

Internal Revenue Service
Tax Exempt and Government Entities Division
Exempt Organizations: Examinations
MS: 4949 AUNW
12309 N. Mopac Expy.
Austin, TX 78758

Department of the Treasury

Release Number: **201509040**
Release Date: 2/27/2015
UIL Code: 501.03-08

Date:
June 25, 2014
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:
December 31, 20XX
Person to Contact/ID Number:

Contact Numbers:
Telephone:
Fax:
Manager's name/ID number:

Manager's contact number:

Response due date:
July 25, 2014

Certified Mail – Return Receipt Requested

Dear

Why you are receiving this letter

We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action- Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

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 revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Letter 3618 (Rev. 6-2012)

If you decide to contest this determination under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91st Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to these courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, D.C. 20217

United States Court of Federal Claims
717 Madison Place, NW
Washington, D.C. 20005

United States District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, D.C. 20001

You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Taxpayer Advocate

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Stephen A. Martin
Acting Director, EO Examinations

Enclosure:
Publication 892

Letter 3607(04-2002)
Catalog Number: 34198J

Internal Revenue Service
Tax Exempt and Government Entities Division
Exempt Organizations: Examinations
MS: 4949 AUNW
12309 N. Mopac Expy.
Austin, TX 78758

Department of the Treasury

Date:
June 25, 2014
Taxpayer Identification Number:

Form:
990-EZ Return
Tax Year(s) Ended:
December 31, 20XX
Person to Contact/ID Number:

Contact Numbers:
Telephone:
Fax:
Manager's name/ID number:

Manager's contact number:

Response due date:

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If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Letter 3618 (Rev. 6-2012)

Effect of revocation status

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Office of the Taxpayer Advocate

For additional information

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary A. Epps". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Mary A. Epps
Acting Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer	Tax Identification Number	Year/Period Ended December 31, 20XX

ISSUES

Whether the organization, , continues to qualify for exemption under Internal Revenue Code (IRC) section 501(c)(3).

FACTS

was granted exemption under IRC section 501(c)(3) as a publicly supported organization within the meaning of section 509(a)(1) and 170b(1)(A)(vi) on January 15, 19XX (effective July 1, 19XX). was incorporated in the State of on July 1, 19XX. The purpose of the organization is exclusively educational and charitable and is to (a) prevent juvenile crime, (b) promote citizenship and responsibility in its participants, and (c) allow the community to take an active part in solving juvenile cases.

According to the meeting minutes dated September 20XX, the board agreed to dissolve , and to donate all leftover funds to the (an organization exempt under IRC section 501(c)(3)), see Exhibit 1. filed a certificate of termination with the Secretary of State on June 6, 20XX, see Exhibit 2.

The organization filed an application for reinstatement and certificate of amendment to change the organizations name to with the Secretary of State on March 6, 20XX, see Exhibit 3. There were no board minutes or any other documentation to verify that the board agreed to reinstate the organization.

The Form 990-EZ for the year ended December 31, 20XX was filed and received by the IRS on May 20, 20XX. The return did not indicate that it was a final return, or that the organization had terminated. The return indicated that the organization changed its name to and the return reported \$ in revenue and \$ in expenses.

During a phone interview on May 27, 20XX, a member of the board, , confirmed that the City of operates the court program, and the has not had any activities since 20XX, and the board has no plans to start any activities in the near future. decided to reinstate the organization in March of 20XX so that the organization could keep their exempt status in case the organization chooses to raise funds for the court program in the future.

There were no financial records for the 20XX year and the organization never reopened a bank account when the organization was reinstated in March 20XX due to lack of funds and donations.

LAW

Form 886A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer	Tax Identification Number	Year/Period Ended December 31, 20XX

Internal Revenue Code (IRC) section 501(c)(3) exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Treasury Regulations section 1.501(c)(3)-1(a)(1) provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Treasury Regulations section 1.501(c)(3)-1(c)(1) provides 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).

Revenue Ruling 61-170, 1961-2 CB 112 ruled 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.

Revenue Ruling 59-95, 1959-1 C.B. 627 provides that the failure of an organization to provide requested information about its financial status and operations may result in revocation of its exempt status on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

TAXPAYER'S POSITION

During the examination, the board member, _____, declared that the organization has had no operational activities since 20XX. In addition, _____ stated that _____ wanted to keep the organization active to maintain the organization's exempt status in case the board chooses to start fundraising activities in the future.

The board member, _____, agreed to the revocation of the organization's exempt status, and signed Form 6018, Consent to Proposed Action – Section 7428, on July 21, 20XX.

GOVERNMENT'S POSITION

The organization's board agreed to dissolve _____ in September 20XX. The articles of termination were filed with the _____ Secretary of State on June 6, 20XX (when they became aware of the requirement to terminate). However, the organization did not notify the IRS that they had terminated, _____, a past board member, reinstated the organization with

Form 886A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer	Tax Identification Number	Year/Period Ended
		December 31, 20XX

the State of and changed the organizations name to on March 6, 20XX, so that the organization would be active in case they decided to raise funds in the future.

The organization did not have any financial records for the year ended December 31, 20XX, because the organization had closed the bank accounts in 20XX when the board agreed to dissolve. In addition, the organization has not had any operational activities during the 20XX year to present. The board member, , has confirmed that the organization has not had any activities since 20XX, and the board has no plans to start any activities in the near future.

The operational test under Treasury Regulations Section 1.501(c)(3)-1(c), is specifically related to an organization's activities. Even if an organization passes the organizational test by having adequate language regarding their charitable activities, they must pass the operational test to qualify for exemption under IRC section 501(c)(3).

To satisfy the operational test, an organization must engage primarily in activities which accomplish one or more of the exempt purposes specified in IRC section 501(c)(3), per Treasury Regulations section 1.501(c)(3)-1(c)(1).

The organization has not engaged in any activities which accomplish one or more of the exempt purposes specified in IRC section 501(c)(3), in the year under examination or the subsequent years, because the organization has not engaged in any activities. Furthermore, according to board member , the organization has no plans to conduct any exempt activity in the foreseeable future. wants to keep the exempt status in case wants to conduct a fundraiser. Based on the facts of the examination, the organization does not qualify for exemption under IRC section 501(c)(3) as an organization operated for an exempt purpose.

CONCLUSION

The organization does not qualify for exemption under section 501(c)(3) and its tax-exempt status should be revoked effective January 1, 20XX. Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.