



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

[REDACTED]

[REDACTED]

Release Number: 202527015

Release Date: 7/3/2025

UIL Code: 501.03-00

Date:

April 11, 2025

Taxpayer ID number (last 4 digits):

[REDACTED]

Form:

[REDACTED]

Tax periods ended:

[REDACTED]

Person to contact:

Name:

[REDACTED]

ID number:

Telephone:

Fax: [REDACTED]

Last day to file petition with United States
Tax Court:

July 10, 2025

CERTIFIED MAIL - Return Receipt Requested

Dear [REDACTED]:

Why we are sending you this letter

This is a final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), effective [REDACTED]. Your determination letter dated [REDACTED], is revoked.

Our adverse determination as to your exempt status was made for the following reasons: Organizations described in IRC Section 501(c)(3) and exempt from tax under Section 501(a) must be both organized and operated exclusively for exempt purposes and no part of the net earnings may inure to the benefit of any private shareholder or individual. See Treas. Reg. § 1.501(c)(3)-1(c)(2). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. You have not demonstrated that you are organized and operated exclusively for an exempt purpose or that you have been engaged primarily in activities that accomplish one or more exempt purposes as required by Treas. Reg. section 1.501(c)(3)-1(c)(1). Moreover, your organization was operated for the private interests of its President/CEO/founder rather than the public. Your income or assets have inured to the benefit of private shareholders or individuals which is contrary to IRC Section 501(c)(3) and Treasury Reg. section 1.501(c)(3)-(c)(2). As such, you have failed to meet the requirements of IRC Section 501(c)(3) and Treasury Reg. section 1.501(c)(3)-1(a). Under IRC Section 6001, every person liable shall keep and render such records and comply with the Secretary; similarly, IRC Section 6033 also refers to keeping and rendering records upon the Secretary's request. Treas. Reg. § 1.6033-2(i)(2) provides that every organization exempt from tax shall submit such additional information as may be required by the Service for the purpose of inquiring into its exempt status. You failed to provide information as required by IRC Sections 6001, 6033(a)(1) and Treas. Reg. § 1.6033-2(i)(2). As such, you fail to meet the operational requirements for continued exemption under IRC Section 501(c)(3) and Rev. Rul. 59-95, 1959-1 C.B. 627.

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,

Lynn A.

Brinkley

Lynn A. Brinkley

Director, Exempt Organizations Examinations

Digitally signed by Lynn A.
Brinkley
Date: 2025.02.27 16:38:06
-05'00'

Enclosures:

Publication 1

Publication 594

Publication 892



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

Date:
9/27/2023
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:
10/27/2023

CERTIFIED MAIL – Return Receipt Requested

Dear _____ :

Why you're receiving this letter

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

If you agree

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

For additional information

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

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

Sincerely,

for Lynn A. Brinkley
Director, Exempt Organizations
Examinations

Enclosures:
Form 886-A
Form 6018
Form 4621-A

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

Issues:

1) Whether _____, (“_____”), a 501(c)(3) organization status should be revoked on the grounds that its net earnings inured to the benefit of its President/CEO, _____ (_____).

Facts:

On _____, _____ incorporated in _____. The purpose of _____ was stated to “_____.”

On _____, the IRS received Form 1023 *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. _____ was listed as a compensated CEO on _____, of the Form 1023. Also, _____ signed under penalty of perjury that he was authorized to sign the application, and was true, correct, and complete on _____. Attached to the application Form 1023 was a letter written by _____ requesting the IRS to expedite their application request for tax exempt status. In the letter _____ explained that he was a founding board member of _____ and was willing to make a gift during the coming year to _____ upon being granted tax exempt status. The letter was signed and dated _____, almost a year before the 1023 application was submitted.

_____ founded _____ and serves as its President and Chief Executive Officer. He is also listed as the registered agent and incorporator in the Articles of Incorporation.

On _____, the IRS issued a letter to _____ indicating that _____ was approved as a Section 501(c)(3) public charity under Section 170(b)(1)(A)(ii) with an accounting period ending _____ with an effective date of exemption of _____.

On _____, Letter 3611 and Form 4564 *Information Document Request “IDR”*, were issued to _____ requesting information for the examination, as well as an interview with an officer. On _____, the Agent received a faxed 2848 from _____ the Power of Attorney (POA) requesting an extension on the IDR and a reschedule of the tour of the facility.

The agent reviewed _____ some monthly bank statements from its _____ checking account ending in # _____ and identified questionable expenses made on the account debit card ending # _____ assigned to _____. _____ did not fully comply with IDR as there was missing information and neither the POA nor _____ responded. The agent issued a summons to _____ on _____, for the required bank records.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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On _____, IDR _____ was issued to _____ requesting additional information regarding payments made to _____ debit card. The Agent attempted to reach out to the POA multiple times, but there was no response from the POA or _____. On _____, the agent received a written notification from the POA notifying the IRS that he would be withdrawing as the authorized representative for _____.

The agent attempted to contact the officers regarding information not provided from IDR _____ and IDR _____ via phone calls and mail. Due to the lack of cooperation combined with the findings in the bank statements reflecting questionable deposits and expenses near the end of its annual accounting period, the agent expanded the examination into subsequent tax years.

The lack of noncooperation with the requests resulted in the summoning of _____ for bank records. A review of those records revealed electronic payments had been made to a home mortgage company and payments for property taxes.

The agent summoned the mortgage company for records, and upon receipt and review of the records it was identified that _____ funds are being used to pay for _____ Home Loan. Further review of the mortgage records also identified that _____ made payments to _____'s personal property taxes.

During the examination of _____'s 1023 application, Articles of Incorporation, and review financial records, it was confirmed that _____ was a founder/CEO of _____. Bank statements confirmed that _____ has sole authorization over finances. Expenses made on behalf of the organization were approved by _____.

Review of _____, _____ and _____'s bank statements and canceled checks revealed that _____ received additional economic benefits not reported as Form W-2 wages:

Description				
Checks from _____	written to _____	authorized by _____	\$ _____	\$ _____
Unsubstantiated _____	transactions made on _____	Debit Card	\$ _____	\$ _____
Unsubstantiated _____	payments made to _____	Home Loan	\$ _____	\$ _____
Unsubstantiated _____	payments made to _____	Property Taxes	\$ _____	\$ _____
Total Unsubstantiated payments to/for _____			not reported	\$ _____

Law:

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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IRC § 501(c)(3) exempts from federal income tax organizations which are 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.

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

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

Section 1.501(c)(3)-1(d)(3)(i) defines the word “educational”, as used under section 501(c)(3) of the code, as-

- (a) Click to open paragraph tools The instruction or training of the individual for the purpose of improving or developing his capabilities; or
- (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(f)(2)(i) states that, regardless of whether a particular transaction is subject to excise taxes under section 4958, the substantive requirements for tax exemption under section 501(c)(3) still apply to an applicable tax-exempt organization described in section 501(c)(3) whose disqualified persons or organization managers are subject to excise taxes under section 4958. Accordingly, an organization will no longer meet the requirements for tax-exempt status under section 501(c)(3) if the organization fails to satisfy the requirements of paragraph (b), (c) or (d) of this section.

Section 1.501(c)(3)-1(f)(2)(ii) provided that, in determining whether to continue to recognize the tax-exempt status of an applicable tax-exempt organization (as defined in section 4958(e) and § 53.4958-2) described in section 501(c)(3) that engages in one or more excess benefit transactions that violate the prohibition on inurement under section 501(c)(3), the Commissioner will consider all relevant facts and circumstances, including, but not limited to, the following—

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(A) The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred;

(B) The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes;

(C) Whether the organization has been involved in multiple excess benefit transactions with one or more persons;

(D) Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions; and

(E) Whether the excess benefit transaction has been corrected (within the meaning of section 4958(f)(6) and § 53.4958-7), or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

Section 4958(c)(1) defines "excess benefit transaction" as any transaction in which an economic benefit is provided by an applicable tax-exempt organization directly or indirectly to or for the use of any disqualified person if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing such benefit. For purposes of the preceding sentence, an economic benefit shall not be treated as consideration for the performance of services unless such organization clearly indicated its intent to so treat such benefit.

Section 4958(e)(1) defines "applicable tax-exempt organization" as any organization which (without regard to any excess benefit) would be described in paragraph (3), (4), or (29) of section 501(c) and exempt from tax under section 501(a).

Section 4958(f)(1) defines "disqualified person", with respect to any transaction as - (A) any person who was, at any time during the five year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the organization, (B) a member of the family of a disqualified person, or (C) a 35 percent controlled entity.

The taxpayers have the burden of proof that they are entitled to deductions. See *Hradesky v. Commission*, 540 F.2d 821 (5th Cir. 1976), and *Welch v. Helvering*, 290 U.S. 111, 115 (1933).

In *Founding Church of Scientology v. United States*, 412 F.2d 1197 (Ct. Cl. 1969), cert. den., 397 U.S. 1009 (1970), an organization argued that it had paid its founder for

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expenses incurred in connection with his services, made reimbursements to him for expenditures on its behalf, and made some payments to him as repayments on a loan. The organization could produce no evidence of contractual agreements for services, or documents evidencing indebtedness for which expenses had been incurred. The Court concluded that

nothing we have found in the record dispels the substantial doubts the court entertains concerning the receipt of benefit by the Hubbards from plaintiff's net earnings. Since plaintiff has failed to meet its burden of proof, we hold therefore that a part of the corporate net earnings was a source of benefit to private individuals. *Supra*, at 1202.

Taxpayer's Position:

position is not known.

Government's Position:

and its officer have the burden to establish that the debit card purchases, checks, withdrawals, home loan mortgage payments, and personal property tax payments, described in this report were connected to the Foundation's activities, thus furthering its exempt purpose. See *Hradesky v. Commission* and *Welch v. Helvering*.

Despite written requests and follow-up phone calls to afford and its officers to documentation and information, neither provided proof establishing how these transactions were connected to activities and, thus furthering its exempt purpose.

The transactions were made to or on behalf of and were personal in nature. For example, the purchases of , groceries, and meals, the uses of income to repay personal home loan, his personal property taxes, etc. were, in fact his personal expenses. Therefore, it's determined that these transactions were not connected to the exempt activities.

It's therefore determined that net earnings have inured, in substantial part, to the benefit of , who is an insider as defined by Regs. 1.501(a)1(c). This violates Regs. §1.501(c)(3)-1(c)(2) and warrants revocation of 501(c)(3) status. Attempting after the fact to demonstrate that an undocumented transaction is a typical business arrangement is not likely to prevent a finding of inurement. See *Founding Church of Scientology v. United States*.

Interaction with IRC §4958

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

In determining whether to continue to recognize the tax-exempt status of an applicable tax exempt organization that engages in one or more excess benefit transactions that violate the prohibition on inurement under IRC §501 (c)(3), all relevant facts and circumstances, including, but not limited to, the following are taken into account:

1. The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction(s) occurred;
2. The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes;
3. Whether the organization has been involved in multiple excess benefit transactions with one or more persons;
4. Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions; and
5. Whether the excess benefit transaction has been corrected, or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

All factors should be considered in combination with each other. Depending on the particular situation, greater or lesser weight may be assigned to some factors than to others. The safeguard and correction factors will weigh more heavily in favor of continuing to recognize exemption where the organization discovers the excess benefit transactions and takes action before the IRS discovers the excess benefit transactions. Further, with respect to the correction factor, corrections made after excess benefit transactions are discovered by the IRS, by itself, is never a sufficient basis for continuing with the exemption. Regs. §1.501 (c)(3)-1 (f)(2)(ii).

Discussion of the 5 factors

1. The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction(s) occurred;

There's no ascertainable evidence that _____ conducted activities as a _____ from _____ through _____. A request to tour the facility to view assets and operations in person was made on _____. The POA was unable to further establish contact with the officers of _____ and was unsure if _____ was operating. _____ did not provide a listing of students, nor information on how it conducted its activities.

2. The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes.

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Disbursements in tax year ending totaled \$, and in tax year
totaled \$.

Description		
Checks from authorized and issued to	\$	\$
Unsubstantiated transactions made by Debit Card	\$	\$
Unsubstantiated payments made for personal home loan	\$	\$
Unsubstantiated payments made for personal Property Taxes	\$	\$
Total Unsubstantiated payments to/for personal expenses	\$	\$

As shown above, the size of the excess benefit transaction in relation to the size of
's activities that further its exempt purpose is substantial. It's reasonable to
argue that the excess benefit transaction directly contributed to home loan
and payments to his personal property are not operational to the activities.

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

As illustrated above, has been involved in excess benefit
transactions. made payments to himself from bank account and
has not demonstrated that he provided reciprocal economic value to and has
not demonstrated that he received these economic benefits as a bona fide expense to
him. made payments from checking account to his personal home
loan, property taxes, dinning out, groceries and travel. or its officers have not
provided evidence of business connection for such expenses identified from
monthly bank statements.

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

There were no safeguards or checks and balances. had complete control
over the Foundation's bank accounts, which gave him free reign to use bank
account as if they were his personal bank accounts.

5. Whether the excess benefit transaction has been corrected, or the organization has
made good faith efforts to seek correction from the disqualified person who benefited
from the excess benefit transaction.

No corrections have been made and no efforts, good faith or otherwise have been made
to seek correction from .

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Considering the 5 factors above, the excess benefit transactions demonstratable resulted in inurement. Therefore, revocation is warranted.

Conclusion:

tax exempt status under IRC §501(c)(3) should be revoked effective ,
, on the grounds of inurement. is required to file a Form 1120, U.S.
Corporation Income Tax Return, for the tax ended year and all future
years.