



Department of the Treasury
Internal Revenue Service
Tax Exempt Government Entities
PO BOX 1190
Mail Stop 7700
Ogden, UT 84402-1190

Date: May 22, 2024

Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Manager's contact information:

Name:

ID number:

Telephone:

Response due date:

June 21, 2024

Release Number: 202530011

Release Date: 7/25/2025

UIL Code: 501.03-00

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.

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,

A black rectangular box redacting the signature of Lynn Brinkley.

for Lynn Brinkley
Director, Exempt Organizations Examinations

Enclosures:

Form 886-A

Form 6018

Form 4621-A

Publication 892

Publication 3498-A

Form 886A	Department of the Treasury - Internal Revenue Service	Subject
	Explanation of Items	Proposed Revocation
Name of Taxpayer		Year/Period Ended

Date of Notice: [REDACTED]

Issues:

Whether [REDACTED] which qualified for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, should be revoked due to its failure to produce additional records to substantiate that the organization is meeting the organizational and operational tests.

Facts:

[REDACTED] applied for tax-exempt status by filing the Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code* and granted tax-exempt status as a 501(c)(3) on [REDACTED] 0.

An organization exempt under 501(c)(3) needs to be organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes and to foster national and amateur sports competition.

The organization was selected for audit to ensure that the activities and operations align with their approved exempt status.

The organization failed to respond appropriately to the Internal Revenue Service attempts to obtain additional information to clarify documents initially received to perform an audit of Form 990-EZ for the tax year ended [REDACTED].

The Form 1023-EZ application list the phone number of [REDACTED] for the president of [REDACTED].

The [REDACTED] website, it lists a name change to [REDACTED] Inc. on [REDACTED].

The [REDACTED] website shows a recent dissolution of the organization effective [REDACTED].

- Correspondence for the audit was as follows:
 - [REDACTED], Letter 6031 (Rev. 03-2022), *Initial Exam Appointment*, with Form 5464, Publication 1, Publication 3498-A, and Notice 609 attached, was mailed to the organization; response due date [REDACTED]. Letter was not return by the post office as being undeliverable

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Explanation of Items		
Name of Taxpayer [REDACTED]		Year/Period Ended [REDACTED]

- [REDACTED], Initial Interview scheduled with President [REDACTED].
- [REDACTED], Initial Interview conducted.
- [REDACTED], TCO received Voicemail from [REDACTED] requesting an extension to send documents because gathering records was proving to be difficult because of CPA's passing. TCO returned call and granted an extension to [REDACTED].
- [REDACTED], [REDACTED] called requesting more time and advise on how to reconstruct records to renegotiate extension to [REDACTED].
- [REDACTED], Letter 6031 (Rev. 03-2022), *Initial Exam Appointment*, with Form 4564, Publication 1, Publication 3498-A, and Notice 609, were resent to the organization, with an updated response due date of [REDACTED]. Letter was not return by the post office as being undeliverable.
- [REDACTED], Letter 6031 (Rev. 03-2022), *Initial Exam Appointment*, with a third Form 5464 *Information Document Request (IDR)*, detailing specific items that need clarification, Question and Answer (Q&A) document, with jurat statement, and applicable attachments.
- [REDACTED], Resent secure email with correction made to page 4 of the Q&A document. Mailed a copy of Letter 6031 (Rev. 03-2022), *Initial Exam Appointment*, with the third Information Document Request, detailing specific items that need clarification, Question and Answer (Q&A) document, with jurat statement, Publication 1, Publication 3498-A, and Notice 609, via certified mail (Article Number [REDACTED]), response due date [REDACTED].
- [REDACTED] TCO called [REDACTED], he verified that he had received certified letter and would send requested documents on [REDACTED].
- [REDACTED] TCO called [REDACTED] to inquire about documents that were promised on [REDACTED]. He indicated he would send them via FedEx that same day.
- [REDACTED], TCO called [REDACTED] to inquire about documents that were going to be sent via FedEx on [REDACTED]. Requested he fax the information on IDR and the FedEx receipt. Fax was received by TP.
- [REDACTED], TCO sent Email with a break-down of Revenue and Expenses from bank statement. TCO advised an all zero Form 990-EZ for tax

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period ended [REDACTED], was not acceptable, and needs to be corrected a 2nd time. TCO also advised that Articles of Organization need to be amended due to an unacceptable purpose statement and dissolution clause.

- [REDACTED], Received requested documentation via email
- [REDACTED], TCO sent email to [REDACTED] to advise contact with exam resolution would be made within 30 days.
- [REDACTED], TCO sent an email to request additional information from TP.
- [REDACTED], TCO sent email to [REDACTED] advising his documentation was received but is lacking what was requested.
- [REDACTED], TCO received email response from TP. His responses are vague and not applicable to information requested.
- [REDACTED], Letter 3844-A, *Follow-up Exempt Organizations Compliance Area*, sent with a due date of [REDACTED].
- [REDACTED], TCO sent an email to [REDACTED] requesting verification of receipt of IDR dated [REDACTED], with a due date of [REDACTED].
- [REDACTED], Email received from [REDACTED]. He requested another extension of time to provide requested documentation.
- [REDACTED], Letter 5798 (10-2016), *TE/GE Information Document Request Extension Notice*, sent to [REDACTED] on [REDACTED]. This letter was not return by the post office as being undeliverable.
- [REDACTED], TCO received email from [REDACTED] requesting an additional week. Extension request was denied. TP sent a 2nd email with responses requested on IDR. However, the responses were contradictory and incomplete.
- [REDACTED], Letter 5077-B, *TE/GE IDR Delinquency Notice*, was mailed to the organization. This letter was not return by the post office as being undeliverable.
- [REDACTED], Letter 907-A with attachments, Form 872, and Publication 1035, requesting to extend statute.

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- [REDACTED], TCO sent email with password protected Form 872 and requested President to date, sign, and return.
- [REDACTED], TCO received, dated, and signed, Form 872, via email from TP.
- [REDACTED], The Secretary of the State of [REDACTED] shows that [REDACTED] organization was dissolved on [REDACTED]. TCO sent email to TP, advising what actions the IRS requires for dissolution of Exempt Organizations.
- [REDACTED], TP responded to email stating his organization was not dissolved. TCO responded to email with attachments, Publication 4838 and a link to the Secretary of the State of [REDACTED] regarding actions to reinstate organization.
- [REDACTED], TCO sent email to [REDACTED] requesting a newly signed Form 872, with Employment tax added.
- [REDACTED] TP responded to email, TCO sent, with some questions regarding the Form 872. Response was sent.
- [REDACTED], TCO received signed copy of Form 872 from TP via email.

Law:

Internal Revenue Code (IRC) §501(c)(3) of the Code provides that an organization organized and operated exclusively for charitable or educational purposes is exempt from Federal income tax, provided no part of its net earnings inures to the benefit of any private shareholder or individual.

IRC §511 of the Internal Revenue Code imposes a tax at corporate rates under section 11 on the unrelated business taxable income of certain tax-exempt organizations.

IRC §6001 of the Code provides that every person liable for any tax imposed by this title, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules and regulations as the Secretary may from time to time prescribe. Whenever in the judgment of the Secretary it is necessary, he may require any person, by notice served upon such person or by regulations, to make such returns, render such statements, or keep such records, as the Secretary deems sufficient to show whether such person is liable for tax under this title.

IRC §6033(a)(1) of the Code provides, except as provided in section 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating

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specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms 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 (Regulation) 1.501(c)(3)-1 In order to be exempt under §501(c)(3) the organization must be both organized and operated exclusively for one or more of the purposes specified in the section. (religious, charitable, scientific, testing for public safety, literary or educational).

Regulation §1.501(c)(3)-1(a)(1) of the regulations 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.

Regulation §1.501(c)(3)-1(c)(1) of the regulations provides that an organization will not be regarded as "operated exclusively" for one or more exempt purposes described in section 501(c)(3) of the Code if more than an insubstantial part of its activities is not in furtherance of a 501(c)(3) purpose. Accordingly, the organization does not qualify for exemption under section 501(c)(3) of the Code.

Regulation §1.6001-1(c) of the Code provides that such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under section 501(a) shall keep such permanent books of account or records, including inventories, as are sufficient to show specifically the items of gross income, receipts and disbursements. Such organizations shall also keep such books and records as are required to substantiate the information required by section 6033. See section 6033 and §§ 1.6033-1 through 1.6033-3.

Regulation §1.6001-1(e) of the Code provides that the books or records required by this section shall be kept at all time available for inspection by authorized internal revenue officers or employees and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Regulation §1.6033-1(h)(2) of the regulations 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 purpose 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 section 6033.

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Regulation §1.61-1 of the regulations provides that Gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in money, property, or services. Income may be realized, therefore, in the form of services, meals, accommodations, stock, or other property, as well as in cash.

Rev. Rul. 59-95, 1959-1 C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of **IRC Section 6033** of the Code and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

Organizations Position

Taxpayer's position is unknown.

Governments Position

Based on the above facts, the organization did not respond to verify that they are organized and operated exclusively for one or more of the purposes specified in **IRC Section 501(c)(3)**. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

In accordance with the above-cited provisions of the Code and regulations under **Sections 6001 and 6033**, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

Section 1.6033-1(h)(2) of the regulations specifically state that exempt organizations shall submit additional information for the purpose on enabling the Internal Revenue Service to inquire further into its exempt status.

Using the rationale that was developed in Revenue Ruling 59-95, the Organization's failure to provide requested information should result in the termination of exempt status.

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Conclusion

It is the IRS's position that the organization failed to establish that it meets the reporting requirements under IRC §§ 6001 and 6033 to be recognized as exempt from federal income tax under IRC § 501(c)(3).

Furthermore, the organization has not established that it is observing the conditions required for the continuation of its exempt status or that it is organized and operated exclusively for an exempt purpose.

Based on the foregoing reasons, the organization does not qualify for exemption under section 501(c)(3) and its tax-exempt status should be revoked.