenses incurred by y operations. See for the bingo agre	maintaining the books and r providing property	ecords of the bingo
meeting was conducted of	ed the minutes for the year under examination on The attendees consisted of ember/Secretary/Treasurer). The following is	(Board memb	er/President) and
"The meeting was cal received and donation were approved as wa was given by donations were appro-	s made to various charitieseduring the year. T s the IRS Form and Form 512i who noted that the emphasis was on the IRS Form 512i who noted that the emphasis was on the IRS Form 512i	E. A review of the past year	calendar year

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

for the full interview.
Based on the on the taxpayer's (prior year) Form Return of Organization Exempt From Income Tax, the taxpayer reported for total revenue, all which came from the gaming activity except for from investment income. The Form also reported a total of for total functional expenses with going to donation and scholarships.
Based on the on the taxpayer's (year under audit) Form Return of Organization Exempt From Income Tax the taxpayer reported for total revenue, all which came from the gaming activity. The Form also reported a total of \$ for total functional expenses with \$ going to donations and scholarships.
Based on the on the taxpayer's (subsequent year) Form Return of Organization Exempt From Income Tax the taxpayer reported for total revenue, all which came from the gaming activity. The Form also reported a total of \$ 100 total functional expenses with \$ 100 total functional expenses with \$ 100 total functions and scholarships.

LAW:

Internal Revenue Code (IRC) 501(c)(3) states that Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Treasury Regulation (Treas. Reg.) Section 1.501(c)(3)-1(a)(1) states 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.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) states 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 will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. Section 1.501(c)(3)-1(d)(1) states that an organization may be exempt as an organization described in section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, educational, or prevention of cruelty to children or animals.

GOVERNMENT'S POSITION:

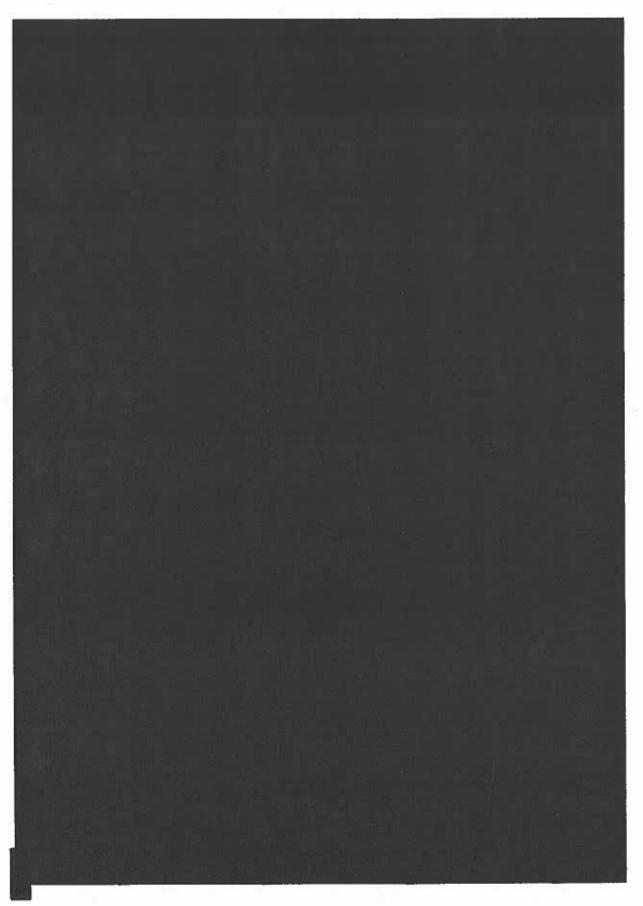
Gaming, itself, does not further the exempt purpose. In general, when gaming does not further the organization's exempt purpose, gaming is no different than the conduct of any other trade or business carried on for profit. In most instances, gaming's contributions to the operations of an exempt organization are used to pay for the organization's expenses associated with the conduct of the organization's exempt activities.

Form 886-A	(Rev. 5-2017)
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Form 886-A (May 2017)	Department of the Treasury - Internal Revenue Service Explanations of Items		Schedule number or exhibit	
Name of taxpayer	<u> </u>	Tax Identification Number (last 4 digits)	Year/Period ended	
A common misconception is that gaming is a "charitable" activity. There is nothing inherently charitable about gaming. It is a recreational activity and a business. Although a charity may use the proceeds from gaming to pay expenses associated with its charitable programs, gaming itself does not further any charitable purpose. Thus, gaming cannot be a more than an insubstantial purpose of a 501(c)(3) organization.				
Based on the taxpayer's meeting minutes, books and records, and the interview conducted during the examination, the taxpayer's primary activity was helping trun their bingo operation, receiving a portion of the funds from the bingo operation and donating a portion of those funds. Although the taxpayer stated that their estimate bingo activity would be % in response to the IRS, supporting the gaming operations for their primary activity based on the field examination and the review of books and records.				
had only % (\$ out of \$) of its functional expenses going toward its exempt activities, donate s and scholarships, in the year out of \$ ou				
Issue 1 – The IRS determined that substantially conducted an activity unrelated to their tax-exempt purpose after examining all the facts and circun ances. The taxpayer ran gaming operations (bingo and pull-tabs) for another 501(c)(3) organization. The taxpayer failed to meet the operational test under Treas. Reg. 1.501 (c)(3)-1(c)(1) due to conducting more than an insubstantial amount of gaming activities that is not in furtherance of an exempt purpose. The taxpayer is not operating exclusively for one or more of the purposes listed under Teas. Reg. Section 1.501(c)(3)-1(d)(1). Therefore, the taxpayer does not qualify for exemption under IRC Section 501(c)(3).				
TAXPAYER'S POSITOR	<u>N:</u>			
Taxpayer's position rega	ording the issue is unknown.			
CONCLUSION:				
failed to meet the operational test due to conducting an activity that is more than an insubstantiar amount the does not further an exempt purpose described under Treas. Reg. 1.501 (c)(3)-1(c)(1), and the taxpayer is not operating exclusively for one or more of the urposes listed under Treas. Reg. Section 1.501(c)(3)-1(d)(1). Therefore, it is proposed that				
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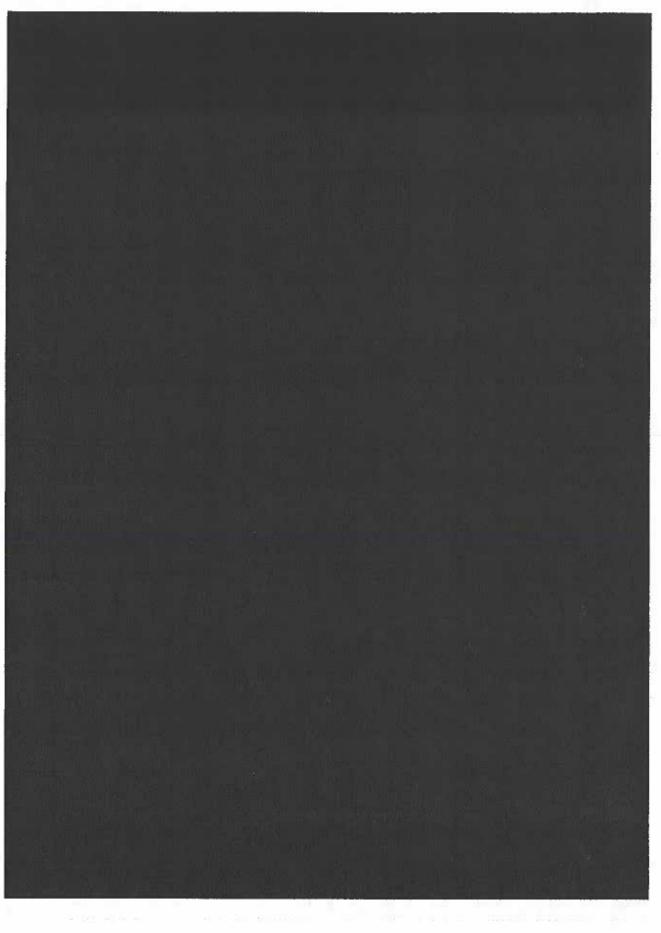
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